

## Financial Statements

(9th Fiscal Period: From February 1, 2016 to July 31, 2016)  
(8th Fiscal Period: From August 1, 2015 to January 31, 2016)

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# KENEDIX RESIDENTIAL INVESTMENT CORPORATION

## Balance Sheets

As of July 31, 2016 and January 31, 2016

	Ninth Fiscal Period as of July 31, 2016	Eighth Fiscal Period as of January 31, 2016
(in thousands of yen)		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits (Notes 6 and 8)	¥5,146,011	¥4,448,589
Cash and deposits in trust (Notes 6 and 8)	3,587,036	3,618,286
Operating accounts receivable	45,529	25,022
Prepaid expenses	6,174	3,344
Deferred tax assets (Note 10)	14	-
Consumption taxes receivable	43,758	-
Other (Note 8)	2,300	2,215
<b>Total current assets</b>	<b>8,830,826</b>	<b>8,097,456</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment (Notes 12 and 17)</b>		
Land	1,798,041	1,798,041
Buildings in trust	63,289,609	63,158,109
Accumulated depreciation	(4,482,346)	(3,668,727)
Buildings in trust, net	58,807,263	59,489,382
Structures in trust	397,122	393,840
Accumulated depreciation	(74,438)	(61,776)
Structures in trust, net	322,684	332,064
Machinery and equipment in trust	1,243,853	1,241,311
Accumulated depreciation	(142,746)	(114,953)
Machinery and equipment in trust, net	1,101,107	1,126,358
Tools, furniture and fixtures in trust	151,976	125,547
Accumulated depreciation	(7,850)	(4,331)
Tools, furniture and fixtures in trust, net	144,126	121,216
Land in trust	88,038,597	88,038,598
<b>Total property, plant and equipment, net</b>	<b>150,211,821</b>	<b>150,905,659</b>
<b>Investments and other assets</b>		
Investment securities (Note 16)	62,397	132,897
Lease and guarantee deposits	10,950	10,951
Long-term prepaid expenses	756,459	787,229
<b>Total investments and other assets</b>	<b>829,807</b>	<b>931,077</b>
<b>Total noncurrent assets</b>	<b>151,041,628</b>	<b>151,836,736</b>
<b>Deferred assets</b>		
Deferred organization costs	3,053	8,297
Investment unit issuance costs	72,819	122,139
<b>Total deferred assets</b>	<b>75,873</b>	<b>130,436</b>
<b>Total assets</b>	<b>¥159,948,328</b>	<b>¥160,064,628</b>

	Ninth Fiscal Period as of July 31, 2016	Eighth Fiscal Period as of January 31, 2016
(in thousands of yen)		
<b>LIABILITIES</b>		
Current liabilities		
Operating accounts payable	¥336,650	¥408,685
Current portion of long-term loans payable (Notes 8 and 9)	8,500,000	12,000,000
Accounts payable-other	188,167	189,156
Accrued expenses	20,220	20,334
Income taxes payable	692	605
Accrued consumption taxes	14,553	87,312
Advances received	706,262	698,354
Deposits received	52,106	55,597
<b>Total current liabilities</b>	<b>9,818,652</b>	<b>13,460,043</b>
Noncurrent liabilities		
Long-term loans payable (Notes 8 and 9)	66,300,000	62,800,000
Tenant leasehold and security deposits in trust	1,422,073	1,415,066
Other	42,355	-
<b>Total noncurrent liabilities</b>	<b>67,764,428</b>	<b>64,215,066</b>
<b>Total liabilities</b>	<b>77,583,081</b>	<b>77,675,109</b>
<b>NET ASSETS</b>		
Unitholders' equity		
Unitholders' capital	80,132,379	80,132,379
Surplus		
Unappropriated retained earnings	2,275,223	2,258,172
<b>Total surplus</b>	<b>2,275,223</b>	<b>2,258,172</b>
<b>Total unitholders' equity</b>	<b>82,407,602</b>	<b>82,390,551</b>
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 8 and 9)	(42,355)	(1,032)
<b>Total valuation and translation adjustments</b>	<b>(42,355)</b>	<b>(1,032)</b>
<b>Total net assets (Note 3)</b>	<b>82,365,247</b>	<b>82,389,519</b>
<b>Total liabilities and net assets</b>	<b>¥159,948,328</b>	<b>¥160,064,628</b>

