

Financial Statements

(16th Fiscal Period: From August 1, 2019 to January 31, 2020)

Independent Auditor's Report

Balance Sheet

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KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Balance Sheet

As of January 31, 2020

	16th Fiscal Period as of January 31, 2020	15th Fiscal Period as of July 31, 2019
(in thousands of yen)		
ASSETS		
Current assets		
Cash and deposits (Notes 8 and 10)	¥10,978,807	¥10,296,548
Cash and deposits in trust (Notes 8 and 10)	10,187,104	9,903,118
Operating accounts receivable	37,373	36,005
Prepaid expenses	8,640	12,815
Other	589	856
Total current assets	21,212,515	20,249,344
Noncurrent assets		
Property, plant and equipment (Notes 15 and 20)		
Land	1,798,041	1,798,041
Buildings in trust	100,799,661	99,911,220
Accumulated depreciation	(11,698,397)	(10,381,143)
Buildings in trust, net	89,101,264	89,530,077
Structures in trust	1,089,011	1,073,137
Accumulated depreciation	(223,450)	(191,362)
Structures in trust, net	865,561	881,774
Machinery and equipment in trust	1,448,282	1,436,362
Accumulated depreciation	(353,874)	(321,177)
Machinery and equipment in trust, net	1,094,407	1,115,184
Tools, furniture and fixtures in trust	570,610	523,059
Accumulated depreciation	(81,223)	(65,444)
Tools, furniture and fixtures in trust, net	489,387	457,614
Land in trust	139,731,924	138,484,736
Total property, plant and equipment, net	233,080,586	232,267,430
Intangible assets		
Leasehold right in trust (Notes 15 and 20)	1,227,187	1,228,912
Other	4,787	5,563
Total intangible assets	1,231,974	1,234,475
Investments and other assets		
Investment securities (Notes 10 and 19)	-	2,398
Lease and guarantee deposits	89,097	89,097
Long-term prepaid expenses	945,375	1,014,728
Other	338	-
Total investments and other assets	1,034,810	1,106,223
Total noncurrent assets	235,347,371	234,608,129
Deferred assets		
Investment corporation bond issuance costs	49,303	35,327
Investment unit issuance costs	56,620	72,944
Total deferred assets	105,924	108,272
Total assets	¥256,665,810	¥254,965,747

	16th Fiscal Period as of January 31, 2020	15th Fiscal Period as of July 31, 2019
	(in thousands of yen)	
LIABILITIES		
Current liabilities		
Operating accounts payable	¥595,433	¥772,751
Short-term loans payable (Notes 10 and 22)	3,300,000	2,500,000
Current portion of long-term loans payable (Notes 10, 11 and 22)	10,100,000	13,200,000
Accounts payable-other	294,697	305,806
Accrued expenses	35,152	27,560
Income taxes payable	605	605
Accrued consumption taxes	53,827	21,474
Advances received	1,173,813	1,148,654
Deposits received	59,879	58,742
Other	4,090	10,098
Total current liabilities	15,617,497	18,045,693
Noncurrent liabilities		
Investment corporation bonds (Notes 10 and 21)	7,000,000	5,000,000
Long-term loans payable (Notes 10, 11 and 22)	107,250,000	105,200,000
Tenant leasehold and security deposits in trust	3,059,671	3,099,642
Tenant lump sum deposits in trust	4,689,541	4,493,753
Asset retirement obligations (Note 14)	67,522	67,338
Other	481,213	517,915
Total noncurrent liabilities	122,547,949	118,378,649
Total liabilities	138,165,447	136,424,343
NET ASSETS		
Unitholders' equity		
Unitholders' capital	99,731,514	99,731,514
Surplus		
Capital surplus	13,187,100	13,187,100
Voluntary retained earnings		
Reserve for temporary difference adjustments (Note 4)	1,960,000	1,980,000
Total voluntary retained earnings	1,960,000	1,980,000
Unappropriated retained earnings	4,072,277	4,125,881
Total surplus	19,219,377	19,292,981
Total unitholders' equity	118,950,891	119,024,495
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 10 and 11)	(450,527)	(483,092)
Total valuation and translation adjustments	(450,527)	(483,092)
Total net assets (Note 3)	118,500,363	118,541,403
Total liabilities and net assets	¥256,665,810	¥254,965,747

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Income and Retained Earnings

For the period from August 1, 2019 to January 31, 2020

	16th Fiscal Period from August 1, 2019 to January 31, 2020	15th Fiscal Period from February 1, 2019 to July 31, 2019
	(in thousands of yen)	
Operating revenues		
Rent revenue-real estate (Note 6)	¥7,472,039	¥7,342,246
Other lease business revenue (Note 6)	555,566	590,778
Gain on sales of real estate property (Note 6)	39,013	203,392
Total operating revenues	8,066,618	8,136,417
Operating expenses		
Expenses related to rent business (Note 6)	2,911,303	2,915,721
Asset management fees	576,676	562,274
Asset custody fees	13,836	13,404
Administrative service fees	46,625	45,950
Directors' compensation	8,100	8,100
Other operating expenses	249,665	231,968
Total operating expenses	3,806,207	3,777,419
Operating income	4,260,411	4,358,998
Non-operating income		
Interest income	41	38
Dividends and redemption-prescription	1,394	765
Interest on refund	-	463
Total non-operating income	1,435	1,268
Non-operating expenses		
Interest expenses	498,295	485,799
Interest expenses on investment corporation bonds	15,857	13,825
Borrowing expenses	112,332	100,264
Amortization of investment corporation bond issuance costs	3,534	3,243
Amortization of investment unit issuance costs	16,324	15,269
Other	1,500	-
Total non-operating expenses	647,845	618,402
Ordinary income	3,614,002	3,741,863
Income before income taxes	3,614,002	3,741,863
Income taxes (Note 13)		
Current	605	605
Total income taxes	605	605
Net income	3,613,397	3,741,258
Retained earnings brought forward	458,879	384,622
Unappropriated retained earnings	¥4,072,277	¥4,125,881

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Changes in Net Assets

For the period from August 1, 2019 to January 31, 2020

	Unitholders' equity						
	Surplus						Total unitholders' equity
	Unitholders' capital	Capital surplus	Voluntary retained earnings		Unappropriated retained earnings	Total surplus	
Reserve for temporary difference adjustments			Total voluntary retained earnings				
	(in thousands of yen)						
Balance as of January 31, 2019	¥93,226,228	¥13,187,100	¥2,000,000	¥2,000,000	¥3,875,050	¥19,062,150	¥112,288,379
Changes of items during the period							
Issuance of new investment units	6,505,285						6,505,285
Reversal of reserve for temporary difference adjustments			(20,000)	(20,000)	20,000	-	-
Dividends from surplus					(3,510,428)	(3,510,428)	(3,510,428)
Net income					3,741,258	3,741,258	3,741,258
Net changes of items other than unitholders' equity							
Total changes of items during the period	6,505,285	-	(20,000)	(20,000)	250,830	230,830	6,736,116
Balance as of July 31, 2019 (Note 7)	¥99,731,514	¥13,187,100	¥1,980,000	¥1,980,000	¥4,125,881	¥19,292,981	¥119,024,495
Changes of items during the period							
Reversal of reserve for temporary difference adjustments			(20,000)	(20,000)	20,000	-	-
Dividends from surplus					(3,687,001)	(3,687,001)	(3,687,001)
Net income					3,613,397	3,613,397	3,613,397
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	(20,000)	(20,000)	(53,604)	(73,604)	(73,604)
Balance as of January 31, 2020 (Note 7)	¥99,731,514	¥13,187,100	¥1,960,000	¥1,960,000	¥4,072,277	¥19,219,377	¥118,950,891

