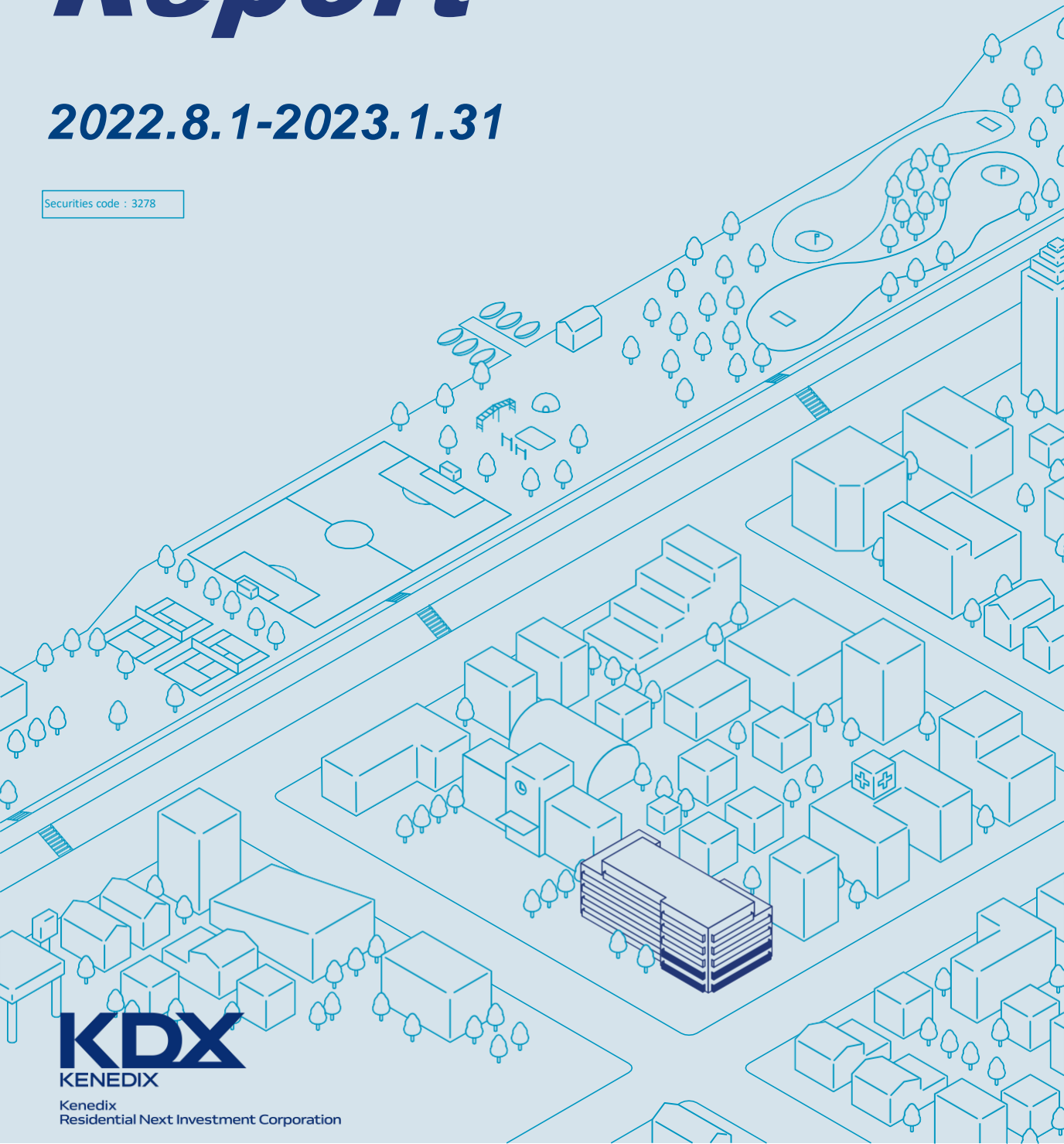


# 22nd *Semi-Annual Report*



2022.8.1-2023.1.31

Securities code : 3278



Kenedix  
Residential Next Investment Corporation

# To Our Unitholders

We would like to take this opportunity to express our sincere gratitude to our unitholders and stakeholders for their continued support and cooperation to Kenedix Residential Next Investment Corporation (KDR). We are pleased to represent our 22nd Fiscal Period Semiannual Report of KDR.

During the fiscal period under review (from August 1, 2022 to January 31, 2023), KDR completed its 9th follow-on offering in December 2022, successfully raising approximately 4.8 billion yen of capital. With the proceeds and borrowings, we acquired 8 properties, including 2 properties of residential properties and 6 healthcare facilities. As a result, KDR owned 180 properties with total acquisition price of 300.9 billion yen as of the end of January 2023.

With these steady growth, KDR's operating revenue was 9,936 million yen, operating income was 5,294 million yen, ordinary income was 4,593 million yen and net income was 4,593 million yen, resulting in a distributions per unit of 4,257 yen.

In the management of owned properties, the occupancy rate of the portfolio at the end of the fiscal period was 97.9%, which continued to maintain a high occupancy rate.

Our operating performance in the fiscal period remained strong, and maintained a high occupancy rate of 97.9% as of the end of fiscal period.

With regard to residential properties, occupancy rates have remained stable, and rents have tended to rise, mainly for larger unit types. On the other hand, long-term lease contracts with operators for healthcare facilities and accommodation facilities contributed to maintain stable profit of the portfolio.

Furthermore, KDR acquired additional 2 healthcare facilities in March 2023. As a result, the asset size grew to 304.2 billion yen (total acquisition price) with 182 properties.

KDR will continue to flexibly pursue investment and profit opportunities that are considered optimal based on an accurate understanding of changes in social and economic structures. We aim to maximize our unitholder value through flexible investment and management based on accurate information and decision making.

We sincerely appreciate your continued support of KDR and look forward to reporting our further progress in the months and years ahead.

Executive Director,  
Kenedix Residential Next Investment Corporation

Chief Operating Officer (COO) and Director, and  
Head of Residential REIT Department,  
Kenedix Real Estate Fund Management, Inc.

Tetsu Kawashima



## Distributions per unit

22nd FP (Jan. 2023)	<b>¥4,257</b>
23rd FP (Jul. 2023) Forecast	<b>¥4,140</b>
24th FP (Jan. 2024) Forecast	<b>¥4,140</b>

## Portfolio Overview ( As of the end of 22nd Fiscal Period )

<b>Total Number of Properties</b>	<b>180</b>	<b>Total Acquisition Price ( ¥ Billion )</b>	<b>300.9</b>	<b>Occupancy Rate (%)</b>	<b>97.9</b>
Residential Properties	141	Residential Properties	222.5	Residential Properties	96.9
Healthcare Facilities	37	Healthcare Facilities	73.3	Healthcare Facilities	100.0
Accommodations	2	Accommodations	4.9	Accommodations	100.0

**Logo renewal !** The new logo expresses our progressive spirit dedicated to realizing the full potential of real estate and steadiness to continue trusting long-time relationships with customers, and also represents the Kenedix Group's sincere intention to continue to provide new value and contribute to society through its real estate fund business.



