

Financial Statements

(23rd Fiscal Period: From February 1, 2023 to July 31, 2023)

Independent Auditor's Report

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KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Balance Sheet

As of July 31, 2023

	23rd Fiscal Period as of July 31, 2023	22nd Fiscal Period as of January 31, 2023
	(in thousands of yen)	
ASSETS		
Current assets		
Cash and deposits (Notes 8)	¥13,203,144	¥13,949,810
Cash and deposits in trust (Notes 8)	11,057,971	11,589,952
Operating accounts receivable	52,440	65,826
Prepaid expenses	67,710	10,953
Consumption taxes receivable	28,477	-
Other	4,166	5,414
Total current assets	24,413,910	25,621,956
Noncurrent assets		
Property, plant and equipment (Notes 16 and 20)		
Buildings	1,322,747	447,056
Accumulated depreciation	(22,036)	(5,962)
Buildings, net	1,300,710	441,093
Structures	31,606	10,306
Accumulated depreciation	(992)	(292)
Structures, net	30,613	10,013
Tools, furniture and fixtures	45,429	10,342
Accumulated depreciation	(1,683)	(430)
Tools, furniture and fixtures, net	43,746	9,912
Land	4,397,829	1,804,624
Buildings in trust	127,272,710	125,940,957
Accumulated depreciation	(21,938,495)	(20,303,778)
Buildings in trust, net	105,334,215	105,637,178
Structures in trust	1,574,202	1,568,935
Accumulated depreciation	(469,601)	(429,359)
Structures in trust, net	1,104,601	1,139,576
Machinery and equipment in trust	1,659,175	1,600,108
Accumulated depreciation	(588,714)	(552,744)
Machinery and equipment in trust, net	1,070,460	1,047,363
Tools, furniture and fixtures in trust	1,457,373	1,405,598
Accumulated depreciation	(292,713)	(249,410)
Tools, furniture and fixtures in trust, net	1,164,659	1,156,188
Land in trust	185,749,321	185,748,052
Total property, plant and equipment, net	300,196,157	296,994,003
Intangible assets		
Leasehold right in trust (Notes 16 and 20)	1,847,727	1,849,451
Other	-	129
Total intangible assets	1,847,727	1,849,581
Investments and other assets		
Lease and guarantee deposits	89,228	89,348
Long-term prepaid expenses	780,469	841,793
Other	805,103	1,507,646
Total investments and other assets	1,674,801	2,438,787
Total noncurrent assets	303,718,686	301,282,373
Deferred assets		
Investment corporation bond issuance costs	36,162	40,131
Investment unit issuance costs	50,691	69,733
Total deferred assets	86,853	109,864
Total assets	¥328,219,450	¥327,014,194

	23rd Fiscal Period as of July 31, 2023	22nd Fiscal Period as of January 31, 2023
	(in thousands of yen)	
LIABILITIES		
Current liabilities		
Operating accounts payable	¥941,154	¥674,463
Short-term loans payable (Notes 22)	2,000,000	8,250,000
Current portion of investment corporation bonds (Notes 10 and 21)	1,000,000	1,000,000
Current portion of long-term loans payable (Notes 10, 12 and 22)	20,350,000	18,100,000
Accounts payable-other	443,709	445,820
Accrued expenses	70,593	59,238
Income taxes payable	605	605
Accrued consumption taxes	21,002	78,103
Advances received	1,474,720	1,448,324
Deposits received	82,913	93,981
Other	735	1,008
Total current liabilities	26,385,436	30,151,545
Noncurrent liabilities		
Investment corporation bonds (Notes 10 and 21)	6,700,000	6,700,000
Long-term loans payable (Notes 10, 12 and 22)	135,870,000	130,170,000
Tenant leasehold and security deposits	277,440	140,000
Tenant leasehold and security deposits in trust	3,815,292	3,826,300
Tenant lump sum deposits in trust	4,227,622	4,325,202
Asset retirement obligations (Note 15)	68,826	68,638
Other	26,046	-
Total noncurrent liabilities	150,985,227	145,230,141
Total liabilities	177,370,664	175,381,687
NET ASSETS		
Unitholders' equity		
Unitholders' capital	130,379,080	130,379,080
Surplus		
Capital surplus	13,187,100	13,187,100
Voluntary retained earnings		
Reserve for temporary difference adjustments (Note 4)	1,820,000	1,840,000
Total voluntary retained earnings	1,820,000	1,840,000
Unappropriated retained earnings	4,682,702	4,718,142
Total surplus	19,689,802	19,745,242
Total unitholders' equity	150,068,882	150,124,322
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 10 and 12)	779,904	1,508,184
Total valuation and translation adjustments	779,904	1,508,184
Total net assets (Note 3)	150,848,786	151,632,506
Total liabilities and net assets	¥328,219,450	¥327,014,194