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	(in thousands of yen)		
Balance as of January 31, 2019	¥(337,222)	¥(337,222)	¥111,951,157
Changes of items during the period			
Issuance of new investment units			6,505,285
Reversal of reserve for temporary difference adjustment			-
Dividends from surplus			(3,510,428)
Net income			3,741,258
Net changes of items other than unitholders' equity	(145,870)	(145,870)	(145,870)
Total changes of items during the period	(145,870)	(145,870)	6,590,246
Balance as of July 31, 2019 (Note 7)	¥(483,092)	¥(483,092)	¥118,541,403
Changes of items during the period			
Reversal of reserve for temporary difference adjustments			-
Dividends from surplus			(3,687,001)
Net income			3,613,397
Net changes of items other than unitholders' equity	32,564	32,564	32,564
Total changes of items during the period	32,564	32,564	(41,039)
Balance as of January 31, 2020 (Note 7)	¥(450,527)	¥(450,527)	¥118,500,363

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Cash Flows

For the period from August 1, 2019 to January 31, 2020

	16th Fiscal Period from August 1, 2019 to January 31, 2020	15th Fiscal Period from February 1, 2019 to July 31, 2019
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,614,002	¥3,741,863
Depreciation and amortization	1,429,641	1,392,068
Amortization of investment corporation bond issuance costs	3,534	3,243
Amortization of investment unit issuance costs	16,324	15,269
Interest income	(41)	(38)
Interest expenses	514,152	499,624
Decrease (increase) in operating accounts receivable	(1,368)	(9,393)
Decrease (increase) in consumption taxes refund receivable	-	338,402
Decrease (increase) in prepaid expenses	4,175	(5,365)
Increase (decrease) in operating accounts payable	82,398	(109,149)
Increase (decrease) in accounts payable-other	(9,042)	7,522
Increase (decrease) in accrued consumption taxes	32,352	10,061
Increase (decrease) in advances received	25,159	52,372
Decrease (increase) in long-term prepaid expenses	69,352	45,046
Decrease in net property, plant and equipment held in trust due to sale	420,922	482,312
Other, net	4,194	(8,827)
Subtotal	6,205,759	6,455,011
Interest income received	41	38
Interest expenses paid	(519,985)	(509,888)
Income taxes (paid) refund	135	2,074
Net cash provided by (used in) operating activities	5,685,950	5,947,236
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(2,922,615)	(13,813,975)
Purchase of intangible assets in trust	-	(162,428)
Proceeds from investment securities	2,276	103,455
Payments for lease and guarantee deposits	(72)	(60,000)
Proceeds from lease and guarantee deposits	72	-
Repayments of tenant leasehold and security deposits in trust	(160,351)	(141,168)
Proceeds from tenant leasehold and security deposits in trust	120,380	558,072
Repayments of tenant lump sum deposits in trust	(72,386)	(79,827)
Proceeds from tenant lump sum deposits in trust	268,174	168,384
Net cash provided by (used in) investing activities	(2,764,521)	(13,427,488)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	800,000	2,500,000
Decrease in short-term loans payable	-	(2,050,000)
Proceeds from long-term loans payable	6,150,000	4,700,000
Repayments of long-term loans payable	(7,200,000)	(2,500,000)
Proceeds from issuance of investment corporation bonds	1,982,489	-
Proceeds from issuance of investment units	-	6,462,083
Dividends paid	(3,687,673)	(3,510,096)
Net cash provided by (used in) financing activities	(1,955,184)	5,601,986
Net increase (decrease) in cash and cash equivalents	966,243	(1,878,264)
Cash and cash equivalents at the beginning of period	20,199,667	22,077,932
Cash and cash equivalents at the end of period (Note 8)	¥21,165,911	¥20,199,667

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Notes to Financial Statements

For the period from August 1, 2019 to January 31, 2020

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Residential Next Investment Corporation (“the Investment Corporation”) was established on November 15, 2011 under the Act on Investment Trusts and Investment Corporations of Japan (“the Investment Trust Act”). On April 26, 2012, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange (Securities Code: 3278). The Investment Corporation implemented a 2-for-1 split of its investment units held by unitholders set forth or recorded in the final unitholder registry on February 28, 2018 with March 1, 2018 as the effective date. And also on March 1, 2018, the Investment Corporation conducted an absorption-type merger (“the Merger”) whereby the Investment Corporation was the surviving corporation and Japan Senior Living Investment Corporation (“JSL”) was the dissolving corporation.

After “the Merger”, the Investment Corporation raised funds through two public offerings and third-party allotment. As of January 31, 2020, the end of the 16th fiscal period, the number of investment units issued and outstanding totaled 907,458 units.

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a company that was formed with personnel from Kenedix, Inc. and adheres to the core philosophies of Kenedix, Inc., that is, to provide management services from the perspective of real estate investors as an independent real estate management company. As the asset manager, the Asset Management Company shall provide flexible and speedy real estate investment and management services based on the strategies of the Investment Corporation: “Flexible pursuit for appropriate investment and profit opportunities with comprehension of the real estate market trends” and “Speedy execution based on expeditious information collection and judgement.”

During the 16th fiscal period, the Investment Corporation acquired 2 residential properties (total acquisition price of ¥1,914 million) and sold 1 residential property (acquisition price of ¥400 million, disposition price of ¥480 million). As the result, the Investment Corporation has a portfolio comprised of 144 properties (total acquisition price of ¥234,766 million) as of January 31, 2020, the end of the 16th fiscal period. The portfolio consists of 119 residential properties (total acquisition price of ¥178,887 million), 24 healthcare properties (total acquisition price of ¥54,128 million) and 1 other property (acquisition price of ¥1,750 million).

The occupancy rates of the overall portfolio including land with leasehold interest were 97.5% and 97.6% as of the end of the 15th and 16th fiscal period, respectively. Furthermore, the average occupancy rates of the properties for residential and healthcare were 96.5% and 100.0% as of the end of 16th fiscal period.

During the 15th and 16th fiscal period, the Investment Corporation made borrowings of ¥4,300 million and ¥5,000 million for the repayment of debt matured. During the 15th fiscal period, the Investment Corporation made new borrowings of ¥2,900 million upon acquiring properties. During the 16th fiscal period, the Investment Corporation made new borrowings of ¥1,950 million upon acquiring properties and partially paid off loan amounting to 2,000 million yen from the investment corporation bonds issued. As a result, the balance of borrowings as of the end of the 15th and 16th fiscal period stood at ¥120,900 million and ¥120,650 million, respectively. The balance of interest-bearing debt including investment corporation bonds as of the end of the 15th and 16th periods, was ¥ 125,900 million and ¥ 127,650 million, respectively.

Basis of Presentation

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements of the Investment Corporation, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Investment Corporation filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include certain information that might not be required under Japanese GAAP but is presented herein as additional information.

The Investment Corporation fiscal period is a six-month period which ends at the end of January or July. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

Other securities without market value are stated using the moving average cost method. Equity investments in an anonymous association are stated, the amount equivalent to the corresponding equity interests including net amount of gain or loss from the anonymous association.