Kenedix  
Residential Next Investment Corporation

## Financial Summary

Fiscal period	Unit	18th From Aug. 1, 2020 to Jan. 31, 2021	19th From Feb. 1, 2021 to Jul. 31, 2021	20th From Aug. 1, 2021 to Jan. 31, 2022	21st From Feb. 1, 2022 to Jul. 31, 2022	22nd From Aug. 1, 2022 to Jan. 31, 2023
Operating revenues	Millions of yen	8,382	9,195	9,143	9,447	9,936
(Rental revenues)	Millions of yen	8,382	8,758	8,962	9,441	9,632
Operating expenses	Millions of yen	4,038	4,373	4,302	4,597	4,642
(Expenses related to rent business)	Millions of yen	3,060	3,333	3,257	3,549	3,517
Operating income	Millions of yen	4,344	4,822	4,840	4,850	5,294
Ordinary income	Millions of yen	3,632	4,147	4,119	4,122	4,593
Net income	Millions of yen	3,631	4,146	4,119	4,122	4,593
Total asset	Millions of yen	283,172	293,176	302,410	315,886	327,014
(Period to period change)	%	(+3.7)	(+3.5)	(+3.1)	(+4.5)	(+3.5)
Interest-bearing debt	Millions of yen	145,220	146,920	155,820	159,620	164,220
Unitholders' equity	Millions of yen	127,132	135,218	135,790	145,258	151,632
(Period to period change)	%	(-0.3)	(+6.4)	(+0.4)	(+7.0)	(+4.4)
Unitholders' capital	Millions of yen	108,550	116,322	116,322	125,564	130,379
Total distributions	Millions of yen	3,867	4,100	4,084	4,288	4,556
Dividend payout ratio <sup>(Note 2)</sup>	%	106.5	98.9	99.1	104.0	99.2
Number of investment units issued and outstanding	Unit	951,258	995,883	995,883	1,045,758	1,070,433
Net income per unit <sup>(Note 3)</sup>	Yen	3,817	4,189	4,136	3,966	4,361
Unitholders' equity per unit	Yen	133,646	135,777	136,352	138,902	141,655
Distributions per unit	Yen	4,066	4,117	4,101	4,101	4,257
Profit distributions per unit	Yen	4,066	4,117	4,101	4,101	4,257
Distributions in excess of profit	Yen	—	—	—	—	—
Return on assets <sup>(Note 4)</sup>	%	1.3	1.4	1.4	1.3	1.4
Annualized <sup>(Note 5)</sup>	%	2.6	2.9	2.7	2.7	2.8
Return on net assets <sup>(Note 6)</sup>	%	2.9	3.2	3.0	2.9	3.1
Annualized <sup>(Note 5)</sup>	%	5.7	6.4	6.0	5.9	6.1
Net asset ratio	%	44.9	46.1	44.9	46.0	46.4
(Period to period change)	%	(-1.8)	(+1.2)	(-1.2)	(+1.1)	(+0.4)
Interest-bearing debt ratio on assets <sup>(Note 7)</sup>	%	51.3	50.1	51.5	50.5	50.2
FFO (Funds from Operation) <sup>(Note 8)</sup>	Millions of yen	5,165	5,291	5,556	5,813	6,037
FFO per unit <sup>(Note 9)</sup>	Yen	5,430	5,313	5,579	5,559	5,639
Leasing NOI <sup>(Note 10)</sup> (Net Operating Income)	Millions of yen	6,825	6,971	7,295	7,557	7,835
Annualized NOI yield <sup>(Note 5,11)</sup>	%	5.2	5.3	5.2	5.2	5.2
Leasing NCF <sup>(Note 12)</sup> (Net Cash Flow)	Millions of yen	6,347	6,346	6,655	6,744	6,985
Annualized NCF yield <sup>(Note 5,13)</sup>	%	4.9	4.8	4.8	4.7	4.6
Number of properties	Properties	157	161	165	173	180
Leased units (residential)	Unit	8,755	9,027	9,250	9,651	9,724
Total leasable floor area <sup>(Note 14)</sup>	m <sup>2</sup>	516,871.89	525,995.20	543,473.29	568,049.49	586,763.81
Occupancy ratio <sup>(Note 14)</sup>	%	96.2	97.4	97.3	97.5	97.9
Depreciation expenses	Millions of yen	1,504	1,546	1,589	1,665	1,721
Capital expenditures	Millions of yen	478	625	639	812	850

(Note 1) Figures are rounded down to the nearest unit. Ratios are rounded to the first decimal place.

(Note 2) Dividend payout ratio = Total distributions (excluding distributions in excess of profit) / Net income × 100

(Note 3) Net income per unit is calculated by dividing the net income with weighted average unit based on days.

(Note 4) Return on assets = Net income / {(Total assets at the beginning of period + Total assets at the end of period) / 2} × 100

(Note 5) Annualized value for the 18th fiscal period is calculated based on a period of 184 days, 181 days for 19th fiscal period, 184 days for 20th fiscal period, 181 days for 21st fiscal period, 184 days for 22nd fiscal period.

(Note 6) Return on net assets = Net income / {(Total net assets at the beginning of period + Total net assets at the end of period) / 2} × 100

(Note 7) Interest-bearing debt ratio of assets = Interest-bearing debt at the end of period / Total assets at the end of period × 100

(Note 8) FFO = Net income + Depreciation expenses + Amortization of deferred assets – Gain on sale of real estate property + Loss on sale of real estate property

(Note 9) FFO per unit = FFO / Number of investment units issued and outstanding (rounded down to unit)

(Note 10) Leasing NOI = Rental revenues - Expenses related to rent business + Depreciation expenses

(Note 11) Annualized NOI yield = Annualized NOI / Total acquisition prices of properties × 100

(Note 12) Leasing NCF = Leasing NOI - Capital expenditures

(Note 13) Annualized NCF yield = Annualized NCF / Total acquisition prices of properties × 100

(Note 14) Figure and ratio include for land with leasehold interest.

# Financial Statements

(22nd Fiscal Period: From August 1, 2022 to January 31, 2023)

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Balance Sheet

As of January 31, 2023

	22nd Fiscal Period as of January 31, 2023	21st Fiscal Period as of July 31, 2022
(in thousands of yen)		
<b>ASSETS</b>		
Current assets		
Cash and deposits (Notes 8)	¥13,949,810	¥14,043,415
Cash and deposits in trust (Notes 8)	11,589,952	11,460,934
Operating accounts receivable	65,826	57,058
Prepaid expenses	10,953	16,867
Consumption taxes receivable	-	9,475
Other	5,414	8,062
<b>Total current assets</b>	<b>25,621,956</b>	<b>25,595,814</b>
Noncurrent assets		
Property, plant and equipment (Notes 16 and 20)		
Buildings	447,056	-
Accumulated depreciation	(5,962)	-
Buildings, net	441,093	-
Structures	10,306	-
Accumulated depreciation	(292)	-
Structures, net	10,013	-
Tools, furniture and fixtures	10,342	-
Accumulated depreciation	(430)	-
Tools, furniture and fixtures, net	9,912	-
Land	1,804,624	173,018
Buildings in trust	125,940,957	122,148,745
Accumulated depreciation	(20,303,778)	(18,830,347)
Buildings in trust, net	105,637,178	103,318,397
Structures in trust	1,568,935	1,465,983
Accumulated depreciation	(429,359)	(392,101)
Structures in trust, net	1,139,576	1,073,882
Machinery and equipment in trust	1,600,108	1,574,807
Accumulated depreciation	(552,744)	(521,625)
Machinery and equipment in trust, net	1,047,363	1,053,181
Tools, furniture and fixtures in trust	1,405,598	1,239,572
Accumulated depreciation	(249,410)	(211,213)
Tools, furniture and fixtures in trust, net	1,156,188	1,028,358
Land in trust	185,748,052	180,334,732
<b>Total property, plant and equipment, net</b>	<b>296,994,003</b>	<b>286,981,571</b>
Intangible assets		
Leasehold right in trust (Notes 16 and 20)	1,849,451	1,851,176
Other	129	905
<b>Total intangible assets</b>	<b>1,849,581</b>	<b>1,852,082</b>
Investments and other assets		
Lease and guarantee deposits	89,348	89,348
Long-term prepaid expenses	841,793	940,044
Other	1,507,646	324,482
<b>Total investments and other assets</b>	<b>2,438,787</b>	<b>1,353,875</b>
<b>Total noncurrent assets</b>	<b>301,282,373</b>	<b>290,187,529</b>
Deferred assets		
Investment corporation bond issuance costs	40,131	44,100
Investment unit issuance costs	69,733	59,235
<b>Total deferred assets</b>	<b>109,864</b>	<b>103,335</b>
<b>Total assets</b>	<b>¥327,014,194</b>	<b>¥315,886,678</b>

	22nd Fiscal Period as of January 31, 2023	21st Fiscal Period as of July 31, 2022
	(in thousands of yen)	
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥674,463	¥786,274
Short-term loans payable (Notes 22)	8,250,000	4,400,000
Current portion of investment corporation bonds (Notes 10 and 21)	1,000,000	-
Current portion of long-term loans payable (Notes 10, 12 and 22)	18,100,000	14,050,000
Accounts payable-other	445,820	386,351
Accrued expenses	59,238	59,408
Income taxes payable	605	605
Accrued consumption taxes	78,103	16,126
Advances received	1,448,324	1,387,348
Deposits received	93,981	84,024
Other	1,008	100
<b>Total current liabilities</b>	<b>30,151,545</b>	<b>21,170,239</b>
<b>Noncurrent liabilities</b>		
Investment corporation bonds (Notes 10 and 21)	6,700,000	7,700,000
Long-term loans payable (Notes 10, 12 and 22)	130,170,000	133,470,000
Tenant leasehold and security deposits	140,000	-
Tenant leasehold and security deposits in trust	3,826,300	3,731,982
Tenant lump sum deposits in trust	4,325,202	4,414,784
Asset retirement obligations (Note 15)	68,638	68,451
Other	-	73,051
<b>Total noncurrent liabilities</b>	<b>145,230,141</b>	<b>149,458,269</b>
<b>Total liabilities</b>	<b>175,381,687</b>	<b>170,628,508</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	130,379,080	125,564,617
<b>Surplus</b>		
Capital surplus	13,187,100	13,187,100
<b>Voluntary retained earnings</b>		
Reserve for temporary difference adjustments (Note 4)	1,840,000	1,860,000
<b>Total voluntary retained earnings</b>	<b>1,840,000</b>	<b>1,860,000</b>
<b>Unappropriated retained earnings</b>	<b>4,718,142</b>	<b>4,393,566</b>
<b>Total surplus</b>	<b>19,745,242</b>	<b>19,440,666</b>
<b>Total unitholders' equity</b>	<b>150,124,322</b>	<b>145,005,284</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges (Notes 10 and 12)	1,508,184	252,885
<b>Total valuation and translation adjustments</b>	<b>1,508,184</b>	<b>252,885</b>
<b>Total net assets (Note 3)</b>	<b>151,632,506</b>	<b>145,258,169</b>
<b>Total liabilities and net assets</b>	<b>¥327,014,194</b>	<b>¥315,886,678</b>