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL INVESTMENT CORPORATION

### Statements of Income and Retained Earnings

For the period from February 1, 2016 to July 31, 2016 and the period from August 1, 2015 to January 31, 2016

	Ninth Fiscal Period from February 1, 2016 to July 31, 2016	Eighth Fiscal Period from August 1, 2015 to January 31, 2016
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 4)	¥4,872,868	¥4,796,385
Other lease business revenue (Note 4)	456,142	411,752
Gain on sales of real estate property (Note 4)	-	9,284
Dividends income	4,790	9,212
Total operating revenues	5,333,801	5,226,633
Operating expenses		
Expenses related to rent business (Note 4)	2,032,807	1,936,375
Asset management fees	355,306	355,327
Asset custody fees	11,003	10,933
Administrative service fees	37,574	37,738
Directors' compensation	4,500	4,500
Other operating expenses	168,880	164,677
Total operating expenses	2,610,072	2,509,550
Operating income	2,723,729	2,717,083
Non-operating income		
Interest income	252	255
Dividends and redemption-prescription	801	1,246
Interest on refund	1	16
Total non-operating income	1,055	1,517
Non-operating expenses		
Interest expenses	373,683	370,333
Derivatives-related expenses	1,644	3,391
Borrowing expenses	101,784	104,645
Amortization of deferred organization costs	5,243	5,301
Amortization of investment unit issuance costs	49,318	49,861
Total non-operating expenses	531,674	533,531
Ordinary income	2,193,110	2,185,069
Income before income taxes	2,193,110	2,185,069
Income taxes (Note 10)		
Current	899	606
Deferred	(14)	195
Total income taxes	885	801
Net income	2,192,224	2,184,268
Retained earnings brought forward	82,998	73,904
Unappropriated retained earnings	¥2,275,223	¥2,258,172

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL INVESTMENT CORPORATION

### Statements of Changes in Net Assets

For the period from February 1, 2016 to July 31, 2016 and the period from August 1, 2015 to January 31, 2016

	Unitholders' equity					Valuation and translation adjustments	Total net assets
	Surplus					Deferred gains or losses on hedges	
	Unitholders' capital	Unappropriated retained earnings	Total surplus	Total unitholders' equity	Total net assets		
(in thousands of yen)							
Balance as of July 31, 2015	¥ 80,132,379	¥ 2,254,663	¥ 2,254,663	¥ 82,387,042	¥ (3,279)		¥ 82,383,763
Changes of items during the period							
Dividends from surplus	-	(2,180,759)	(2,180,759)	(2,180,759)	-		(2,180,759)
Net income	-	2,184,268	2,184,268	2,184,268	-		2,184,268
Net changes of items other than unitholders' equity	-	-	-	-	2,247		2,247
<b>Total changes of items during the period</b>	<b>-</b>	<b>3,509</b>	<b>3,509</b>	<b>3,509</b>	<b>2,247</b>		<b>5,756</b>
Balance as of January 31, 2016 (Note 5)	¥ 80,132,379	¥ 2,258,172	¥ 2,258,172	¥ 82,390,551	¥ (1,032)		¥ 82,389,519
Changes of items during the period							
Dividends from surplus	-	(2,175,173)	(2,175,173)	(2,175,173)	-		(2,175,173)
Net income	-	2,192,224	2,192,224	2,192,224	-		2,192,224
Net changes of items other than unitholders' equity	-	-	-	-	(41,323)		(41,323)
<b>Total changes of items during the period</b>	<b>-</b>	<b>17,051</b>	<b>17,051</b>	<b>17,051</b>	<b>(41,323)</b>		<b>(24,271)</b>
Balance as of July 31, 2016 (Note 5)	¥ 80,132,379	¥ 2,275,223	¥ 2,275,223	¥ 82,407,602	¥ (42,355)		¥ 82,365,247

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Statements of Cash Flows

For the period from February 1, 2016 to July 31, 2016 and the period from August 1, 2015 to January 31, 2016