(B) Property and Equipment (including trust assets)

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
Buildings	2-69 years	2-69 years
Structures	3-65 years	3-65 years
Machinery and equipment	8-40 years	8-40 years
Tools, furniture and fixtures	2-30 years	2-30 years

(C) Intangible Assets(including trust assets)

Intangible assets are amortized by the straight-line method. Fixed-term leaseholds are amortized by the straight-line method based on the contract period.

(D) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

(E) Unit Issuance Costs

Unit issuance costs are amortized over a period of 3 years under the straight-line method.

(F) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are amortized over a maturity period under the straight-line method.

(G) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all relevant assets and liabilities in trust are recorded on the balance sheet and the statement of income and retained earnings.

(H) Revenue Recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease.

(I) Taxes on Property and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥33,037 thousand and ¥1,263 thousand as of July 31, 2019 and January 31, 2020, respectively.

(J) Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rates.

(K) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(L) Derivative Financial Instruments

The Investment Corporation enters into derivative transactions to hedge risks prescribed in its Articles of Incorporation based on its risk management policies. The Investment Corporation hedges interest rate volatility risk of its interest payments on its borrowings by utilizing interest rate swap as hedging instruments.

As for the method of assessment of the effectiveness of the hedge in the period from the inception of the hedge to the time of judgment of its effectiveness, the cumulative changes in cash flow of the hedged items and hedging instruments are compared and a judgment is made based on changed amount, etc. However, an assessment of the effectiveness of hedging activities is omitted in the case of interest rate swaps and other derivatives that meet the requirements for special treatment.

(M) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

(N) Presentation of Amounts

Amounts of less than one thousand yen are truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts are rounded down and ratios are rounded off in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

3. NET ASSETS

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required by the Investment Trust Act.

4. RESERVE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

As of January 31, 2020

The following summarizes reserve for temporary difference adjustments.

	Initial amount	Balance at the beginning of the period	Reserve during the period	Reversal during the period	Balance at the end of the period	Reason for reserve and reversal
(in thousands of yen)						
Gain on negative goodwill*	¥2,000,000	¥1,980,000	¥ -	¥20,000	¥1,960,000	Appropriation for cash distribution

* The Investment Corporation reserved part of gain on negative goodwill incurred in the 13th fiscal period as reserve for temporary difference adjustments. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period starting from the next fiscal period after the fiscal period, in which the initial amount was reserved.

As of July 31, 2019

The following summarizes reserve for temporary difference adjustments.

	Initial amount	Balance at the beginning of the period	Reserve during the period	Reversal during the period	Balance at the end of the period	Reason for reserve and reversal
(in thousands of yen)						
Gain on negative goodwill*	¥2,000,000	¥2,000,000	¥ -	¥20,000	¥1,980,000	Appropriation for cash distribution

* The Investment Corporation reserved part of gain on negative goodwill incurred in the 13th fiscal period as reserve for temporary difference adjustments. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period starting from the next fiscal period after the fiscal period, in which the initial amount was reserved.

5. COMMITMENT LINE CONTRACTS

KDR has commitment line contracts with the banks with which it does business.

	As of January 31, 2020	As of July 31, 2019
(in thousands of yen)		
Total amount of commitment line contracts	¥4,500,000	¥ -
Balance of loans payable outstanding	-	-
Remaining amount	¥4,500,000	¥ -

6. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY

Rental and other operating revenues and property-related expenses for the periods from August 1, 2019 to January 31, 2020 and from February 1, 2019 to July 31, 2019 consist of the following:

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
(in thousands of yen)		
A. Rental and other operating revenues:		
Rental revenues	¥7,089,789	¥6,964,736
Rental revenues from limited proprietary rights of land	43,749	43,750
Common area charges	338,499	333,759
Subtotal	7,472,039	7,342,246
Others:		
Parking space rental revenues	206,829	206,653
Miscellaneous	348,736	384,125
Subtotal	555,566	590,778
Total rental and other operating revenues	¥8,027,605	¥7,933,025
B. Property-related expenses:		
Property management fees and facility management fees	¥409,507	¥425,193
Utilities	95,299	95,304
Taxes	475,323	476,820
Repairs and maintenance	281,724	300,657
Insurance	12,023	11,671
Trust fees	55,272	53,335
Depreciation	1,428,865	1,391,292
Others	153,286	161,445
Total property-related expenses	¥2,911,303	¥2,915,721
C. Net operating income from real estate rental business (A-B)	¥5,116,301	¥5,017,303

Gain on sales of real estate property:

From August 1, 2019 to January 31, 2020

(in thousands of yen)

Melody Heim Gotenyama

Revenue from sale of real estate property	¥480,000
Cost of real estate property	420,922
Other sales expenses	20,063
Gain on sales of real estate property	¥39,013

From February 1, 2019 to July 31, 2019

(in thousands of yen)

KDX Residence Shin-Osaka

Revenue from sale of real estate property	¥690,000
Cost of real estate property	482,312
Other sales expenses	4,295
Gain on sales of real estate property	¥203,392

7. UNITHOLDERS' EQUITY

Total number of authorized investment units and total number of investment units issued and outstanding are as follows:

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	907,458 units	907,458 units

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of January 31, 2020 and July 31, 2019:

	As of January 31, 2020	As of July 31, 2019
	(in thousands of yen)	
Cash and deposits	¥10,978,807	¥10,296,548
Cash and deposits in trust	10,187,104	9,903,118
Cash and cash equivalents	¥21,165,911	¥20,199,667

9. LEASES

The Investment Corporation, as lessee, has entered into Fixed-term lease contract whereby fixed monthly rents are due in advance. The future minimum rental expenses under existing non-cancelable operating leases as of January 31, 2020 and July 31, 2019 are as follows:

	As of January 31, 2020	As of July 31, 2019
	(in thousands of yen)	
Due in 1 year	¥12,000	¥12,000
Due after 1 year	545,000	551,000
Total	¥557,000	¥563,000

The Investment Corporation, as lessor, has entered into leases whereby fixed monthly rents are due in advance with a lease term of generally two years for residential properties. The future minimum rental revenues under existing non-cancelable operating leases as of January 31, 2020 and July 31, 2019 are as follows:

	As of January 31, 2020	As of July 31, 2019
	(in thousands of yen)	
Due in 1 year	¥3,238,403	¥3,265,232
Due after 1 year	19,714,966	20,920,160
Total	¥22,953,370	¥24,185,392

10. FINANCIAL INSTRUMENTS

(A). Overview

(1) Policy for financial instruments

The Investment Corporation procures funds for asset acquisitions, repairs, payment of distributions, repayment of loans, etc. through loans from financial institutions, issuance of investment corporation bonds, issuance of investment units and other means. With regard to the procurement of interest-bearing debts, the Investment Corporation ensures that it can effectively combine stable long-term funds with flexible short-term funds. Management of surplus funds is undertaken through various bank deposits focusing on safety, liquidity and effectiveness. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and other risks and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk

Bank deposits are for managing the Investment Corporation's surplus funds and are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited. Investment securities represent equity investments in an anonymous association and are exposed to credit risk of the issuer, risk of fluctuation of value of its property and interest rate fluctuation risk.