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statement of Income and Retained Earnings

For the period from August 1, 2022 to January 31, 2023

	22nd Fiscal Period from August 1, 2022 to January 31, 2023	21st Fiscal Period from February 1, 2022 to July 31, 2022
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 6)	¥9,064,123	¥8,790,331
Other lease business revenue (Note 6)	567,986	651,165
Gain on sales of real estate property (Note 6)	304,729	-
Dividends income	-	6,207
<b>Total operating revenues</b>	<b>9,936,839</b>	<b>9,447,705</b>
Operating expenses		
Expenses related to rent business (Note 6)	3,517,747	3,549,451
Asset management fees	769,195	675,353
Asset custody fees	16,385	15,846
Administrative service fees	54,012	52,332
Directors' compensation	4,500	4,500
Other operating expenses	280,282	299,578
<b>Total operating expenses</b>	<b>4,642,123</b>	<b>4,597,062</b>
<b>Operating income</b>	<b>5,294,715</b>	<b>4,850,642</b>
Non-operating income		
Interest income	46	46
Gain on forfeiture of unclaimed dividends	100	151
Interest on refund	16	-
<b>Total non-operating income</b>	<b>163</b>	<b>197</b>
Non-operating expenses		
Interest expenses	512,288	523,531
Interest expenses on investment corporation bonds	26,853	26,386
Borrowing expenses	135,305	153,526
Amortization of investment corporation bond issuance costs	3,968	3,968
Amortization of investment unit issuance costs	22,627	20,728
<b>Total non-operating expenses</b>	<b>701,045</b>	<b>728,141</b>
<b>Ordinary income</b>	<b>4,593,834</b>	<b>4,122,698</b>
<b>Income before income taxes</b>	<b>4,593,834</b>	<b>4,122,698</b>
Income taxes (Note 14)		
Current	605	605
<b>Total income taxes</b>	<b>605</b>	<b>605</b>
<b>Net income</b>	<b>4,593,229</b>	<b>4,122,093</b>
Retained earnings brought forward	124,913	271,473
<b>Unappropriated retained earnings</b>	<b>¥4,718,142</b>	<b>¥4,393,566</b>

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statement of Changes in Net Assets

For the period from August 1, 2022 to January 31, 2023

	Unitholders' equity						Total unitholders' equity
	Surplus						
	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, 2022 (Note 7)	¥116,322,630	¥13,187,100	¥1,880,000	¥1,880,000	¥4,335,589	¥19,402,689	¥135,725,319
Changes of items during the period							
Issuance of new investment units	9,241,987						9,241,987
Reversal of reserve for temporary difference adjustments			(20,000)	(20,000)	20,000	-	-
Dividends from surplus					(4,084,116)	(4,084,116)	(4,084,116)
Net income					4,122,093	4,122,093	4,122,093
Net changes of items other than unitholders' equity							
Total changes of items during the period	9,241,987	-	(20,000)	(20,000)	57,977	37,977	9,279,964
Balance as of July 31, 2022 (Note 7)	¥125,564,617	¥13,187,100	¥1,860,000	¥1,860,000	¥4,393,566	¥19,440,666	¥145,005,284
Changes of items during the period							
Issuance of new investment units	4,814,462						4,814,462
Reversal of reserve for temporary difference adjustments			(20,000)	(20,000)	20,000	-	-
Dividends from surplus					(4,288,653)	(4,288,653)	(4,288,653)
Net income					4,593,229	4,593,229	4,593,229
Net changes of items other than unitholders' equity							
Total changes of items during the period	4,814,462	-	(20,000)	(20,000)	324,575	304,575	5,119,038
Balance as of January 31, 2023 (Note 7)	¥130,379,080	¥13,187,100	¥1,840,000	¥1,840,000	¥4,718,142	¥19,745,242	¥150,124,322

	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, 2022 (Note 7)	¥65,386	¥65,386	¥135,790,706
Changes of items during the period			
Issuance of new investment units			9,241,987
Reversal of reserve for temporary difference adjustments			-
Dividends from surplus			(4,084,116)
Net income			4,122,093
Net changes of items other than unitholders' equity	187,499	187,499	187,499
Total changes of items during the period	187,499	187,499	9,467,463
Balance as of July 31, 2022 (Note 7)	¥252,885	¥252,885	¥145,258,169
Changes of items during the period			
Issuance of new investment units			4,814,462
Reversal of reserve for temporary difference adjustments			-
Dividends from surplus			(4,288,653)
Net income			4,593,229
Net changes of items other than unitholders' equity	1,255,298	1,255,298	1,255,298
Total changes of items during the period	1,255,298	1,255,298	6,374,337
Balance as of January 31, 2023 (Note 7)	¥1,508,184	¥1,508,184	¥151,632,506

See accompanying notes to the financial statements.



## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statement of Cash Flows

For the period from August 1, 2022 to January 31, 2023

	22nd Fiscal Period from August 1, 2021 to January 31, 2023	21st Fiscal Period from February 1, 2022 to July 31, 2022
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥4,593,834	¥4,122,698
Depreciation and amortization	1,721,959	1,666,611
Amortization of investment corporation bond issuance costs	3,968	3,968
Amortization of investment unit issuance costs	22,627	20,728
Interest income	(46)	(46)
Interest expenses	539,142	549,917
Decrease (increase) in operating accounts receivable	(8,767)	179,050
Decrease (increase) in consumption taxes refund receivable	9,475	(9,475)
Decrease (increase) in prepaid expenses	5,914	(6,556)
Increase (decrease) in operating accounts payable	101,379	(66,422)
Increase (decrease) in accounts payable-other	59,423	(22,584)
Increase (decrease) in accrued consumption taxes	61,977	(15,817)
Increase (decrease) in advances received	60,976	123,398
Decrease (increase) in long-term prepaid expenses	98,251	76,891
Decrease in net property, plant and equipment held in trust due to sale	831,329	-
Other, net	10,659	15,539
<b>Subtotal</b>	<b>8,112,105</b>	<b>6,637,902</b>
Interest income received	46	46
Interest expenses paid	(539,291)	(551,245)
Income taxes (paid) refund	1,211	(2,422)
<b>Net cash provided by (used in) operating activities</b>	<b>7,574,072</b>	<b>6,084,281</b>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,099,311)	-
Purchase of property, plant and equipment in trust	(10,676,912)	(13,866,514)
Purchase of intangible assets in trust	-	(739,596)
Proceeds from investment securities	-	107,000
Payments of lease and guarantee deposits	-	(120)
Proceeds from lease and guarantee deposits	-	153
Proceeds from tenant leasehold and security deposits	140,000	-
Repayments of tenant leasehold and security deposits in trust	(146,848)	(146,972)
Proceeds from tenant leasehold and security deposits in trust	241,166	414,185
Repayments of tenant lump sum deposits in trust	(232,050)	(299,494)
Proceeds from tenant lump sum deposits in trust	142,468	42,822
<b>Net cash provided by (used in) investing activities</b>	<b>(12,631,488)</b>	<b>(14,488,536)</b>
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	3,850,000	5,900,000
Repayments of short-term loans payable	-	(4,000,000)
Proceeds from long-term loans payable	7,000,000	15,400,000
Repayments of long-term loans payable	(6,250,000)	(13,500,000)
Proceeds from issuance of investment units	4,781,336	9,210,774
Dividends paid	(4,288,507)	(4,084,773)
<b>Net cash provided by (used in) financing activities</b>	<b>5,092,828</b>	<b>8,926,001</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>35,412</b>	<b>521,746</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>25,504,350</b>	<b>24,982,604</b>
<b>Cash and cash equivalents at the end of period (Note 8)</b>	<b>¥25,539,762</b>	<b>¥25,504,350</b>

See accompanying notes to the financial statements.

# KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

## Notes to Financial Statements

For the period from August 1, 2022 to January 31, 2023

### 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”), and was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange (Securities Code: 3278) on April 26, 2012. Furthermore, the Investment Corporation conducted an absorption-type merger (“the Merger”) with the Investment Corporation as the surviving corporation and Japan Senior Living Investment Corporation (“JSL”) as the absorbed corporation on March 1, 2018. Following the Merger, the Investment Corporation implemented a 2-for-1 investment unit split with an effective date as of March 1, 2018.

After “the Merger”, the Investment Corporation raised funds through six public offerings and five third-party allotments. As of January 31, 2023 (the end of the 22nd fiscal period), the number of investment units issued and outstanding totaled 1,070,433 units.

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a subsidiary of Kenedix, Inc. 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 22nd fiscal period, the Investment Corporation acquired 2 residential properties (total acquisition price of ¥4,137 million) and 6 healthcare facilities (total acquisition price of ¥6,945 million) and sold 1 residential property (acquisition price of ¥900 million, disposition price of ¥1,180 million). As a result, the Investment Corporation has a portfolio comprised of 180 properties (total acquisition price of ¥300,912 million) as of the end of the 22nd fiscal period ended January 31, 2023, which consists of 141 residential properties (total acquisition price of ¥222,570 million), 37 healthcare facilities (total acquisition price of ¥73,382 million) and 2 accommodation facilities (total acquisition price of ¥4,960 million).