	Ninth Fiscal Period from February 1, 2016 to July 31, 2016	Eighth Fiscal Period from August 1, 2015 to January 31, 2016
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥2,193,110	¥2,185,069
Depreciation and amortization	857,592	852,368
Amortization of deferred organization costs	5,243	5,301
Amortization of investment unit issuance costs	49,318	49,861
Interest income	(252)	(255)
Interest expenses	373,683	370,333
Derivatives-related expenses	1,644	3,391
Decrease (increase) in operating accounts receivable	(20,507)	(6,500)
Decrease (increase) in consumption taxes refund receivable	(43,758)	35,168
Decrease (increase) in prepaid expenses	(2,831)	657
Increase (decrease) in operating accounts payable	(78,310)	86,839
Increase (decrease) in accounts payable-other	(879)	(2,751)
Increase (decrease) in accrued consumption taxes	(72,758)	87,312
Increase (decrease) in advances received	7,908	(9,440)
Decrease (increase) in long-term prepaid expenses	30,769	(118,319)
Decrease in property and equipment in trust due to sale	-	4,637,002
Other, net	25,275	(383)
Subtotal	3,325,248	8,175,653
Interest income received	252	255
Interest expenses paid	(373,797)	(364,495)
Income taxes paid	(1,509)	(42,141)
Net cash provided by (used in) operating activities	2,950,194	7,769,272
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(157,480)	(7,502,839)
Proceeds from investment securities	42,535	-
Repayments of tenant leasehold and security deposits in trust	(141,073)	(192,927)
Proceeds from tenant leasehold and security deposits in trust	148,081	150,732
Net cash provided by (used in) investing activities	(107,937)	(7,545,034)
Net cash provided by (used in) financing activities		
Decrease in short-term loans payable	-	(3,200,000)
Proceeds from long-term loans payable	3,500,000	10,000,000
Decrease in long-term loans payable	(3,500,000)	(5,500,000)
Dividends paid	(2,176,084)	(2,182,308)
Net cash provided by (used in) financing activities	(2,176,084)	(882,308)
Net increase (decrease) in cash and cash equivalents	666,173	(658,070)
Cash and cash equivalents at the beginning of period	8,066,875	8,724,945
Cash and cash equivalents at the end of period (Note 6)	¥8,733,047	¥8,066,875

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL INVESTMENT CORPORATION

### Notes to Financial Statements

For the period from February 1, 2016 to July 31, 2016 and the period from August 1, 2015 to January 31, 2016

#### 1. ORGANIZATION AND BASIS OF PRESENTATION

##### Organization

Kenedix Residential 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 additionally issued 67,900 investment units on February 4, 2015 through most recent public offerings, and 2,067 investment units on March 4, 2015 by way of a third-party allotment. As the result, as of July 31, 2016, the end of the ninth fiscal period, the number of investment units issued and outstanding totaled 349,089 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 investment and management services based on the three core strategies of the Investment Corporation: “Consistent External Growth by Making Use of Good Judgment,” “Efficient Profit Management” and “Challenge to New Business Opportunities.”

During the eighth fiscal period, the Investment Corporation acquired 5 properties (total acquisition price of ¥6,901 million) and sold 3 properties with a total disposition price of ¥4,673 million. During the ninth fiscal period, the Investment Corporation acquired and sold no properties. As the result, the Investment Corporation has a portfolio comprised of 105 properties (total acquisition price of ¥148,184 million) as of July 31, 2016, the end of the ninth fiscal period.

The occupancy rates of the overall portfolio excluding land with leasehold interest were 96.0% and 95.9% as of the end of the eighth and ninth fiscal period, respectively. Furthermore, the occupancy rates of the overall portfolio including land with leasehold interest were 96.0% and 95.9% as of the end of the eighth and ninth fiscal period.

During the eighth fiscal period, the Investment Corporation made new borrowings of ¥1,300 million upon acquiring properties. During the eighth and ninth fiscal period, the Investment Corporation made borrowings of ¥8,700 million and ¥3,500 million for the repayment of debt matured. As a result, balance of borrowings as of the end of the eighth and ninth fiscal period stood at ¥74,800 million.

##### 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 February 1, 2016 to July 31, 2016	From August 1, 2015 to January 31, 2016
Buildings	3-65 years	3-65 years
Structures	3-45 years	3-45 years
Machinery and equipment	8-30 years	8-30 years
Tools, furniture and fixtures	10-30 years	10-30 years

### (C) Long-term Prepaid Expenses

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

### (D) Deferred Organization Costs

Deferred organization costs are amortized over a period of 5 years under 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) 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.

### (G) 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.

### (H) 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 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 ¥4,237 thousand as of January 31, 2016. There were no capitalized property-related taxes as of July 31, 2016.