Borrowings and investment corporation bonds are made primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 8 years and 8 months for borrowings and also have a redemption date of a maximum of 9 years and 10 months for investment corporation bonds as of January 31, 2020, the end of the 16th fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

(3) Risk management for financial instruments

a. Credit risk

While bank deposits are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited, such risk is monitored by deposits in non-interest bearing ordinary savings accounts or with financial institutions with credit ratings above a certain level. Investment securities represent equity investments in an anonymous association and are exposed to credit risk of the issuer and interest rate fluctuation risk. To manage this credit risk, the Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. In utilizing derivatives, the Investment Corporation aims to mitigate counterparty risk such as by transacting with financial institutions with favorable ratings.

b. Market risk

While borrowings with floating rates are exposed to interest rate volatility risk, such risk is monitored by adjusting the rate of the balance of borrowings with floating rates against the total borrowings according to the financial environment, interest rate forecasts by continuous monitoring, etc. and by using derivatives, etc. While investment securities, which are equity investments in an anonymous association, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives, and such transactions are entered into based on this policy.

c. Liquidity risk

Though borrowings are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by diversifying financial institutions. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(B). Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet and estimated fair value are shown in the following table.

As of January 31, 2020

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥10,978,807	¥10,978,807	¥ -
(2) Cash and deposits in trust	10,187,104	10,187,104	-
Subtotal	21,165,911	21,165,911	-
(1) Short-term loans payable	3,300,000	3,300,000	-
(2) Current portion of long-term loans payable	10,100,000	10,112,003	12,003
(3) Investment corporation bonds	7,000,000	7,024,300	24,300
(4) Long-term loans payable	107,250,000	107,913,233	663,233
Subtotal	127,650,000	128,349,537	699,537
Derivative transactions*	¥(450,527)	¥(450,527)	¥ -

* Figures indicate net amount of derivative assets/liabilities derived from derivative transactions, with minus representing net liabilities

As of July 31, 2019

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥10,296,548	¥10,296,548	¥ -
(2) Cash and deposits in trust	9,903,118	9,903,118	-
Subtotal	20,199,667	20,199,667	-
(1) Short-term loans payable	2,500,000	2,500,000	-
(2) Current portion of long-term loans payable	13,200,000	13,198,325	(1,674)
(3) Investment corporation bonds	5,000,000	5,036,600	36,600
(4) Long-term loans payable	105,200,000	106,075,204	875,204
Subtotal	125,900,000	126,810,130	910,130
Derivative transactions*	¥(483,092)	¥(483,092)	¥ -

* Figures indicate net amount of derivative assets/liabilities derived from derivative transactions, with minus representing net liabilities.

Note 1: Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions

Assets

(1) Cash and deposits and (2) Cash and deposits in trust

Since these items are settled in a short period of time, their carrying amount approximates fair value.

Liabilities

(1) Short-term loans payable

Since these items are settled in a short period of time with floating interest rates, their carrying amount approximates fair value.

(2) Current portion of long-term loans payable and (4) Long-term loans payable

Among these items, the fair value of loans payable with fixed interest rates is calculated based on the present value, which is the total amount of principal and interest discounted by the estimated interest rate to be applied in the event that the Investment Corporation conducts new borrowings of the same type. As for the fair value of loans payable with floating interest rates, it is based on the carrying amount since market interest rates are reflected in the short term and the fair value is believed to approximate the carrying amount as the credit standing of the Investment Corporation has not changed significantly since the loans were made. (However, the fair value of long-term loans payable subject to the special treatment for interest-rate swaps is based on the present value of the total of principal and interest, accounted for together with the applicable interest-rate swaps, discounted by the estimated interest rate to be applied in the event that the Investment Corporation conducts new borrowings of the same type.)

(3) Investment corporation bonds

The fair value of investment corporation bonds is based on quoted market prices.

Derivative transactions

Please refer to Note 11 "DERIVATIVE TRANSACTIONS".

Note 2: Financial instruments whose fair values are extremely difficult to recognize

(in thousands of yen)

Classification	As of January 31, 2020	As of July 31, 2019
Investment securities *	¥ -	¥2,398

*Fair values of investment securities are not subject to disclosure of fair value as they have no market value and their fair values are extremely difficult to recognize.

Loss on valuation of investment securities of ¥5,942 thousand was recognized in the fiscal period ended July 31, 2019.

Note 3: Redemption schedule for financial assets with maturities

As of January 31, 2020

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Cash and deposits	¥10,978,807	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	10,187,104	-	-	-	-	-
Total	¥21,165,911	¥ -	¥ -	¥ -	¥ -	¥ -

As of July 31, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Cash and deposits	¥10,296,548	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	9,903,118	-	-	-	-	-
Total	¥20,199,667	¥ -	¥ -	¥ -	¥ -	¥ -

Note 4: Redemption schedule for loans payable and investment corporation bonds

As of January 31, 2020

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Short-term loans payable	¥3,300,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	1,000,000	-	1,000,000	-	5,000,000
Long-term loans payable	10,100,000	14,400,000	18,250,000	14,400,000	12,000,000	48,200,000
Total	¥13,400,000	¥15,400,000	¥18,250,000	¥15,400,000	¥12,000,000	¥53,200,000

As of July 31, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Short-term loans payable	¥2,500,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	1,000,000	-	1,000,000	3,000,000
Long-term loans payable	13,200,000	9,450,000	19,650,000	11,550,000	12,800,000	51,750,000
Total	¥15,700,000	¥9,450,000	¥20,650,000	¥11,550,000	¥13,800,000	¥54,750,000

11. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of January 31, 2020 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Total	Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥60,950,000	¥53,450,000	¥(450,527)	Based on the amount provided by counterparty financial institutions
Special treatment for interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	36,800,000	33,200,000	*	-
	Total		¥97,750,000	¥86,650,000	¥(450,527)	-

*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable.

The contract amount and the fair value of interest-rate swap transactions as of July 31, 2019 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Total	Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥56,200,000	¥48,700,000	¥(483,092)	Based on the amount provided by counterparty financial institutions
Special treatment for interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	38,300,000	36,800,000	*	-
	Total		¥94,500,000	¥85,500,000	¥(483,092)	-

*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable.

12. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

16th Fiscal Period (August 1, 2019 to January 31, 2020) and 15th Fiscal Period (February 1, 2019 to July 31, 2019): Not applicable

2. Affiliated companies and other

16th Fiscal Period (August 1, 2019 to January 31, 2020) and 15th Fiscal Period (February 1, 2019 to July 31, 2019): Not applicable

3. Fellow subsidiary companies and other

16th Fiscal Period (August 1, 2019 to January 31, 2020) and 15th Fiscal Period (February 1, 2019 to July 31, 2019): Not applicable

4. Directors, major individual unitholders and other

16th Fiscal Period (August 1, 2019 to January 31, 2020) and 15th Fiscal Period (February 1, 2019 to July 31, 2019): Not applicable

13. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥3,687 million and ¥3,687 million for the periods ended January 31, 2020 and July 31, 2019, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on the Investment Corporation's income were 0.02% for the periods ended January 31, 2020 and July 31, 2019. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(30.94)	(31.04)
Others	(0.55)	(0.45)
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of January 31, 2020 and July 31, 2019 are as follows:

	As of January 31, 2020	As of July 31, 2019
	(in thousands of yen)	
Deferred tax assets:		
Valuation difference on assets acquired by merger	¥697,994	¥720,920
Deferred gains or losses on hedges	141,875	152,608
Asset retirement obligations	21,242	21,272
Loss on valuation of investment securities	-	1,872
Amortization of leasehold right in trust	723	181
Other	20	-
Subtotal deferred tax assets	861,856	896,855
Valuation allowance	(861,856)	(896,855)
Total deferred tax assets	¥ -	¥ -
Net deferred tax assets	¥ -	¥ -

14. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

The Investment corporation has recognized the original state restoration obligations assumed under the general fixed-term land leasehold agreement as the asset retirement obligations in connection with Arute Ishiyagawa acquired on June 3, 2019.