The occupancy rate of the overall portfolio was 97.5% and 97.9% as of the end of the 21st and 22nd fiscal period, respectively.

During the 21st and 22nd fiscal period, the Investment Corporation borrowed ¥17,500 million and ¥6,250 million as funds for repaying borrowings due during the fiscal period, and borrowed ¥3,800 million and ¥4,600 million as funds for acquiring properties, respectively. As a result, the balance of borrowings as of the end of the 21st and 22nd fiscal period was ¥151,920 million and ¥156,520 million, respectively. The balance of interest-bearing debt including investment corporation bonds as of the end of the 21st and 22nd periods, was ¥159,620 million and ¥164,220 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) 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, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
Buildings	2-69 years	2-69 years
Structures	3-65 years	3-65 years
Machinery and equipment	3-40 years	3-40 years
Tools, furniture and fixtures	2-30 years	2-30 years

### (B) 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.

### (C) Long-term Prepaid Expenses

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

### (D) Unit Issuance Costs

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

### (E) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are amortized over a maturity period 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, common area charges and other operating revenues, which include utility charge reimbursement, parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated. Reimbursements from tenants including utility charge reimbursements are recorded on a gross basis and such amounts are recorded both as revenues and expenses during the fiscal period.

### (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 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 ¥35,972 thousand and ¥5,436 thousand as of July 31, 2022 and January 31, 2023, respectively.

### (I) Accounting for revenues

The main content of the performance obligation regarding the revenue from contracts with the customers of the Investment Corporation and the normal point of time when satisfying the said performance obligation (normal point of time when recognizing revenue) are as follows.

#### 1. Sale of real estate property

For the revenue from sale of real estate, etc., revenue is recorded when the buyer who is a customer gains control of the real estate by performing the obligation of handover stipulated in the contract for real estate sales.

#### 2. Utility charge reimbursements

For utility charge reimbursement, revenue is recorded in accordance with the supply of electricity, tap water, etc. to the lessee who is a customer based on the lease agreement of real estate, etc. and the content of agreement incidental to it.

Of the utility charge reimbursement, for those that are determined to fall under the category of an agent by the Investment Corporation, the net amount obtained by deducting the amount paid to other related parties supplying electricity, gas, etc. from the amount received as the fee of electricity, gas, etc. is recognized as revenue.

**(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) Non-deductible 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, 2023

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	¥1,860,000	¥ -	¥20,000	¥1,840,000	Appropriation for cash distributions

\* 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, 2022

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
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(in thousands of yen)						
Gain on negative goodwill*	¥2,000,000	¥1,880,000	¥ -	¥20,000	¥1,860,000	Appropriation for cash distributions

\* The Investment Corporation reserved part of gain on negative goodwill incurred in the 13<sup>th</sup> 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 following financial institutions

	As of January 31, 2023	As of July 31, 2022
	(in thousands of yen)	
Total amount of commitment line contracts	¥4,500,000	¥4,500,000
Balance of loans payable outstanding	-	-
Remaining amount	¥4,500,000	¥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, 2022 to January 31, 2023, and from February 1, 2022 to July 31, 2022 consist of the following:

	From August 1, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
	(in thousands of yen)	
<b>A. Rental and other operating revenues:</b>		
Rental revenues	¥8,667,473	¥8,402,006
Common area charges	396,649	388,325
Subtotal	¥9,064,123	¥8,790,331
Others:		
Parking space rental revenues	218,133	216,894
Miscellaneous	349,853	434,271
Subtotal	567,986	651,165
Total rental and other operating revenues	¥9,632,109	¥9,441,497
<b>B. Property-related expenses:</b>		
Property management fees and facility management fees	¥ 485,006	¥ 502,201
Utilities	142,779	117,105
Taxes	572,380	573,379
Repairs and maintenance	332,342	398,804
Insurance	15,875	15,003
Trust fees	62,198	66,844
Depreciation	1,721,183	1,665,834
Others	185,981	210,278
Total property-related expenses	¥3,517,747	¥3,549,451
<b>C. Net operating income from real estate rental business (A-B)</b>	¥6,114,362	¥5,892,045

Gain on sales of real estate property:

From August 1, 2022 to January 31, 2023

(in thousands of yen)	
KDX Residence Higashi-sakura II	
Revenue from sale of real estate property	¥1,180,000
Cost of real estate property	831,329

Other sales expenses	43,940
Gain on sales of real estate property	¥304,729

From February 1, 2022 to July 31, 2022: Not applicable

## 7. UNITHOLDERS' EQUITY

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

	From August 1, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,070,433 units	1,045,758 units

## 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of January 31, 2023 and July 31, 2022:

	As of January 31, 2023	As of July 31, 2022
	(in thousands of yen)	
Cash and deposits	¥13,949,810	¥14,043,415
Cash and deposits in trust	11,589,952	11,460,934
Cash and cash equivalents	¥25,539,762	¥25,504,350

## 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, 2023 and July 31, 2022 are as follows:

	As of January 31, 2023	As of July 31, 2022
	(in thousands of yen)	
Due in 1 year	¥12,000	¥12,000
Due after 1 year	509,000	515,000
Total	¥521,000	¥527,000

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, 2023 and July 31, 2022 are as follows:

	As of January 31, 2023	As of July 31, 2022
	(in thousands of yen)	
Due in 1 year	¥4,581,500	¥4,152,082
Due after 1 year	22,618,705	18,725,548
Total	¥27,200,205	¥22,877,631

## 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 10 months for borrowings and also have a redemption date of a maximum of 8 years and 4 months for investment corporation bonds as of January 31, 2023, the end of the 22nd 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

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. Disclosure of cash and deposits, cash and deposits in trust and Short-term loans payable are omitted because the book value of these assets is deemed a reasonable approximation of the fair value as they are cash or with short maturities.

As of January 31, 2023

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Current portion of investment corporation bonds	¥1,000,000	¥999,900	¥ (100)
(2) Current portion of long-term loans payable	18,100,000	18,106,039	6,039
(3) Investment corporation bonds	6,700,000	6,530,860	(169,140)
(4) Long-term loans payable	130,170,000	129,736,042	(433,957)
Subtotal	155,970,000	155,372,842	(597,157)
Derivative transactions*	¥1,508,184	¥1,508,184	¥ -

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

As of July 31, 2022

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Current portion of investment corporation bonds	-	-	-

(2) Current portion of long-term loans payable	¥14,050,000	¥14,044,551	¥ (5,448)
(3) Investment corporation bonds	7,700,000	7,667,450	(32,550)
(4) Long-term loans payable	133,470,000	133,463,068	(6,931)
Subtotal	155,220,000	155,175,069	(44,930)
Derivative transactions*	¥252,885	¥252,885	¥ -

\* 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.

#### Liabilities

##### (1) 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.)

##### (2) Investment corporation bonds

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

#### Derivative transactions

Please refer to Note 12 "DERIVATIVE TRANSACTIONS".

Note 2: Redemption schedule for loans payable and investment corporation bonds

As of January 31, 2023

	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)					
Investment corporation bonds	¥ 1,000,000	¥ -	¥ -	¥ 1,000,000	¥ -	¥5,700,000
Long-term loans payable	18,100,000	18,400,000	24,300,000	25,000,000	24,400,000	38,070,000
Total	¥19,100,000	¥18,400,000	¥24,300,000	¥26,000,000	¥24,400,000	¥43,770,000

As of July 31, 2022

	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)					
Investment corporation bonds	¥ -	¥1,000,000	¥ -	¥ -	¥1,000,000	¥5,700,000
Long-term loans payable	14,050,000	18,850,000	21,350,000	23,300,000	21,500,000	48,470,000
Total	¥14,050,000	¥19,850,000	¥21,350,000	¥23,300,000	¥22,500,000	¥54,170,000

## 11. REVENUE RECOGNITION

### 1. Information on the breakdown of revenue from contracts with customers

22nd Fiscal Period (August 1, 2022 to January 31, 2023)

	Revenue from contracts with customers *1	Net sales to external customers
Revenue from sale of real estate, etc.	1,180,000 thousand yen	*2 304,729 thousand yen
Utility charge reimbursement	54,984 thousand yen	54,984 thousand yen



Other	— thousand yen	9,577,125 thousand yen
Total	1,234,984 thousand yen	9,936,839 thousand yen

\*1 The rental revenues, etc. subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and the sale of real estate, etc. subject to the “Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are not included in the above amounts as they are excluded from revenue recognition accounting standards. Moreover, the main revenue from contracts with customers are revenue from sale of real estate, etc. and utility charge reimbursement.

\*2 As proceeds from sale of real estate property are recorded as gain on sale of real estate property in the statements of income and retained earnings, the amount calculated by deducting the cost of real estate property sales and other sales expenses from proceeds from sale of real estate property is indicated.