(I) 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.

(J) 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.

(K) 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 cap transactions and interest rate swap transactions 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 that meet the requirements for special treatment.

(L) 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.

(M) Presentation of Amounts

Amounts are truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Concerning the accompanying financial statements, amounts of the ninth fiscal period and eighth fiscal period are rounded down and rounded off, respectively. 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 million as required by the Investment Trust Act.

### 4. 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 February 1, 2016 to July 31 2016 and from August 1, 2015 to January 31 2016 consist of the following:

	From February 1, 2016 to July 31, 2016	From August 1, 2015 to January 31, 2016
(in thousands of yen)		
Rental and other operating revenues:		
Rental revenues	¥4,561,414	¥4,492,515
Rental revenues from limited proprietary rights of land	43,750	43,750
Common area charges	267,704	260,120
Subtotal	4,872,868	4,796,385
Others:		
Parking space rental revenues	176,780	177,492
Miscellaneous	279,361	234,260
Subtotal	456,142	411,752
Total rental and other operating revenues	¥5,329,011	¥5,208,137
Property-related expenses:		
Property management fees and facility management fees	¥369,393	¥350,097
Utilities	90,264	97,312
Taxes	314,741	255,545
Repairs and maintenance	210,659	203,470
Insurance	7,823	7,963
Trust fees	39,850	39,331
Depreciation	857,592	852,368
Others	142,482	130,289
Total property-related expenses	¥2,032,807	¥1,936,375

Gain on sales of real estate property:

From February 1, 2016 to July 31, 2016

Not applicable

From August 1, 2015 to January 31, 2016

KDX Yoyogi Residence

Revenue from sale of real estate property	¥1,340,000
Cost of real estate property	1,328,749
Other sales expenses	7,946
Gain on sales of real estate property	¥3,305

KDX Residence Tenjin-higashi I

Revenue from sale of real estate property	¥381,000
Cost of real estate property	377,077
Other sales expenses	2,482
Gain on sales of real estate property	¥1,441

KDX Residence Shirokane III	
Revenue from sale of real estate property	¥2,952,000
Cost of real estate property	2,931,176
Other sales expenses	16,285
<u>Gain on sales of real estate property</u>	<u>¥4,539</u>

## 5. UNITHOLDERS' EQUITY

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

	From February 1, 2016 to July 31, 2016	From August 1, 2015 to January 31, 2016
Total number of authorized investment units	5,000,000	5,000,000
Total number of investment units issued and outstanding	349,089	349,089

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of July 31, 2016 and January 31, 2016:

	As of July 31, 2016	As of January 31, 2016
	(in thousands of yen)	
Cash and deposits	¥5,146,011	¥4,448,589
Cash and deposits in trust	3,587,036	3,618,286
<u>Cash and cash equivalents</u>	<u>¥8,733,047</u>	<u>¥8,066,875</u>

## 7. LEASES

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 July 31, 2016 and January 31, 2016 are as follows:

	As of July 31, 2016	As of January 31, 2016
	(in thousands of yen)	
Due in 1 year	¥547,894	¥640,615
Due after 1 year	4,320,801	4,540,139
<u>Total</u>	<u>¥4,868,696</u>	<u>¥5,180,754</u>

## 8. 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 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 and interest rate fluctuation risk.

Borrowings, which 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 9 years and 9 months as of July 31, 2016, the end of the ninth 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 July 31, 2016

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥5,146,011	¥5,146,011	¥ -
(2) Cash and deposits in trust	3,587,036	3,587,036	-
Subtotal	8,733,047	8,733,047	-
(1) Short-term loans payable	-	-	-
(2) Current portion of long-term loans payable	8,500,000	8,467,366	(32,633)
(3) Long-term loans payable	66,300,000	67,075,351	775,351
Subtotal	74,800,000	75,542,717	742,717
Derivative transactions	¥(42,355)	¥(42,355)	¥ -

As of January 31, 2016

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥4,448,589	¥4,448,589	¥ -
(2) Cash and deposits in trust	3,618,286	3,618,286	-
Subtotal	8,066,875	8,066,875	-
(1) Short-term loans payable	-	-	-
(2) Current portion of long-term loans payable	12,000,000	11,995,817	(4,183)
(3) Long-term loans payable	62,800,000	63,113,900	313,900
Subtotal	74,800,000	75,109,717	309,717
Derivative transactions	¥612	¥612	¥ -

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 (3) 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.)