2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated based on a discount rate of 0.54711% and the useful life has been estimated to be 47 years and one month based on the time period from the date of acquisition to the expiration of the agreement.

3. Changes in the amount of applicable asset retirement obligations consisted of the following

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
	(in thousands of yen)	
Balance at the beginning of period	¥67,338	¥ -
Increase due to acquisition of tangible fixed assets	-	67,277
Accretion adjustment	184	61
Balance at the end of period	¥67,522	¥67,338

15. INVESTMENT AND RENTAL PROPERTIES

The Investment Corporation owns real estate for rental purposes in the Tokyo Metropolitan Area and other regional areas for the purpose of generating rental revenues.

The book value and fair value concerning the above real estate for rental purposes are as follows.

	16th Fiscal Period from August 1, 2019 to January 31, 2020	15th Fiscal Period from February 1, 2019 to July 31, 2019
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥233,496,342	¥221,356,688
Changes during the period	811,431	12,139,653
Balance at the end of period	234,307,773	233,496,342
Fair value at the end of period	¥279,986,000	¥273,676,000

Note 1: Book value excludes accumulated depreciation from acquisition costs.

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the 16th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 2 properties totaling ¥2,006,136 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥420,922 thousand and depreciation of ¥1,428,681 thousand, and during the 15th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 6 properties totaling ¥13,400,965 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥482,312 thousand and depreciation of ¥1,391,231 thousand.

Note 3: The fair value is the appraisal value or the survey value determined by outside appraisers. In addition, the fair value at the end of 16th fiscal period of KDX Residence Izumi Chuo, which was sold on February 28, 2020, is based on the sales prices (¥540,000 thousand) under the trust beneficiary interest sales contracts entered into on January 29, 2020.

Income and loss in the fiscal periods ended January 31, 2020 and July 31, 2019 for real estate for rental purposes is listed in Note 6 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY".

16. SEGMENT AND RELATED INFORMATION

Segment and related information for the period ended from August 1, 2019 to January 31, 2020 and from February 1, 2019 to July 31, 2019 is as follows:

(A) Segment information

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

(B) Related information

(1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenue on the statement of income and retained earnings.

(2) Information about each geographic area

(a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenue on the statement of income and retained earnings.

(b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about each major customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenue on the statement of income and retained earnings.

17. PER UNIT INFORMATION

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
Net asset value per unit	¥130,584	¥130,630
Net income per unit	¥3,981	¥4,142
Weighted average number of units (units)	907,458	903,243

The weighted average number of units outstanding of 907,458 and 903,243 were used for the computation of the amount of net income per unit as of January 31, 2020 and July 31, 2019, respectively.

Net income per unit after adjusting for residual units is not included because there were no residual investment units.

The basis for calculating net income per unit is as follows:

	From August 1, 2019 to January 31, 2020	From February 1, 2019 to July 31, 2019
Net income (in thousands of yen)	¥3,613,397	¥3,741,258
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥3,613,397	¥3,741,258
Weighted average number of units during the period (units)	907,458	903,243

18. SIGNIFICANT SUBSEQUENT EVENTS

Issuance of New Investment Units

On February 10, 2020 and February 19, 2020, the Board of Directors of the Investment Corporation resolved to issue new investment units as the funds for acquiring specified assets and other use. Payments for the issuance of new investment units through public offering have been completed on February 26, 2020.

As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥108,550,294,003 with 951,258 investment units outstanding as of February 26, 2020.

With regard to the secondary offering through over-allotment, the allottee SMBC Nikko Securities Inc. decided not to subscribe for any new investment units. As a result, no units were issued through third party allotment.

(Issuance of New Investment Units through Public Offering)

Issuance of new investment units	: 43,800 units
Issue price (Offer price)	: ¥208,065 per unit
Aggregate issue price (Total offer price)	: ¥9,113,247,000
Issue amount (Paid-in value)	: ¥201,342 per unit
Total issue amount (Aggregate paid-in value)	: ¥8,818,779,600
Payment date	: February 26, 2020

19. SECURITIES PORTFOLIO

Securities portfolio consists of the following as of January 31, 2020:

- (1) Stock Not applicable
- (2) Securities other than shares Not applicable

Securities portfolio consists of the following as of July 31, 2019:

- (1) Stock Not applicable
- (2) Securities other than shares

(in thousands of yen)

Type	Name	Face value total	Book value	Accrued interest	Prepaid accrued interest	Assessed value (Note 2)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic III as operator (Note 1)	-	2,398	-	-	2,398	-	
Total		-	2,398	-	-	2,398	-	

Note 1: TK property fund owns trust beneficiary interests in real estate for "Serabi Ebisu" and "Arute Ishiyagawa." Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the above two mentioned properties on June 3, 2019

Note 2: The assessed value is stated at the book value. Furthermore, loss on valuation of investment securities of ¥5,942 thousand was recognized in the fiscal period ended July 31, 2019.

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASETS

Property, plant and equipment consist of the following as of January 31, 2020

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Land	¥1,798,041	¥ -	¥ -	¥1,798,041	¥ -	¥ -	¥1,798,041	
Sub total	1,798,041	-	-	1,798,041	-	-	1,798,041	
Buildings in trust	99,911,220	1,067,512	179,071	100,799,661	11,698,397	1,346,387	89,101,264	Notes 1 and 2
Structures in trust	1,073,137	15,874	-	1,089,011	223,450	32,087	865,561	
Machinery and equipment in trust	1,436,362	11,920	-	1,448,282	353,874	32,697	1,094,407	
Tools, furniture and fixtures in trust	523,059	47,786	236	570,610	81,223	15,784	489,387	
Land in trust	138,484,736	1,519,804	272,617	139,731,924	-	-	139,731,924	Notes 1 and 2
Sub total	241,428,516	2,662,898	451,924	243,639,490	12,356,945	1,426,956	231,282,545	
Total	243,226,558	2,662,898	451,924	245,437,532	12,356,945	1,426,956	233,080,586	
Intangible assets								
Leasehold right in trust	1,229,487	-	-	1,229,487	2,299	1,724	1,227,187	
Other	7,762	-	-	7,762	2,975	776	4,787	
Total	¥1,237,249	¥ -	¥ -	¥1,237,249	¥5,275	¥2,501	¥1,231,974	

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the real estate properties and capital expenditures.

Note2: The amount of decrease during the period is primarily attributable to the sales of the real estate property.

Property, plant and equipment consist of the following as of July 31, 2019:

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Land	¥1,798,041	¥ -	¥ -	¥1,798,041	¥ -	¥ -	¥1,798,041	
Sub total	1,798,041	-	-	1,798,041	-	-	1,798,041	
Buildings in trust	95,077,289	5,144,241	310,310	99,911,220	10,381,143	1,313,277	89,530,077	Notes 1 and 2
Structures in trust	947,729	127,706	2,298	1,073,137	191,362	30,813	881,774	
Machinery and equipment in trust	1,429,327	7,035	-	1,436,362	321,177	32,586	1,115,184	
Tools, furniture and fixtures in trust	473,614	49,958	513	523,059	65,444	13,978	457,614	
Land in trust	130,189,152	8,521,826	226,242	138,484,736	-	-	138,484,736	Notes 1 and 2
Sub total	228,117,113	13,850,768	539,365	241,428,516	10,959,127	1,390,656	230,469,388	
Total	229,915,155	13,850,768	539,365	243,226,558	10,959,127	1,390,656	232,267,430	
Intangible assets								
Leasehold right in trust	1,067,058	162,428	-	1,229,487	574	574	1,228,912	
Other	7,762	-	-	7,762	2,199	776	5,563	
Total	¥1,074,821	¥162,428	¥ -	¥1,237,249	¥2,774	¥1,351	¥1,234,475	

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the real estate properties and capital expenditures.