21st Fiscal Period (February 1, 2022 to July 31, 2022)

	Revenue from contracts with customers*	Net sales to external customers
Revenue from sale of real estate, etc.	— thousand yen	— thousand yen
Utility charge reimbursement	49,184 thousand yen	49,184 thousand yen
Other	— thousand yen	9,398,520 thousand yen
Total	49,184 thousand yen	9,447,705 thousand yen

\* The rental revenues, etc. subject to the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and the sale of real estate, etc. subject to the “Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are not included in the above amounts as they are excluded from revenue recognition accounting standards. Moreover, the main revenue from contracts with customers are revenue from sale of real estate, etc. and utility charge reimbursement.

2. Information utilized as the base for understanding revenue from contracts with customers

The information is as described in the notes on important accounting standards.

3. Information on relationship of fulfillment of performance obligations based on contracts with customers with cashflow generated from said contracts and amount and period of revenue expected to be recognized in the next calculation period or thereafter from contracts with customers existing at the end of the current calculation period

(1) Balance of contract assets and contract liabilities, etc.

	22nd Fiscal Period (August 1, 2022 to January 31, 2023)	21st Fiscal Period (February 1, 2022 to July 31, 2022)
Receivables from contracts with customers (balance at beginning of fiscal year)	4,864 thousand yen	2,969 thousand yen
Receivables from contracts with customers (balance at end of fiscal year)	5,699 thousand yen	4,864 thousand yen
Contract assets (balance at beginning of fiscal year)	-	-
Contract assets (balance at end of fiscal year)	-	-
Contract liabilities (balance at beginning of fiscal year)	-	-
Contract liabilities (balance at end of fiscal year)	-	-

(2) Transaction value allocated to remaining performance obligations

Not applicable

With regard to utility charge reimbursements, as the Investment Corporation has the right to receive from customers an amount directly corresponding to the value for the lessees, or customers, of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

## 12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of January 31, 2023 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	¥97,920,000	¥88,520,000	¥1,508,184	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	13,950,000	8,650,000	*	-
	Total		¥111,870,000	¥97,170,000	¥1,508,184	-

\*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, 2022 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	¥98,020,000	¥90,520,000	¥252,885	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	16,700,000	12,450,000	*	-
	Total		¥114,720,000	¥102,970,000	¥252,885	-

\*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.

### 13. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

22nd Fiscal Period (August 1, 2022 to January 31, 2023) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

2. Affiliated companies and other

22nd Fiscal Period (August 1, 2022 to January 31, 2023) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

3. Fellow subsidiary companies and other

22nd Fiscal Period (August 1, 2022 to January 31, 2023) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

4. Directors, major individual unitholders and other

22nd Fiscal Period (August 1, 2022 to January 31, 2023) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

### 14. 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 ¥4,556 million and ¥4,288 million for the periods ended January 31, 2023 and July 31, 2022, 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 0.01% for the periods ended January 31, 2023 and July 31, 2022. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From August 1, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.20)	(31.08)
Others	(0.25)	(0.37)
Effective tax rate	0.01%	0.01%

The significant components of deferred tax assets and liabilities as of January 31, 2023 and July 31, 2022 are as follows:

	As of January 31, 2023	As of July 31, 2022
	(in thousands of yen)	
Deferred tax assets:		
Valuation difference on assets acquired by merger	¥597,846	¥611,183
Deferred gains or losses on hedges	317	23,013
Asset retirement obligations	21,593	21,534
Amortization of leasehold right in trust	3,979	3,436
Other	20	20
Subtotal deferred tax assets	623,757	659,189
Valuation allowance	(623,757)	(659,189)
Total deferred tax assets	¥ -	¥ -
Net deferred tax assets	¥ -	¥ -

## 15. 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, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
	(in thousands of yen)	
Balance at the beginning of period	¥68,451	¥68,264
Accretion adjustment	187	186
Balance at the end of period	¥68,638	¥68,451

## 16. 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.

	22nd Fiscal Period from August 1, 2022 to January 31, 2023	21st Fiscal Period from February 1, 2022 to July 31, 2022
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥288,832,748	¥275,695,438
Changes during the period	10,010,707	13,137,309
Balance at the end of period	298,843,455	288,832,748
Fair value at the end of period	¥391,623,000	¥365,903,000

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 22nd fiscal period, the principal increase was the acquisition of real estate in 2 properties and real estate trust beneficiary interests in 6 properties totaling ¥11,712,656 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥831,329 thousand and during the 21st fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 8 properties totaling ¥13,990,070 thousand, and the principal decrease was depreciation of ¥1,665,648 thousand.

Note 3: The fair value is the appraisal value or the survey value determined by outside appraisers.

Income and loss in the fiscal periods ended January 31, 2023 and July 31, 2022 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"

## 17. SEGMENT AND RELATED INFORMATION

Segment and related information for the period ended from August 1, 2022 to January 31, 2023, and February 1, 2022 to July 31, 2022 from 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.

## 18. PER UNIT INFORMATION

	From August 1, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
Net asset value per unit	¥141,655	¥138,902
Net income per unit	¥4,361	¥3,966
Weighted average number of units (units)	1,053,166	1,039,237

The weighted average number of units outstanding of 1,053,166 and 1,039,237 were used for the computation of the amount of net income per unit as of January 31, 2023 and July 31, 2022, 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, 2022 to January 31, 2023	From February 1, 2022 to July 31, 2022
Net income (in thousands of yen)	¥4,593,229	¥4,122,093
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥4,593,229	¥4,122,093
Weighted average number of units during the period (units)	1,053,166	1,039,237

## 19. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

## 20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment consist of the following as of January 31, 2023:

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)									
Buildings	¥ -	¥ 447,056	¥ -	¥447,056	¥ 5,962	¥ 5,962	¥441,093	Notes 1	
Structures	-	10,306	-	10,306	292	292	10,013		
Tools, furniture and fixtures	-	10,342	-	10,342	430	430	9,912		
Land	173,018	1,631,605	-	1,804,624	-	-	1,804,624	Notes 1	
Sub total	173,018	2,099,311	-	2,272,330	6,685	6,685	2,265,644		
Buildings in trust	122,148,745	4,382,204	589,991	125,940,957	20,303,778	1,599,648	105,637,178	Notes 1 and 2	
Structures in trust	1,465,983	105,806	2,854	1,568,935	429,359	38,870	1,139,576	Notes 1 and 2	
Machinery and equipment in trust	1,574,807	35,128	9,827	1,600,108	552,744	35,376	1,047,363	Notes 1 and 2	
Tools, furniture and fixtures in trust	1,239,572	170,733	4,706	1,405,598	249,410	38,690	1,156,188	Notes 1 and 2	
Land in trust	180,334,732	5,769,849	356,529	185,748,052	-	-	185,748,052	Notes 1 and 2	
Sub total	306,763,840	10,463,721	963,909	316,263,652	21,535,293	1,712,585	294,728,359		
Total	306,936,859	12,563,033	963,909	318,535,982	21,541,978	1,719,271	296,994,003		
Intangible assets									
Leasehold right in trust	1,862,101	-	-	1,862,101	12,649	1,724	1,849,451		
Other	7,762	-	-	7,762	7,633	776	129		
Total	¥1,869,864	¥ -	¥ -	¥1,869,864	¥20,282	¥2,501	¥1,849,581		

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, 2022:

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	¥173,018	¥ -	¥ -	¥173,018	¥ -	¥ -	¥173,018		
Sub total	173,018	-	-	173,018	-	-	173,018		
Buildings in trust	115,859,756	6,288,988	-	122,148,745	18,830,347	1,556,646	103,318,397	Notes 1	
Structures in trust	1,335,781	130,202	-	1,465,983	392,101	38,024	1,073,882		
Machinery and equipment in trust	1,545,362	29,444	-	1,574,807	521,625	34,828	1,053,181		
Tools, furniture and fixtures in trust	1,054,703	184,869	-	1,239,572	211,213	34,424	1,028,358		
Land in trust	172,904,875	7,429,856	-	180,334,732	-	-	180,334,732	Notes 1	
Sub total	292,700,479	14,063,361	-	306,763,840	19,955,287	1,663,923	286,808,552		
Total	292,873,498	14,063,361	-	306,936,859	19,955,287	1,663,923	286,981,571		
Intangible assets									
Leasehold right in trust	1,122,504	739,596	-	1,862,101	10,924	1,724	1,851,176		
Other	7,762	-	-	7,762	6,857	776	905		
Total	¥1,130,267	¥739,596	¥ -	¥1,869,864	¥17,781	¥2,501	¥1,852,082		

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

## 21. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of January 31, 2023 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)						
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	-	2,000,000	0.750%	December 20,2029	(Note3)	Unsecured
Seventh series of unsecured investment corporation bonds(Social bond) (Note 1)	May 31, 2021	1,700,000	-	1,700,000	0.720%	May 30, 2031	(Note4)	Unsecured
Total		¥7,700,000	¥ -	¥ 7,700,000				

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 repayment of borrowings procured for the purpose of appropriating funds for the acquisition of social eligible assets.

Note 4: Investment corporation bonds were used as the funds for the acquisition of social eligible assets.