Derivative transactions

Please refer to Note 9 "DERIVATIVE TRANSACTIONS".

Note 2: Financial instruments whose fair values are recognized to be extremely difficult to grasp

(in thousands of yen)

Classification	As of July 31, 2016	As of January 31, 2016
Investment securities *	62,397	132,897

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

Loss on valuation of investment securities of ¥27,964 thousand was recognized in the fiscal period ended July 31, 2016.

Note 3: Redemption schedule for financial assets with maturities

As of July 31, 2016

	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	¥5,146,011	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,587,036	-	-	-	-	-
Total	¥8,733,047	¥ -	¥ -	¥ -	¥ -	¥ -

As of January 31, 2016

	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	¥4,448,589	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,618,286	-	-	-	-	-
Total	¥8,066,875	¥ -	¥ -	¥ -	¥ -	¥ -

Note 4: Redemption schedule for loans payable

As of July 31, 2016

	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	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	8,500,000	11,000,000	11,000,000	1,500,000	5,950,000	36,850,000
Total	¥ 8,500,000	¥ 11,000,000	¥ 11,000,000	¥ 1,500,000	¥ 5,950,000	¥ 36,850,000

As of January 31, 2016

	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	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	12,000,000	11,000,000	11,000,000	1,500,000	3,600,000	35,700,000
Total	¥ 12,000,000	¥ 11,000,000	¥ 11,000,000	¥ 1,500,000	¥ 3,600,000	¥ 35,700,000

## 9. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of July 31, 2016 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
				Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥3,500,000	¥3,500,000	¥(42,355)	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	¥65,800,000	¥57,300,000	*	-
	Total		¥69,300,000	¥60,800,000	¥(42,355)	-

\*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 cap transactions and interest-rate swap transactions as of January 31, 2016 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
				Maturing after 1 year		
Accounting method, in principle	Interest-rate cap transaction:	Long-term loans payable	¥3,500,000	¥ -	¥612	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	¥65,800,000	¥57,300,000	*	-
	Total		¥69,300,000	¥57,300,000	¥612	-

\*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.

## 10. 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 ¥2,220 million and ¥2,175 million for the periods ended July 31, 2016 and January 31, 2016, 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 0.04% for the periods ended July 31, 2016 and January 31, 2016. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From February 1, 2016 to July 31, 2016	From August 1, 2015 to January 31, 2016
Statutory tax rate	32.31%	32.31%
Deductible cash distributions	(32.71)	(32.13)
Others	0.44	(0.14)
Effective tax rate	0.04%	0.04%

The significant components of deferred tax assets and liabilities as of July 31, 2016 and January 31, 2016 are as follows:

	As of July 31, 2016	As of January 31, 2016
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 14	¥ -
Deferred gains or losses on hedges	13,380	334
Loss on valuation of investment securities	8,876	-
Subtotal deferred tax assets	22,270	334
Valuation allowance	(22,256)	334
Total deferred tax assets	¥ 14	¥ -

## 11. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

Ninth Fiscal Period (February 1, 2016 to July 31, 2016) and Eighth Fiscal Period (August 1, 2015 to January 31, 2016): Not applicable

2. Affiliated companies and other

Ninth Fiscal Period (February 1, 2016 to July 31, 2016) and Eighth Fiscal Period (August 1, 2015 to January 31, 2016): Not applicable

3. Fellow subsidiary companies and other

Ninth Fiscal Period (February 1, 2016 to July 31, 2016) and Eighth Fiscal Period (August 1, 2015 to January 31, 2016): Not applicable

4. Directors, major individual unitholders and other

Ninth Fiscal Period (February 1, 2016 to July 31, 2016) and Eighth Fiscal Period (August 1, 2015 to January 31, 2016): Not applicable



## 12. 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.

	Ninth Fiscal Period from February 1, 2016 to July 31, 2016	Eighth Fiscal Period from August 1, 2015 to January 31, 2016
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥150,905,659	¥148,872,550
Changes during the period	(693,837)	2,033,109
Balance at the end of period	150,211,821	150,905,659
Fair value at the end of period	¥170,203,000	¥169,702,000

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 ninth fiscal period, the principal decreases were depreciation ¥857,592 thousand and during the eighth fiscal period, principal increases were the acquisition of real estate trust beneficiary interests in 5 properties totaling ¥7,355,020 thousand and the principal decreases were the disposition of real estate trust beneficiary interests in 3 properties (¥4,637,002 thousand) and depreciation ¥852,368 thousand.