Note2: The amount of decrease during the period is primarily attributable to the sales of the real estate property.

21. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of January 31, 2020 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
		(in thousands of yen)						
First series of unsecured investment corporation bonds (Note 1)	August 30, 2016	¥1,000,000	¥ -	¥1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.540%	August 28, 2026		
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028	(Note2)	Unsecured
Fourth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	1,000,000	-	1,000,000	0.410%	November 30, 2023		
Fifth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	1,000,000	-	1,000,000	0.850%	November 30, 2028		
Sixth series of unsecured investment corporation bonds (Social bond) (Note 1)	December 20, 2019	-	-	2,000,000	0.750%	December 20, 2029	(Note3)	Unsecured
Total		¥5,000,000	¥ -	¥7,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Investment corporation bonds were used as the funds for the acquisition of social eligible assets.

Note 4: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
	(in thousands of yen)				
Investment corporation bonds	¥ -	¥1,000,000	¥ -	¥1,000,000	¥ -

Outstanding Investment corporation bonds as of July 31, 2019 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
		(in thousands of yen)						
First series of unsecured investment corporation bonds (Note 1)	August 30, 2016	¥1,000,000	¥ -	¥1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.540%	August 28, 2026		
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028	(Note2)	Unsecured
Fourth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	1,000,000	-	1,000,000	0.410%	November 30, 2023		
Fifth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	1,000,000	-	1,000,000	0.850%	November 30, 2028		
Total		¥5,000,000	¥ -	¥5,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
	(in thousands of yen)				
Investment corporation bonds	¥ -	¥ -	¥1,000,000	¥ -	¥1,000,000

22. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt and long-term debt consist of the following as of January 31, 2020

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	¥ -	¥ -	¥1,000,000	0.422%	February 28, 2020	(Note 6)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.374%	July 31, 2020		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.324%	July 31, 2020		
	Sumitomo Mitsui Banking Corporation	-	800,000	-	800,000	0.419%	January 31, 2021		
	Sub total	2,500,000	800,000	-	3,300,000				
Current portion of long-term loans payable	MUFG Bank, Ltd.	1,500,000	-	1,500,000	-	0.689%	November 30, 2019	(Note 6)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 8)	1,500,000	-	1,500,000	-				
	MUFG Bank, Ltd. (Note 8)	1,400,000	-	1,400,000	-				
	Mizuho Bank, Ltd. (Note 8)	900,000	-	900,000	-				
	Shinsei Bank, Limited	500,000	-	500,000	-	0.447%	January 31, 2020		
	Resona Bank, Limited (Note 8)	400,000	-	400,000	-				
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	300,000	-				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-				
	Aozora Bank, Ltd.	200,000	-	200,000	-				
	The Bank of Fukuoka, Ltd.	200,000	-	200,000	-				
	Shinsei Bank, Limited	1,750,000	-	-	1,750,000				
	Sumitomo Mitsui Banking Corporation	1,750,000	-	-	1,750,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.729%	July 29, 2020		
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd. (Note 2)	1,000,000	-	-	1,000,000	1.109%	January 31, 2021		
	Sumitomo Mitsui Banking Corporation (Note 2)	2,000,000	-	-	2,000,000	0.804%	November 30, 2020		
	Aozora Bank, Ltd. (Note 2)	300,000	-	-	300,000	0.678%	August 31, 2020		
	MUFG Bank, Ltd. (Note 2)	300,000	-	-	300,000	0.624%	October 27, 2020		
MUFG Bank, Ltd. (Note 2)	500,000	-	-	500,000	0.447%	August 31, 2020			
Sub total	17,300,000	-	7,200,000	10,100,000					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.221%	July 31, 2021	(Note 6)	Unsecured/ Unguaranteed
	Aozora Bank, Ltd.	1,350,000	-	-	1,350,000	1.183%	March 31, 2021		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.267%	April 30, 2022		
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	1.267%	April 30, 2022		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Resona Bank, Limited	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	MUFG Bank, Ltd.	1,100,000	-	-	1,100,000				
	Mizuho Bank, Ltd.	600,000	-	-	600,000	0.916%	August 7, 2021		
	Aozora Bank, Ltd.	350,000	-	-	350,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.996% (Note 5)	August 7, 2021		
Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%	August 7, 2023			
MUFG Bank, Ltd.	400,000	-	-	400,000					

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Limited	200,000	-	-	200,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000	1.254%	August 7, 2023		
	Aozora Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000	1.320% (Note 5)	August 7, 2023		
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.945%	August 31, 2021		
	MUFG Bank, Ltd.	600,000	-	-	600,000	0.945%	August 31, 2021		
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.945%	August 31, 2021		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.083%	November 30, 2022		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.875%	January 31, 2022		
	MUFG Bank, Ltd.	1,200,000	-	-	1,200,000	1.105%	January 31, 2024		
	Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	0.875%	April 30, 2022		
	Resona Bank, Limited	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
	MUFG Bank, Ltd.	2,000,000	-	-	2,000,000	1.100%	April 30, 2024		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.265%	April 30, 2025		
	Shinsei Bank, Limited	1,100,000	-	-	1,100,000				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.115%	July 29, 2022		
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Sompo Japan Insurance Inc. (Note 9)	1,000,000	-	-	1,000,000				
	Resona Bank, Limited	1,100,000	-	-	1,100,000	0.923%	August 31, 2022		
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000	0.923%	August 31, 2022		
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
	MUFG Bank, Ltd.	1,700,000	-	-	1,700,000	1.169%	August 31, 2024		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.169%	August 31, 2024		
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.345%	August 31, 2025	(Note 6)	Unsecured/ Unguaranteed
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	1.193% (Note 5)	August 31, 2024		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.819%	April 28, 2025		
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000	0.903%	April 30, 2026		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.660% (Note 5)	July 31, 2025		
	Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.816% (Note 5)	August 31, 2026		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.713%	August 31, 2024		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.797%	August 31, 2025		
	Resona Bank, Limited	500,000	-	-	500,000	0.797%	August 31, 2025		
	MUFG Bank, Ltd.	2,000,000	-	-	2,000,000	0.670% (Note 5)	August 31, 2025		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.751% (Note 5)	August 31, 2025		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.773% (Note 5)	October 31, 2025		
	Resona Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
	Mizuho Trust & Banking Co., Ltd.	1,200,000	-	-	1,200,000	0.928% (Note 5)	August 22, 2027		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.928% (Note 5)	August 22, 2027		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.928% (Note 5)	August 22, 2027		
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000	0.928% (Note 5)	August 22, 2027		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.501%	February 28, 2023		