Note 5: 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, 2022 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)						
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	-	2,000,000	0.750%	December 20,2029	(Note3)	Unsecured
Seventh series of unsecured investment corporation bonds(Social bond) (Note 1)	May 31, 2021	1,700,000	-	1,700,000	0.720%	May 30, 2031	(Note4)	Unsecured
Total		¥7,700,000	¥ -	¥ 7,700,000				

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 repayment of borrowings procured for the purpose of appropriating funds for the acquisition of social eligible assets.

Note 4: Investment corporation bonds were used as the funds for the acquisition of social eligible assets.

Note 5: 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, 2023

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	Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000	0.317%	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.317%	April 30, 2023		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.317%	June 30, 2023		
	Mizuho Bank, Ltd.	300,000	-	-	300,000	0.317%	June 30, 2023		
	Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.314%	July 31, 2023	(Note 6)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	800,000	-	800,000	0.314%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	-	1,200,000	-	1,200,000	0.313%	August 31, 2023		
	Mizuho Bank, Ltd.	-	900,000	-	900,000	0.312%	November 30, 2023		
	Sub total	4,400,000	3,850,000	-	8,250,000				
Current portion of long-term loans payable	Mizuho Bank, Ltd.	950,000	-	950,000	-	1.083%	November 30, 2022		
	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 Banking Corporation	1,000,000	-	1,000,000	-	0.509%	August 31, 2022		
	MUFG Bank, Ltd.	400,000	-	400,000	-				
	Development Bank of Japan Inc.	1,600,000	-	1,600,000	-	0.498%	August 31, 2022		
	SBI Shinsei Bank, Limited (Note 8)	500,000	-	500,000	-	0.272%	January 31, 2023		
	Resona Bank, Limited	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.501%	February 28, 2023		
	MUFG Bank, Ltd.	1,500,000	-	-	1,500,000				
	Mizuho Bank, Ltd.	800,000	-	-	800,000	0.299%	July 31, 2023		
	MUFG Bank, Ltd.	500,000	-	-	500,000	0.325%	April 30, 2023		
	SBI Shinsei Bank, Limited (Note 8)	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000	0.329%	July 31, 2023		
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.286%	February 28, 2023		
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000	0.236%	February 28, 2023	(Note 6)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 2)	400,000			400,000				
	MUFG Bank, Ltd. (Note 2)	400,000			400,000				
	Mizuho Bank, Ltd. (Note 2)	300,000			300,000	1.254%	August 7, 2023		
	Resona Bank, Limited (Note 2)	200,000			200,000				
	Mizuho Trust & Banking Co., Ltd. (Note 2)	200,000			200,000				
Aozora Bank, Ltd. (Note 2)	150,000			150,000					
Development Bank of Japan Inc. (Note 2)	500,000			500,000	1.320% (Note 5)	August 7, 2023			
MUFG Bank, Ltd. (Note 2)	1,200,000			1,200,000	1.105%	January 31, 2024			
Sumitomo Mitsui Trust Bank, Limited (Note 2)	950,000			950,000	1.047%	August 31, 2023			
Sumitomo Mitsui Banking Corporation (Note 2)	1,200,000			1,200,000	0.592%	August 31, 2023			
Aozora Bank, Ltd. (Note 2)	1,000,000			1,000,000	0.592%	August 31, 2023			
MUFG Bank, Ltd. (Note 2)	800,000			800,000	0.592%	August 31, 2023			
The Bank of Fukuoka, Ltd. (Note 2)	800,000			800,000	0.230%	November 30, 2023			

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)									
Current portion of long-term loans payable	MUFG Bank, Ltd. (Note 2)	1,000,000			1,000,000	0.225% (Note 5)	October 31, 2023		
	MUFG Bank, Ltd. (Note 2)	300,000			300,000	0.225% (Note 5)	November 30, 2023	(Note 6)	Unsecured/Unguaranteed
	MUFG Bank, Ltd. (Note 2)	900,000	-	-	900,000	0.225% (Note 5)	January 31, 2024		
	Sub total	24,350,000	-	6,250,000	18,100,000				
Long-term loans payable	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		
	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		
	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.	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				
	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)			
	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				
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027	(Note 6)	Unsecured/Unguaranteed
	SBI Shinsei Bank, Limited (Note 8)	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	1,200,000	-	-	1,200,000				
	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				
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	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				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.749%	February 28, 2026			
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	0.799%	February 2, 2026			
Nippon Life Insurance Company	500,000	-	-	500,000					
Resona Bank, Limited	400,000	-	-	400,000					



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)							
SBI Shinsei Bank, Limited (Note 8)	400,000	-	-	400,000				
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000				
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	1,050,000	-	-	1,050,000				
Resona Bank, Limited	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.914%	February 28, 2027		
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
Mizuho Bank, Ltd.	250,000	-	-	250,000				
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)			
Nippon Life Insurance Company	700,000	-	-	700,000	0.920% (Note 5)	September 30, 2026		
SBI Shinsei Bank, Limited (Note 8)	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	1.031%	September 30, 2028		
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
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		
SBI Shinsei Bank, Limited (Note 8)	500,000	-	-	500,000	0.484%	November 30, 2025		
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.572%	August 31, 2026		
Resona Bank, Limited	450,000	-	-	450,000	0.336%	April 30, 2024	(Note 6)	Unsecured/ Unguaranteed
MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.600%	November 30, 2026		
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.259%	February 29, 2024		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.464%			
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Resona Bank, Limited	500,000	-	-	500,000		February 28, 2027		
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.414%			
The Bank of Fukuoka, Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd.	400,000	-	-	400,000	0.450% (Note 5)	February 28, 2027		
Aozora Bank, Ltd.	200,000	-	-	200,000	0.531%	February 29, 2028		
MUFG Bank, Ltd.	600,000	-	-	600,000	0.300% (Note 5)	February 29, 2024		
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
SBI Shinsei Bank, Limited (Note 8)	800,000	-	-	800,000	0.646%	June 30, 2028		
Development Bank of Japan Inc.	500,000	-	-	500,000	0.616% (Note 5)	June 30, 2028		
Sumitomo Mitsui Banking Corporation	1,750,000	-	-	1,750,000	0.691%			
SBI Shinsei Bank, Limited (Note 8)	1,750,000	-	-	1,750,000				
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000		July 31, 2028		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.641%			
Resona Bank, Limited	500,000	-	-	500,000				
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.686%	July 31, 2028		
Mizuho Trust & Banking Co., Ltd.	800,000	-	-	800,000	0.637%	July 31, 2028		

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)							
MUFG Bank, Ltd.	500,000	-	-	500,000	0.640%			
Aozora Bank, Ltd.	300,000	-	-	300,000	0.690%	August 31, 2028		
Sumitomo Mitsui Banking Corporation	840,000	-	-	840,000	0.648%	September 30, 2028		
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000				
Mizuho Bank, Ltd.	800,000	-	-	800,000	0.658%			
Mizuho Bank, Ltd.	1,330,000	-	-	1,330,000		September 30, 2028		
Resona Bank, Limited	500,000	-	-	500,000	0.558%			
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000	0.608%			
MUFG Bank, Ltd.	800,000	-	-	800,000	0.550% (Note 5)	September 30, 2028		
MUFG Bank, Ltd.	300,000	-	-	300,000	0.637%	October 31, 2027		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.478%	April 30, 2025		
Mizuho Trust & Banking Co., Ltd.	1,000,000	-	-	1,000,000	0.585%	October 31, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.617%	November 30, 2027		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.599%	January 31, 2028		
Mizuho Bank, Ltd.	1,200,000	-	-	1,200,000	0.409%			
Mizuho Trust & Banking Co., Ltd.	1,100,000	-	-	1,100,000	0.359%	January 31, 2025		
Aozora Bank, Ltd.	1,350,000	-	-	1,350,000	0.677%	March 31, 2029		
SBI Shinsei Bank, Limited (Note 8)	1,000,000	-	-	1,000,000	0.252%	July 31, 2024		
Daishi Hokuetsu Bank, Ltd.	500,000	-	-	500,000	0.350% (Note 5)	January 31, 2027		
The Bank of Yokohama, Ltd.	1,000,000	-	-	1,000,000	0.467%	July 31, 2029		
Sumitomo Mitsui Banking Corporation	1,400,000	-	-	1,400,000	0.598%	January 31, 2030		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.575% (Note 5)	January 31, 2030		
Nippon Life Insurance Company	1,000,000	-	-	1,000,000	0.700% (Note 5)		(Note 6)	Unsecured/ Unguaranteed
The Yamaguchi Bank, Ltd.	800,000	-	-	800,000				
The Chugoku Bank, Ltd.	500,000	-	-	500,000	0.358%	February 28, 2027		
The 77 Bank, Ltd.	500,000	-	-	500,000				
Aozora Bank, Ltd.	350,000	-	-	350,000	0.533%			
Resona Bank, Limited	300,000	-	-	300,000	0.433%	February 28, 2029		
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.585%	February 28, 2030		
MUFG Bank, Ltd.	1,200,000	-	-	1,200,000	0.575% (Note 5)	February 28, 2030		
Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.638% (Note 5)	August 31, 2031		
Aozora Bank, Ltd.	500,000	-	-	500,000	0.540%	February 28, 2029		
MUFG Bank, Ltd.	600,000	-	-	600,000	0.525% (Note 5)	February 28, 2029		
Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.602%	February 28, 2030		
The Chiba Bank, Ltd.	600,000	-	-	600,000	0.325%			
The Musashino Bank, Ltd.	500,000	-	-	500,000	0.325% (Note 5)	November 30, 2026		
The Hyakugo Bank, Ltd.	500,000	-	-	500,000				
THE HACHIJUNI BANK, LTD.	500,000	-	-	500,000	0.314%	November 30, 2025		
The Shizuoka Bank, Ltd.	200,000	-	-	200,000				
Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.529% (Note 5)	May 31, 2029		
THE NISHI-NIPPON CITY BANK, LTD.	500,000	-	-	500,000				
The Yamanashi Chuo Bank, Ltd.	500,000	-	-	500,000	0.561%	November 30, 2029		
The Yamaguchi Bank, Ltd.	1,000,000	-	-	1,000,000				
The Bank of Yokohama, Ltd.	700,000	-	-	700,000	0.631%	November 30, 2030		
Kansai Mirai Bank, Limited	500,000	-	-	500,000	0.703%	November 30, 2031		
The Bank of Kyoto, Ltd.	300,000	-	-	300,000				