Note 3: The fair value is the appraisal value or the survey value determined by outside appraisers. In addition, the fair value of KDX Toyohira Sanjo Residence and KDX Residence Kamisugi, which will be sold on November 1, 2016, is based on the sales prices (¥585,000 thousand and ¥716,000 thousand, respectively) under the trust beneficiary interest sales contracts entered into on July 26, 2016.

Income and loss in the fiscal periods ended July 31, 2016 and January 31, 2016 for real estate for rental purposes is listed in Note 4 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY".

## 13. SEGMENT INFORMATION

Segment information for the period ended from February 1, 2016 to July 31, 2016 and from August 1, 2015 to January 31, 2016 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.

## 14. PER UNIT INFORMATION

	From February 1, 2016 to July 31, 2016	From August 1, 2015 to January 31, 2016
Net asset value per unit	¥ 235,943	¥ 236,013
Net income per unit	¥6,279	¥6,257
Weighted average number of units (units)	349,089	349,089

The weighted average number of units outstanding of 349,089 were used for the computation of the amount of net income per unit as of July 31, 2016 and January 31, 2016.

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 February 1, 2016 to July 31, 2016	From August 1, 2015 to January 31, 2016
Net income (in thousands of yen)	¥2,192,224	¥2,184,268
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥2,192,224	¥2,184,268
Weighted average number of units during the period (units)	349,089	349,089

## 15. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

## 16. SECURITIES PORTFOLIO

Securities portfolio consists of the following as of July 31, 2016:

- (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
Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Bohemian as operator (Note 1)	-	62,397	-	-	62,397	-	
Total		-	62,397	-	-	62,397	-	

Note 1: TK property fund sold "KDX Residence Urayasu" and "KDX Residence Noborito" on March 1, 2016, and "KDX Residence Sumiyoshi" on March 15, 2016. As a result, TK property fund owned real estate beneficiary interests in trust in "KDX Residence Azabu Sendaizaka," "KDX Residence Nishi-azabu," "KDX Residence Bunkyo Yushima," "KDX Residence Waseda Tsurumaki," "KDX Residence Kamishakujii" as of July 31, 2016, the end of the ninth fiscal period. Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the five abovementioned properties on August 1, 2016.

Note 2: The assessed value is stated at the book value. Loss on valuation of investment securities of ¥27,964 thousand was recognized in the fiscal period ended July 31, 2016.

Securities portfolio consists of the following as of January 31, 2016:

- (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
Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Bohemian as operator (Note 1)	-	132,897	-	-	132,897	-	
Total		-	132,897	-	-	132,897	-	

Note 1: TK property fund owns the real estate beneficiary interests in trust for "KDX Residence Azabu Sendaizaka," "KDX Residence Nishi-azabu," "KDX Residence Bunkyo Yushima," "KDX Residence Waseda Tsurumaki," "KDX Residence Kamishakujii," "KDX Residence Sumiyoshi," "KDX Residence Urayasu," "KDX Residence Noborito."

Note 2: The assessed value is stated at the book value.

## 17. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of July 31, 2016:

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	63,158,109	131,500	-	63,289,609	4,482,346	813,619	58,807,263	
Structures in trust	393,840	3,282	-	397,122	74,438	12,661	322,684	
Machinery and equipment in trust	1,241,311	2,542	-	1,243,853	142,746	27,793	1,101,107	
Tools, furniture and fixtures in trust	125,547	26,429	-	151,976	7,850	3,518	144,126	
Land in trust	88,038,598	-	-	88,038,597	-	-	88,038,597	
Sub total	152,957,405	163,755	-	153,121,160	4,707,380	857,592	148,413,779	
Total	¥154,755,446	¥163,755	¥ -	¥154,919,202	¥4,707,380	¥857,592	¥150,211,821	

Note 1: The amount of increase during the period is primarily attributable to capital expenditures.