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
	MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.501%	February 28, 2023		
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	0.582%	February 29, 2024		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.624%	August 31, 2024		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.661% (Note 5)	August 31, 2024		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.665%	February 28, 2025		
	Resona Bank, Limited	1,000,000	-	-	1,000,000	0.749%	February 28, 2026		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.749%	February 28, 2026		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.409%	July 31, 2021		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	0.409%	July 31, 2021		
	MUFG Bank, Ltd.	500,000	-	-	500,000	0.409%	July 31, 2021		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.409%	July 31, 2021		
	Nippon Life Insurance Company	500,000	-	-	500,000	0.900% (Note 5)	January 30, 2027		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	MUFG Bank, Ltd.	1,400,000	-	-	1,400,000				
	Mizuho Bank, Ltd.	900,000	-	-	900,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000				
	Nippon Life Insurance Company	500,000	-	-	500,000				
	Resona Bank, Limited	400,000	-	-	400,000	0.799%	February 2, 2026		
	Shinsei Bank, Limited	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
Long-term loans payable	Aozora Bank, Ltd.	300,000	-	-	300,000			(Note 6)	Unsecured/ Unguaranteed
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.509%	August 31, 2022		
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.509%	August 31, 2022		
	Development Bank of Japan Inc.	1,600,000	-	-	1,600,000	0.498% (Note 5)	August 31, 2022		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.592%	August 31, 2023		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.592%	August 31, 2023		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.592%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,050,000	-	-	1,050,000	0.914%	February 28, 2027		
	Resona Bank, Limited	500,000	-	-	500,000	0.914%	February 28, 2027		
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.914%	February 28, 2027		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.914%	February 28, 2027		
	Mizuho Bank, Ltd.	250,000	-	-	250,000	0.914%	February 28, 2027		
	Development Bank of Japan Inc.	1,400,000	-	-	1,400,000	0.884% (Note 5)	February 28, 2027		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.825% (Note 5)	February 28, 2027		
	Nippon Life Insurance Company	700,000	-	-	700,000	0.920% (Note 5)	September 30, 2026		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	1.031%	September 30, 2028		
	Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	1.031%	September 30, 2028		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	1.031%	September 30, 2028		
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000	0.363%	November 30, 2024		
	Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000	0.330% (Note 5)	May 31, 2025		
	Shinsei Bank, Limited	500,000	-	-	500,000	0.484%	November 30, 2025		
	Shinsei Bank, Limited	500,000	-	-	500,000	0.272%	January 31, 2023		

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
Long-term loans payable	Mizuho Bank, Ltd.	800,000	-	-	800,000	0.299%	July 31, 2023		
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.572%	August 31, 2026		
	MUFG Bank, Ltd.	-	500,000	-	500,000	0.325%	April 30, 2023		
	Resona Bank, Limited	-	450,000	-	450,000	0.336%	April 30, 2024		
	MUFG Bank, Ltd.	-	1,500,000	-	1,500,000	0.600%	November 30, 2026		
	MUFG Bank, Ltd.	-	900,000	-	900,000	0.444%	July 31, 2021	(Note 6)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	-	500,000	-	500,000	0.444%	July 31, 2021		
	Shinsei Bank, Limited	-	500,000	-	500,000	0.329%	July 31, 2023		
	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	0.329%	July 31, 2023		
	Sumitomo Mitsui Trust Bank, Limited	-	300,000	-	300,000	0.329%	July 31, 2023		
	The Bank of Fukuoka, Ltd.	-	200,000	-	200,000	0.329%	July 31, 2023		
	Sub total		101,100,000	6,150,000	-	107,250,000			
Total		¥120,900,000	¥6,950,000	¥7,200,000	¥120,650,000				

Note 1: Annual repayments of long-term loans payable (except for current portion of long-term loans payable) scheduled for the next five years after the balance sheet date are as follows:

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands of yen)				
Long-term loans payable	¥14,400,000	¥18,250,000	¥14,400,000	¥12,000,000	¥48,200,000

Note 2: Borrowings listed in the current portion of long-term loans payable were listed in long-term loans payable in the previous fiscal period.

Note 3: All debts except for the following Note 5 are borrowing at a floating rate.

Note 4: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate swaps are indicated.

Note 5: Borrowings is applied at a fixed rate.

Note 6: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 7: All the repayment methods of debt financing except for the following Note 8 are lump-sum repayments on the due date.

Note 8: Partial prepayment of 2,000,000 thousand yen was made on December 30, 2019.

Note 9: Sompo Japan Nipponkoa Insurance Inc. changed its corporate name to Sompo Japan Insurance Inc. on April 1, 2020.

Short-term debt and long-term debt consist of the following as of July 31, 2019

Classification		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
Lender		(in thousands of yen)							
Short-term loans payable	Sumitomo Mitsui Banking Corporation	¥1,250,000	¥ -	¥ 1,250,000	¥ -	0.412%	July 31, 2019		
	Mizuho Bank, Ltd.	800,000	-	800,000	-	0.412%	July 31, 2019		
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.413%	February 28, 2020	(Note 6)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.374%	July 31, 2020		
	Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	0.324%	July 31, 2020		
	Sub total	2,050,000	2,500,000	2,050,000	2,500,000				
Current portion of long-term loans payable	MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.689%	November 30, 2019		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.486%	February 28, 2019		
	MUFG Bank, Ltd.	500,000	-	500,000	-	0.486%	February 28, 2019		
	Sumitomo Mitsui Banking Corporation	500,000	-	500,000	-	0.362%	July 31, 2019		
	Shinsei Bank, Limited	500,000	-	500,000	-	0.362%	July 31, 2019		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	MUFG Bank, Ltd.	1,400,000	-	-	1,400,000				
	Mizuho Bank, Ltd.	900,000	-	-	900,000				
	Shinsei Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000	0.437%	January 31, 2020		
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000			(Note 6)	Unsecured/ Unguaranteed
	Aozora Bank, Ltd.	200,000	-	-	200,000				
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000				
	Shinsei Bank, Limited (Note 2)	1,750,000	-	-	1,750,000				
	Sumitomo Mitsui Banking Corporation (Note 2)	1,750,000	-	-	1,750,000				
	MUFG Bank, Ltd. (Note 2)	1,000,000	-	-	1,000,000	0.729%	July 29, 2020		
	Mizuho Bank, Ltd (Note 2).	500,000	-	-	500,000				
	Resona Bank, Limited (Note 2).	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd (Note 2).	500,000	-	-	500,000				
Sub total	15,700,000	-	2,500,000	13,200,000					
Long-term loans payable	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.109%	January 31, 2021		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.221%	July 31, 2021		
	Aozora Bank, Ltd.	1,350,000	-	-	1,350,000	1.183%	March 31, 2021		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.267%	April 30, 2022		
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	1.267%	April 30, 2022		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Resona Bank, Limited.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	MUFG Bank, Ltd.	1,100,000	-	-	1,100,000			(Note 6)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	600,000	-	-	600,000	0.916%	August 7, 2021		
	Aozora Bank, Ltd.	350,000	-	-	350,000				
	Resona Bank, Limited.	300,000	-	-	300,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.996% (Note 5)	August 7, 2021		
Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%	August 7, 2023			
MUFG Bank, Ltd.	400,000	-	-	400,000					
Mizuho Bank, Ltd.	300,000	-	-	300,000	1.254%	August 7, 2023			
Resona Bank, Limited.	200,000	-	-	200,000					