Long-term loans payable

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	4,000,000	-	-	4,000,000	0.447%	April 30, 2025		
Shinkin Central Bank	1,500,000	-	-	1,500,000	0.466%	October 31, 2025		
The Keiyo Bank, Ltd.	500,000	-	-	500,000	0.509%	October 31, 2026		
Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.354%	October 31, 2024		
Daishi Hokuetsu Bank, Ltd.	500,000	-	-	500,000	0.350% (Note 5)	April 30, 2027		
Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	0.632%	October 31, 2027		
Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.681%	April 30, 2028		
Nippon Life Insurance Company	500,000	-	-	500,000	0.610% (Note 5)	March 31, 2029		
Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000	0.425%	May 31, 2026		
Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
Sompo Japan Insurance Inc.	1,000,000	-	-	1,000,000	0.380% (Note 5)	August 31, 2025		
SBI Shinsei Bank, Limited (Note 8)	1,100,000	-	-	1,100,000	0.550%	July 31, 2027	(Note 6)	Unsecured/Unguaranteed
MUFG Bank, Ltd.	-	500,000	-	500,000	0.225% (Note 5)	February 29, 2024		
Resona Bank, Limited	-	1,100,000	-	1,100,000	0.422%	August 31, 2025		
Mizuho Trust & Banking Co., Ltd.	-	700,000	-	700,000	0.549%	February 28, 2027		
Development Bank of Japan Inc.	-	1,600,000	-	1,600,000	0.711% (Note 5)	August 31, 2029		
The Norinchukin Bank	-	1,300,000	-	1,300,000	0.556% (Note 5)	November 30, 2026		
The 77 Bank, Ltd.	-	800,000	-	800,000	0.667% (Note 5)	January 31, 2027		
Daishi Hokuetsu Bank, Ltd.	-	500,000	-	500,000	0.667% (Note 5)	January 31, 2027		
SBI Shinsei Bank, Limited (Note 8)	-	500,000	-	500,000	0.790% (Note 5)	January 31, 2028		
Sub total	123,170,000	7,000,000	-	130,170,000				
Total	¥151,920,000	¥10,850,000	¥6,250,000	¥156,520,000				

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	¥ 18,400,000	¥ 24,300,000	¥ 25,000,000	¥ 24,400,000	¥ 38,070,000

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.

Note 8: SBI Shinsei Bank, Limited. changed its trade name from "Shinsei Bank, Limited." on January 4, 2023.

Short-term debt and long-term debt consist of the following as of July 31, 2022

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	¥500,000	¥-	¥500,000	¥-	0.379%	April 30, 2022				
	Sumitomo Mitsui Banking Corporation	2,000,000	-	2,000,000	-	0.379%	April 30, 2022				
	Sumitomo Mitsui Banking Corporation	-	1,500,000	1,500,000	-	0.380%	April 30, 2022	(Note 6)	Unsecured/Unguaranteed		
	Mizuho Bank, Ltd.	-	2,000,000	-	2,000,000	0.327%	March 31, 2023				
	Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.326%	April 30, 2023				
	Sumitomo Mitsui Banking Corporation	-	1,200,000	-	1,200,000	0.330%	June 30, 2023				
	Mizuho Bank, Ltd.	-	300,000	-	300,000						
	Sub total	2,500,000	5,900,000	4,000,000	4,400,000						
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					
Aozora Bank, Ltd.	2,000,000	-	2,000,000	-	0.875%	April 30, 2022					
SBI Shinsei Bank, Limited (Note 8)	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.	1,000,000	-	1,000,000	-							
Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.425%	February 28, 2022					
Sumitomo Mitsui Banking Corporation	500,000	-	500,000	-							
Mizuho Bank, Ltd.	950,000	-	-	950,000	1.083%	November 30, 2022					
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 Banking Corporation	1,000,000	-	-	1,000,000	0.509%	August 31, 2022					
MUFG Bank, Ltd.	400,000	-	-	400,000							
Development Bank of Japan Inc.	1,600,000	-	-	1,600,000	0.498% (Note 5)	August 31, 2022	(Note 6)	Unsecured/Unguaranteed			
SBI Shinsei Bank, Limited (Note 8)	500,000	-	-	500,000	0.272%	January 31, 2023					
Resona Bank, Limited (Note 2)	1,500,000	-	-	1,500,000	0.987%	April 30, 2023					
Sumitomo Mitsui Banking Corporation (Note 2)	1,500,000	-	-	1,500,000	0.501%	February 28, 2023					
MUFG Bank, Ltd. (Note 2)	1,500,000	-	-	1,500,000							
Mizuho Bank, Ltd. (Note 2)	800,000	-	-	800,000	0.299%	July 31, 2023					
MUFG Bank, Ltd. (Note 2)	500,000	-	-	500,000	0.325%	April 30, 2023					
SBI Shinsei Bank, Limited (Note 8) (Note 2)	500,000	-	-	500,000							
Mizuho Trust & Banking Co., Ltd. (Note 2)	300,000	-	-	300,000	0.329%	July 31, 2023					
Sumitomo Mitsui Trust Bank, Limited (Note 2)	300,000	-	-	300,000							
The Bank of Fukuoka, Ltd. (Note 2)	200,000	-	-	200,000							
Mizuho Bank, Ltd. (Note 2)	500,000	-	-	500,000	0.291%	February 28, 2023					
Mizuho Trust & Banking Co., Ltd. (Note 2)	200,000	-	-	200,000	0.241%						
Sub total	27,550,000	-	13,500,000	14,050,000							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%			August 7, 2023	(Note 6)	Unsecured/Unguaranteed
	MUFG Bank, Ltd.	400,000	-	-	400,000						
	Mizuho Bank, Ltd.	300,000	-	-	300,000						

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)							
Resona Bank, Limited	200,000	-	-	200,000				
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		
MUFG Bank, Ltd.	1,200,000	-	-	1,200,000	1.105%	January 31, 2024		
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		
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		
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.	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				
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)			
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026	(Note 6)	Unsecured/ Unguaranteed
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				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.900%	August 22, 2027		
SBI Shinsei Bank, Limited (Note 8)	1,000,000	-	-	1,000,000				
Mizuho Trust & Banking Co., Ltd.	1,200,000	-	-	1,200,000				
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				
The Bank of Fukuoka, Ltd.	500,000	-	-	500,000				
Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
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				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.749%	February 28, 2026		
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	0.799%	February 2, 2026		
Mizuho Bank, Ltd.	900,000	-	-	900,000				

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)							
Development Bank of Japan Inc.	500,000	-	-	500,000				
Nippon Life Insurance Company	500,000	-	-	500,000				
Resona Bank, Limited	400,000	-	-	400,000				
SBI Shinsei Bank, Limited (Note 8)	400,000	-	-	400,000				
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000				
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	1,200,000	-	-	1,200,000	0.592%	August 31, 2023		
Aozora Bank, Ltd.	1,000,000	-	-	1,000,000				
MUFG Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Banking Corporation	1,050,000	-	-	1,050,000	0.914%	February 28, 2027		
Resona Bank, Limited	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.	1,400,000	-	-	1,400,000	0.884% (Note 5)	February 28, 2027		
MUFG Bank, Ltd.	800,000	-	-	800,000	0.825% (Note 5)			
Nippon Life Insurance Company	700,000	-	-	700,000	0.920% (Note 5)	September 30, 2026		
SBI Shinsei Bank, Limited (Note 8)	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	1.031%	September 30, 2028	(Note 6)	Unsecured/ Unguaranteed
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
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		
SBI Shinsei Bank, Limited (Note 8)	500,000	-	-	500,000	0.484%	November 30, 2025		
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.572%	August 31, 2026		
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		
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.259%	February 29, 2024		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.464%			
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Resona Bank, Limited	500,000	-	-	500,000				
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.414%	February 28, 2027		
The Bank of Fukuoka, Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd.	400,000	-	-	400,000	0.450% (Note 5)	February 28, 2027		
Aozora Bank, Ltd.	200,000	-	-	200,000	0.531%	February 29, 2028		
MUFG Bank, Ltd.	600,000	-	-	600,000	0.300% (Note 5)	February 29, 2024		
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.646%	June 30, 2028		
SBI Shinsei Bank, Limited (Note 8)	800,000	-	-	800,000				
Development Bank of Japan Inc.	500,000	-	-	500,000	0.616% (Note 5)	June 30, 2028		
Sumitomo Mitsui Banking Corporation	1,750,000	-	-	1,750,000	0.691%	July 31, 2028		