Property, plant and equipment consist of the following as of January 31, 2016:

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	61,497,744	3,047,181	1,386,816	63,158,109	3,668,727	809,247	59,489,382	Notes 1 and 2
Structures in trust	384,396	20,283	10,839	393,840	61,776	12,521	332,064	
Machinery and equipment in trust	1,234,055	39,970	32,714	1,241,311	114,953	27,943	1,126,358	
Tools, furniture and fixtures in trust	53,370	73,066	889	125,547	4,331	2,657	121,216	
Land in trust	86,993,350	4,342,374	3,297,126	88,038,598	-	-	88,038,598	Notes 1 and 2
Sub total	150,162,915	7,522,874	4,728,384	152,957,405	3,849,787	852,368	149,107,618	
Total	¥151,960,956	¥7,522,874	¥4,728,384	¥154,755,446	¥3,849,787	¥852,368	¥150,905,659	

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

Note 2: The amount of decrease during the period is primarily attributable to the sales of the real estate property.

## 18. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt and long-term debt consists of the following as of July 31, 2016

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 2) (Note 3)	Payment due date (Note 6)	Use	Remarks		
(in thousands of yen)											
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	2,500,000	-	2,500,000	-	1.045%	April 30, 2016	(Note 5)	Unsecured/ Unguaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	1,000,000	-						
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.787%	August 31, 2016				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000						
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000						
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000						
	Resona Bank, Ltd.	500,000	-	-	500,000						
	Mizuho Trust & Banking Co., Ltd	500,000	-	-	500,000						
	Mizuho Bank, Ltd.	500,000	-	-	500,000						
	Sub total	12,000,000	-	3,500,000	8,500,000						
Long-term loans payable	Sumitomo Mitsui Banking Corporation	4,000,000	-	-	4,000,000	0.910%	August 31, 2017	(Note 5)	Unsecured/ Unguaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500,000	-	-	2,500,000						
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000						
	Resona Bank, Ltd.	1,000,000	-	-	1,000,000						
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000						
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000						
	Mizuho Bank, Ltd.	500,000	-	-	500,000						
	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000	1.052%	August 31, 2018				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000						
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000						
	Resona Bank, Ltd.	500,000	-	-	500,000						
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000						
	Mizuho Trust & Banking Co., Ltd	500,000	-	-	500,000						
	Mizuho Bank, Ltd.	250,000	-	-	250,000						
	Development Bank of Japan Inc.	3,000,000	-	-	3,000,000					1.088% (Note 4)	August 31, 2018
	The Bank of Tokyo-Mitsubishi UFJ, 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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022				
	Resona Bank, Ltd.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000	0.916%	August 7, 2021				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,100,000	-	-	1,100,000						
	Mizuho Bank, Ltd.	600,000	-	-	600,000						
	Aozora Bank, Ltd.	350,000	-	-	350,000						
	Resona Bank, Ltd.	300,000	-	-	300,000						
	The Mizuho Trust and Banking Co., Limited	300,000	-	-	300,000						

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 2) (Note 3)	Payment due date (Note 6)	Use	Remarks
(in thousands of yen)									
Long-term loans payable	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.996% (Note 4)	August 7, 2021	(Note 5)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%	August 7, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Mizuho Trust and Banking Co., Limited	200,000	-	-	200,000				
	Aozora Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000	1.320% (Note 4)	August 7, 2023		
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.945%	August 31, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	-	-	1,500,000	0.689%	November 30, 2019		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.875%	January 31, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, 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, Ltd.	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	Aozora Bank, Ltd.	300,000	-	-	300,000	0.678%	August 31, 2020		
	Resona Bank, Ltd.	1,100,000	-	-	1,100,000	0.923%	August 31, 2022		
	The Mizuho Trust and Banking Co., Limited	700,000	-	-	700,000	0.923%	August 31, 2022		
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,700,000	-	-	1,700,000	1.169%	August 31, 2024		
	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 4)	August 31, 2024			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	300,000	-	-	300,000	0.624%	October 27, 2020			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025			
The Bank of Tokyo-Mitsubishi UFJ, 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			
Sub total	62,800,000	3,500,000	-	66,300,000					
Total	¥74,800,000	¥3,500,000	¥3,500,000	¥74,800,000					

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
	(in thousands of yen)			
Long-term loans payable	¥11,000,000	¥11,000,000	¥1,500,000	¥5,950,000

Note 2: All debts except for the following Note 4 are borrowing at a floating rate.

Note 3: 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 and interest rate cap 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 and interest rate caps are indicated.