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Income and Retained Earnings

For the period from February 1, 2023 to July 31, 2023

	23rd Fiscal Period from February 1, 2023 to July 31, 2023	22nd Fiscal Period from August 1, 2022 to January 31, 2023
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 6)	¥9,378,143	¥9,064,123
Other lease business revenue (Note 6)	704,871	567,986
Gain on sales of real estate property (Note 6)	-	304,729
Total operating revenues	10,083,015	9,936,839
Operating expenses		
Expenses related to rent business (Note 6)	3,717,195	3,517,747
Asset management fees	756,233	769,195
Asset custody fees	16,513	16,385
Administrative service fees	57,043	54,012
Directors' compensation	4,500	4,500
Other operating expenses	308,840	280,282
Total operating expenses	4,860,326	4,642,123
Operating income	5,222,688	5,294,715
Non-operating income		
Interest income	46	46
Gain on forfeiture of unclaimed dividends	165	100
Interest on refund	-	16
Total non-operating income	212	163
Non-operating expenses		
Interest expenses	523,846	512,288
Interest expenses on investment corporation bonds	26,386	26,853
Borrowing expenses	147,660	135,305
Amortization of investment corporation bond issuance costs	3,968	3,968
Amortization of investment unit issuance costs	19,041	22,627
Total non-operating expenses	720,903	701,045
Ordinary income	4,501,997	4,593,834
Income before income taxes	4,501,997	4,593,834
Income taxes (Note 14)		
Current	605	605
Total income taxes	605	605
Net income	4,501,392	4,593,229
Retained earnings brought forward	181,309	124,913
Unappropriated retained earnings	¥4,682,702	¥4,718,142

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Changes in Net Assets

For the period from February 1, 2023 to July 31, 2023

	Unitholders' equity						Total unitholders' equity
	Unitholders' capital	Capital surplus	Voluntary retained earnings		Unappropriated retained earnings	Total surplus	
			Reserve for temporary difference adjustments	Total voluntary retained earnings			
(in thousands of yen)							
Balance as of 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
Changes of items during the period							
Reversal of reserve for temporary difference adjustments			(20,000)	(20,000)	20,000	-	-
Dividends from surplus					(4,556,833)	(4,556,833)	(4,556,833)
Net income					4,501,392	4,501,392	4,501,392
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	(20,000)	(20,000)	(35,440)	(55,440)	(55,440)
Balance as of July 31, 2023 (Note 7)	¥130,379,080	¥13,187,100	¥1,820,000	¥1,820,000	¥4,682,702	¥19,689,802	¥150,068,882

	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 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
Changes of items during the period			
Reversal of reserve for temporary difference adjustments			-
Dividends from surplus			(4,556,833)
Net income			4,501,392
Net changes of items other than unitholders' equity	(728,279)	(728,279)	(728,279)
Total changes of items during the period	(728,279)	(728,279)	(783,720)
Balance as of July 31, 2023 (Note 7)	¥779,904	¥779,904	¥150,848,786