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
	Aozora Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000	1.320% (Note 5)	August 7, 2023		
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.945%	August 31, 2021		
	MUFG Bank, Ltd.	600,000	-	-	600,000	0.945%	August 31, 2021		
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.945%	August 31, 2021		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.083%	November 30, 2022		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.804%	November 30, 2020		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.875%	January 31, 2022		
	MUFG Bank, Ltd.	1,200,000	-	-	1,200,000	1.105%	January 31, 2024		
	Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	0.875%	April 30, 2022		
	Resona Bank, Limited.	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
	MUFG Bank, Ltd.	2,000,000	-	-	2,000,000	1.100%	April 30, 2024		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.265%	April 30, 2025		
	Shinsei Bank, Limited	1,100,000	-	-	1,100,000				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.115%	July 29, 2022		
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Sompo Japan Nipponkoa Insurance Inc.	1,000,000	-	-	1,000,000				
	Aozora Bank, Ltd.	300,000	-	-	300,000	0.678%	August 31, 2020		
	Resona Bank, Limited.	1,100,000	-	-	1,100,000	0.923%	August 31, 2022		
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000	0.923%	August 31, 2022		
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
Long-term loans payable	MUFG Bank, Ltd.	1,700,000	-	-	1,700,000	1.169%	August 31, 2024	(Note 6)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.169%	August 31, 2024		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.345%	August 31, 2025		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	1.193% (Note 5)	August 31, 2024		
	MUFG Bank, Ltd.	300,000	-	-	300,000	0.624%	October 27, 2020		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.819%	April 28, 2025		
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000	0.903%	April 30, 2026		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.660% (Note 5)	July 31, 2025		
	Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.816% (Note 5)	August 31, 2026		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.713%	August 31, 2024		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.797%	August 31, 2025		
	Resona Bank, Limited.	500,000	-	-	500,000	0.797%	August 31, 2025		
	MUFG Bank, Ltd.	2,000,000	-	-	2,000,000	0.670% (Note 5)	August 31, 2025		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.751% (Note 5)	August 31, 2025		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.773% (Note 5)	October 31, 2025		
	Resona Bank, Limited.	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
	Mizuho Trust & Banking Co., Ltd.	1,200,000	-	-	1,200,000	0.928% (Note 5)	August 22, 2027		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.928% (Note 5)	August 22, 2027		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.928% (Note 5)	August 22, 2027		

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000	0.928% (Note 5)	August 22, 2027		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.501%	February 28, 2023		
	MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.501%	February 28, 2023		
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	0.582%	February 29, 2024		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.624%	August 31, 2024		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.661% (Note 5)	August 31, 2024		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.665%	February 28, 2025		
	Resona Bank, Limited.	1,000,000	-	-	1,000,000	0.749%	February 28, 2026		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.749%	February 28, 2026		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.409%	July 31, 2021		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	0.409%	July 31, 2021		
	MUFG Bank, Ltd.	500,000	-	-	500,000	0.409%	July 31, 2021		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.409%	July 31, 2021		
	Nippon Life Insurance Company	500,000	-	-	500,000	0.900% (Note 5)	January 30, 2027		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	MUFG Bank, Ltd.	1,400,000	-	-	1,400,000				
	Mizuho Bank, Ltd.	900,000	-	-	900,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000				
	Nippon Life Insurance Company	500,000	-	-	500,000				
	Resona Bank, Limited.	400,000	-	-	400,000	0.799%	February 2, 2026		
	Shinsei Bank, Limited	400,000	-	-	400,000				
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000			(Note 6)	Unsecured/ Unguaranteed
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Aozora Bank, Ltd.	300,000	-	-	300,000				
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.509%	August 31, 2022		
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.509%	August 31, 2022		
	Development Bank of Japan Inc.	1,600,000	-	-	1,600,000	0.498% (Note 5)	August 31, 2022		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.592%	August 31, 2023		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.592%	August 31, 2023		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.592%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,050,000	-	-	1,050,000	0.914%	February 28, 2027		
	Resona Bank, Limited.	500,000	-	-	500,000	0.914%	February 28, 2027		
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.914%	February 28, 2027		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.914%	February 28, 2027		
	Mizuho Bank, Ltd.	250,000	-	-	250,000	0.914%	February 28, 2027		
	Development Bank of Japan Inc.	1,400,000	-	-	1,400,000	0.884% (Note 5)	February 28, 2027		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.825% (Note 5)	February 28, 2027		
	Nippon Life Insurance Company	700,000	-	-	700,000	0.920% (Note 5)	September 30, 2026		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	1.031%	September 30, 2028		
	Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	1.031%	September 30, 2028		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	1.031%	September 30, 2028		
	MUFG Bank, Ltd	-	500,000	-	500,000	0.438%	August 31, 2020		

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
Long-term loans payable	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000	0.363%	November 30, 2024	(Note 6)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	-	2,000,000	-	2,000,000	0.330% (Note 5)	May 31, 2025		
	Shinsei Bank, Limited	-	500,000	-	500,000	0.484%	November 30, 2025		
	Shinsei Bank, Limited	-	500,000	-	500,000	0.272%	January 31, 2023		
	Mizuho Bank, Ltd.	-	800,000	-	800,000	0.299%	July 31, 2023		
	Sub total	100,500,000	4,700,000	-	105,200,000				
Total		¥118,250,000	¥7,200,000	¥4,550,000	¥120,900,000				

Note 1: Annual repayments of long-term loans payable (except for current portion of long-term loans payable) scheduled for the next five years after the balance sheet date are as follows:

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands of yen)				
Long-term loans payable	¥9,450,000	¥19,650,000	¥11,550,000	¥12,800,000	¥51,750,000

Note 2: Borrowings listed in the current portion of long-term loans payable were listed in long-term loans payable in the previous fiscal period.

Note 3: All debts except for the following Note 5 are borrowing at a floating rate.

Note 4: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate swaps are indicated.

Note 5: Borrowings is applied at a fixed rate.

Note 6: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 7: All the repayment methods of debt financing are lump-sum repayments on the due date.

23. DISTRIBUTIONS

	16th Fiscal Period (From August 1, 2019 to January 31, 2020)	15th Fiscal Period (From February 1, 2019 to July 31, 2019)
I. Retained earnings at the end of period	¥4,072,277,167	¥4,125,881,528
II. Reversal of voluntary retained earnings		
Reversal of reserve for temporary difference adjustments (Note 1)	¥20,000,000	¥20,000,000
III. Total distributions	¥3,687,909,312	¥3,687,001,854
Distributions per unit	¥4,064	¥4,063
IV. Retained earnings brought forward to the next period	¥404,367,855	¥458,879,674
Method of calculating distribution amount	<p>In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥3,687,909,312, which is the amount of ¥3,613,397,493 in net income, ¥54,511,819 from retained earnings brought forward and reversal of reserve for temporary difference adjustments, as the distribution of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the 16th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>	<p>In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥3,687,001,854, which is the amount deducting a part of gain on sale of real estate property and other adjustments from net income and added reversal of reserve for temporary difference adjustments, as the distribution of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the 15th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>

Note 1: Reserve for temporary difference adjustments

16th Fiscal Period (August 1, 2019 to January 31, 2020)

The Investment Corporation has reserved ¥2,000,000,000 as reserve for temporary difference adjustments from gain on negative goodwill in the 13th fiscal period. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period applied to distribution starting from the 14th fiscal period distribution. It has been decided that ¥20,000,000 shall be reversed and applied to distribution in the 16th fiscal period distribution.

15th Fiscal Period (February 1, 2019 to July 31, 2019)

The Investment Corporation has reserved ¥2,000,000,000 as reserve for temporary difference adjustments from gain on negative goodwill in the 13th fiscal period. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period applied to distribution starting from the 14th fiscal period distribution. It has been decided that ¥20,000,000 shall be reversed and applied to distribution in the 15th fiscal period distribution.