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)							
SBI Shinsei Bank, Limited (Note 8)	1,750,000	-	-	1,750,000				
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.641%			
Resona Bank, Limited	500,000	-	-	500,000				
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.686%	July 31, 2028		
Mizuho Trust & Banking Co., Ltd.	800,000	-	-	800,000	0.637%	July 31, 2028		
MUFG Bank, Ltd.	500,000	-	-	500,000	0.640%			
Aozora Bank, Ltd.	300,000	-	-	300,000	0.690%	August 31, 2028		
Sumitomo Mitsui Banking Corporation	840,000	-	-	840,000	0.648%	September 30, 2028		
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000				
Mizuho Bank, Ltd.	800,000	-	-	800,000	0.658%			
Mizuho Bank, Ltd.	1,330,000	-	-	1,330,000		September 30, 2028		
Resona Bank, Limited	500,000	-	-	500,000	0.558%			
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000	0.608%			
MUFG Bank, Ltd.	800,000	-	-	800,000	0.550% (Note 5)	September 30, 2028		
MUFG Bank, Ltd.	300,000	-	-	300,000	0.637%	October 31, 2027		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.478%	April 30, 2025		
Mizuho Trust & Banking Co., Ltd.	1,000,000	-	-	1,000,000	0.585%	October 31, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.617%	November 30, 2027		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.599%	January 31, 2028		
Mizuho Bank, Ltd.	1,200,000	-	-	1,200,000	0.409%			
Mizuho Trust & Banking Co., Ltd.	1,100,000	-	-	1,100,000	0.359%	January 31, 2025		
Aozora Bank, Ltd.	1,350,000	-	-	1,350,000	0.677%	March 31, 2029		
SBI Shinsei Bank, Limited (Note 8)	1,000,000	-	-	1,000,000	0.252%	July 31, 2024	(Note 6)	Unsecured/ Unguaranteed
Daishi Hokuetsu Bank, Ltd.	500,000	-	-	500,000	0.350% (Note 5)	January 31, 2027		
The Bank of Yokohama, Ltd.	1,000,000	-	-	1,000,000	0.467%	July 31, 2029		
Sumitomo Mitsui Banking Corporation	1,400,000	-	-	1,400,000	0.598%	January 31, 2030		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.575% (Note 5)			
Nippon Life Insurance Company	1,000,000	-	-	1,000,000	0.700% (Note 5)	January 31, 2030		
The Yamaguchi Bank, Ltd.	800,000	-	-	800,000				
The Chugoku Bank, Ltd.	500,000	-	-	500,000	0.358%	February 28, 2027		
The 77 Bank, Ltd.	500,000	-	-	500,000				
Aozora Bank, Ltd.	350,000	-	-	350,000	0.533%	February 28, 2029		
Resona Bank, Limited	300,000	-	-	300,000	0.433%			
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.585%	February 28, 2030		
MUFG Bank, Ltd.	1,200,000	-	-	1,200,000	0.575% (Note 5)	February 28, 2030		
Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.638% (Note 5)	August 31, 2031		
Aozora Bank, Ltd.	500,000	-	-	500,000	0.540%	February 28, 2029		
MUFG Bank, Ltd.	600,000	-	-	600,000	0.525% (Note 5)	February 28, 2029		
Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.602%	February 28, 2030		
The Chiba Bank, Ltd.	600,000	-	-	600,000				
The Musashino Bank, Ltd.	500,000	-	-	500,000	0.325% (Note 5)	November 30, 2026		
The Bank of Fukuoka, Ltd.	800,000	-	-	800,000	0.230%	November 30, 2023		

Long-term loans payable

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)							
The Hyakugo Bank, Ltd.	500,000	-	-	500,000				
THE HACHIJUNI BANK, LTD.	500,000	-	-	500,000	0.314%	November 30, 2025		
The Shizuoka Bank, Ltd.	200,000	-	-	200,000				
Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.529% (Note 5)	May 31, 2029		
THE NISHI-NIPPON CITY BANK, LTD.	500,000	-	-	500,000				
The Yamanashi Chuo Bank, Ltd.	500,000	-	-	500,000	0.561%	November 30, 2029		
The Yamaguchi Bank, Ltd.	1,000,000	-	-	1,000,000				
The Bank of Yokohama, Ltd.	700,000	-	-	700,000	0.631%	November 30, 2030		
Kansai Mirai Bank, Limited	500,000	-	-	500,000				
The Bank of Kyoto, Ltd.	300,000	-	-	300,000	0.703%	November 30, 2031		
Sumitomo Mitsui Banking Corporation	-	4,000,000	-	4,000,000	0.447%	April 30, 2025		
Shinkin Central Bank	-	1,500,000	-	1,500,000	0.466%	October 31, 2025	(Note 6)	Unsecured/ Unguaranteed
The Keiyo Bank, Ltd.	-	500,000	-	500,000	0.509%	October 31, 2026		
MUFG Bank, Ltd.	-	1,000,000	-	1,000,000	0.225% (Note 5)	October 31, 2023		
Aozora Bank, Ltd.	-	1,000,000	-	1,000,000	0.354%	October 31, 2024		
Daishi Hokuetsu Bank, Ltd.	-	500,000	-	500,000	0.350% (Note 5)	April 30, 2027		
Aozora Bank, Ltd.	-	1,500,000	-	1,500,000	0.632%	October 31, 2027		
Aozora Bank, Ltd.	-	1,000,000	-	1,000,000	0.681%	April 30, 2028		
Nippon Life Insurance Company	-	500,000	-	500,000	0.610% (Note 5)	March 31, 2029		
MUFG Bank, Ltd.	-	300,000	-	300,000	0.225% (Note 5)	November 30, 2023		
Sumitomo Mitsui Trust Bank, Limited	-	300,000	-	300,000				
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	0.425%	May 31, 2026		
MUFG Bank, Ltd.	-	900,000	-	900,000	0.225% (Note 5)	January 31, 2024		
Sompo Japan Insurance Inc.	-	1,000,000	-	1,000,000	0.380% (Note 5)	August 31, 2025		
SBI Shinsei Bank, Limited (Note 8)	-	1,100,000	-	1,100,000	0.550%	July 31, 2027		
Sub total	118,070,000	15,400,000	-	133,470,000				
Total	¥148,120,000	¥21,300,000	¥17,500,000	¥151,920,000				

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	¥ 18,850,000	¥ 21,350,000	¥ 23,300,000	¥ 21,500,000	¥ 48,470,000

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.

Note 8: SBI Shinsei Bank, Limited. changed its trade name from "Shinsei Bank, Limited." on January 4, 2023.



## 23. DISTRIBUTIONS

	22nd Fiscal Period (From August 1, 2022 to January 31, 2023)	21st Fiscal Period (From February 1, 2022 to July 31, 2022)
I. Retained earnings at the end of period	¥4,718,142,642	¥4,393,566,974
II. Reversal of voluntary retained earnings		
Reversal of reserve for temporary difference adjustments (Note 1)	¥20,000,000	¥20,000,000
III. Total distributions	¥4,556,833,281	¥4,288,653,558
Distributions per unit	¥4,257	¥4,101
IV. Retained earnings brought forward to the next period	¥181,309,361	¥124,913,416
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 ¥4,556,833,281, which is the amount deducted 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 22nd 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 ¥4,288,653,558, which is the amount of ¥4,122,093,577 in net income and ¥146,559,981 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 21st fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>

### Note 1: Reserve for temporary difference adjustments

#### 22nd Fiscal Period (August 1, 2022 to January 31, 2023)

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 22nd fiscal period distribution.

#### 21st Fiscal Period (February 1, 2022 to July 31, 2022)

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 21st fiscal period distribution.

# Independent Auditor's Report

The Board of Directors  
Kenedix Residential Next Investment Corporation

## **Opinion**

We have audited the accompanying financial statements of Kenedix Residential Next Investment Corporation (the Company), which comprise the balance sheet as at January 31, 2023, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

## **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other Information**

The other information comprises the information included in the Semi-annual Reports that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management, and Supervisory Director for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

April 25, 2023

/s/ Naohiko Sawabe

Naohiko Sawabe  
Designated Engagement Partner  
Certified Public Accountant

/s/ Masahiro Yawata

Masahiro Yawata  
Designated Engagement Partner  
Certified Public Accountant