Note 4: Borrowings is applied at a fixed rate.

Note 5: 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 6: All the repayment methods of debt financing are lump-sum repayments on the due date.

Short-term debt and long-term debt consists of the following as of January 31, 2016:

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)							
Short-term loans payable	Aozora Bank, Ltd.	¥1,600,000	¥ -	¥1,600,000	¥ -	0.480%	August 31, 2015	(Note 6)	Unsecured/ Unguaranteed
	Resona Bank, Ltd.	1,600,000	-	1,600,000	-	0.480%	August 31, 2015		
	Sub total	3,200,000	-	3,200,000	-				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	1,750,000	-	1,750,000	-	0.580%	August 31, 2015	(Note 6)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500,000	-	1,500,000	-				
	Aozora Bank, Ltd.	500,000	-	500,000	-				
	Resona Bank, Ltd.	500,000	-	500,000	-				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	500,000	-				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	500,000	-				
	Mizuho Bank, Ltd.	250,000	-	250,000	-				
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000				
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000					
Mizuho Bank, Ltd.	500,000	-	-	500,000					
Sub total	17,500,000	-	5,500,000	12,000,000					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	4,000,000	-	-	4,000,000	0.910%	August 31, 2017	(Note 6)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500,000	-	-	2,500,000				
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
	Resona Bank, Ltd.	1,000,000	-	-	1,000,000				

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)							
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.910%	August 31, 2017		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000	1.052%	August 31, 2018		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	250,000	-	-	250,000				
	Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	1.088% (Note 5)	August 31, 2018		
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Resona Bank, Ltd.	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000			(Note 6)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,100,000	-	-	1,100,000	0.916%	August 7, 2021		
	Mizuho Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	350,000	-	-	350,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	The Mizuho Trust and Banking Co., Limited	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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000	1.254%	August 7, 2023		
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Mizuho Trust and Banking Co., Limited	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		
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	Mitsubishi UFJ Trust and Banking Corporation	1,500,000	-	-	1,500,000	0.689%	November 30, 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)							
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.875%	January 31, 2022		
The Bank of Tokyo-Mitsubishi UFJ, 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, Ltd.	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
The Bank of Tokyo-Mitsubishi UFJ, 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		
Aozora Bank, Ltd.	-	300,000	-	300,000	0.678%	August 31, 2020		
Resona Bank, Ltd.	-	1,100,000	-	1,100,000	0.923%	August 31, 2022		
The Mizuho Trust and Banking Co., Limited	-	700,000	-	700,000	0.923%	August 31, 2022	(Note 6)	Unsecured/ Unguaranteed
Sumitomo Mitsui Trust Bank, Limited	-	950,000	-	950,000	1.047%	August 31, 2023		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,700,000	-	1,700,000	1.169%	August 31, 2024		
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		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	300,000	-	300,000	0.624%	October 27, 2020		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,000,000	-	1,000,000	1.156%	April 27, 2025		
Sub total	52,800,000	10,000,000	-	62,800,000				
Total	¥73,500,000	¥10,000,000	¥8,700,000	¥74,800,000				

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
	(in thousands of yen)			
Long-term loans payable	¥11,000,000	¥11,000,000	¥1,500,000	¥3,600,000

Note 2: Borrowings listed in the current portion of long-term payable were listed in long-term 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 and interest rate cap 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 and interest rate caps 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.



## 19. DISTRIBUTIONS

	Ninth Fiscal Period (From February 1, 2016 to July 31, 2016)	Eighth Fiscal Period (From August 1, 2015 to January 31, 2016)
I. Retained earnings at the end of period	¥2,275,223,755	¥2,258,172,370
II. Total distributions	¥2,220,206,040	¥2,175,173,559
Distributions per unit	¥6,360	¥6,231
III. Retained earnings brought forward to the next period	¥55,017,715	¥82,998,811

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 ¥2,220,206,040, which is the amount of ¥2,192,224,944 in net income and ¥27,981,096 from retained earnings brought forward, 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 ninth 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, internal reserves as of the end of the seventh fiscal period and the ¥9,284,400 in gain on sale of real estate property, reported as unappropriated retained earnings will be allocated to internal reserves, and of the remaining amount, the Investment Corporation has decided that it shall distribute ¥2,175,173,559 which is the maximum integral multiple of 349,089 units issued and outstanding 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 eighth fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>
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