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Cash Flows

For the period from February 1, 2023 to July 31, 2023

	23rd Fiscal Period from February 1, 2023 to July 31, 2023	22nd Fiscal Period from August 1, 2022 to January 31, 2023
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥4,501,997	¥4,593,834
Depreciation and amortization	1,774,301	1,721,959
Amortization of investment corporation bond issuance costs	3,968	3,968
Amortization of investment unit issuance costs	19,041	22,627
Interest income	(46)	(46)
Interest expenses	550,232	539,142
Decrease (increase) in operating accounts receivable	13,385	(8,767)
Decrease (increase) in consumption taxes refund receivable	(28,477)	9,475
Decrease (increase) in prepaid expenses	(56,757)	5,914
Increase (decrease) in operating accounts payable	(122,806)	101,379
Increase (decrease) in accounts payable-other	(2,957)	59,423
Increase (decrease) in accrued consumption taxes	(57,101)	61,977
Increase (decrease) in advances received	26,396	60,976
Decrease (increase) in long-term prepaid expenses	61,324	98,251
Decrease in net property, plant and equipment held in trust due to sale	-	831,329
Other, net	(9,928)	10,659
Subtotal	6,672,572	8,112,105
Interest income received	46	46
Interest expenses paid	(538,898)	(539,291)
Income taxes (paid) refund	(604)	1,211
Net cash provided by (used in) operating activities	6,133,116	7,574,072
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,524,041)	(2,099,311)
Purchase of property, plant and equipment in trust	(1,060,873)	(10,676,912)
Proceeds from lease and guarantee deposits	120	-
Proceeds from tenant leasehold and security deposits	137,440	140,000
Repayments of tenant leasehold and security deposits in trust	(155,503)	(146,848)
Proceeds from tenant leasehold and security deposits in trust	144,496	241,166
Repayments of tenant lump sum deposits in trust	(394,903)	(232,050)
Proceeds from tenant lump sum deposits in trust	297,323	142,468
Net cash provided by (used in) investing activities	(4,555,941)	(12,631,488)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	1,200,000	3,850,000
Repayments of short-term loans payable	(7,450,000)	-
Proceeds from long-term loans payable	16,250,000	7,000,000
Repayments of long-term loans payable	(8,300,000)	(6,250,000)
Proceeds from issuance of investment units	-	4,781,336
Dividends paid	(4,555,821)	(4,288,507)
Net cash provided by (used in) financing activities	(2,855,821)	5,092,828
Net increase (decrease) in cash and cash equivalents	(1,278,646)	35,412
Cash and cash equivalents at the beginning of period	25,539,762	25,504,350
Cash and cash equivalents at the end of period (Note 8)	¥24,261,115	¥25,539,762

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Notes to Financial Statements

For the period from February 1, 2023 to July 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 July 31, 2023 (the end of the 23rd 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 23rd fiscal period, the Investment Corporation acquired 2 healthcare facilities (total acquisition price of ¥3,320 million). As a result, the Investment Corporation has a portfolio comprised of 182 properties (total acquisition price of ¥304,232 million) as of the end of the 23rd fiscal period ended July 31, 2023, which consists of 141 residential properties (total acquisition price of ¥222,570 million), 39 healthcare facilities (total acquisition price of ¥76,702 million) and 2 accommodation facilities (total acquisition price of ¥4,960 million).

The occupancy rate of the overall portfolio was 97.9% and 98.2% as of the end of the 22nd and 23rd fiscal period, respectively.

During the 22nd and 23rd fiscal period, the Investment Corporation borrowed ¥6,250 million and ¥15,750 million as funds for repaying borrowings due during the fiscal period, and borrowed ¥4,600 million and ¥1,700 million as funds for acquiring properties, respectively. As a result, the balance of borrowings as of the end of the 22nd and 23rd fiscal period was ¥156,520 million and ¥158,220 million, respectively. The balance of interest-bearing debt including investment corporation bonds as of the end of the 22nd and 23rd periods, was ¥164,220 million and ¥165,920 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 February 1, 2023 to July 31, 2023	From August 1, 2022 to January 31, 2023
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 ¥5,436 thousand and ¥10,836 thousand as of January 31, 2023 and July 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 July 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	¥1,840,000	¥ -	¥20,000	¥1,820,000	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 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
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* The Investment Corporation reserved part of gain on negative goodwill incurred in the 13th fiscal period as reserve for temporary difference adjustments. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period starting from the next fiscal period after the fiscal period, in which the initial amount was reserved.

5. COMMITMENT LINE CONTRACTS

KDR has commitment line contracts with the following financial institutions

	As of July 31, 2023	As of January 31, 2023
	(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 February 1, 2023 to July 31, 2023, and from August 1, 2022 to January 31, 2023 consist of the following:

	From February 1, 2023 to July 31, 2023	From August 1, 2022 to January 31, 2023
	(in thousands of yen)	
A. Rental and other operating revenues:		
Rental revenues	¥8,972,830	¥8,667,473
Common area charges	405,313	396,649
Subtotal	¥9,378,143	¥9,064,123
Others:		
Parking space rental revenues	221,908	218,133
Miscellaneous	482,963	349,853
Subtotal	704,871	567,986
Total rental and other operating revenues	¥10,083,015	¥9,632,109
B. Property-related expenses:		
Property management fees and facility management fees	¥529,327	¥ 485,006
Utilities	131,876	142,779
Taxes	612,889	572,380
Repairs and maintenance	388,639	332,342
Insurance	16,019	15,875
Trust fees	63,613	62,198
Depreciation	1,774,171	1,721,183
Others	200,656	185,981
Total property-related expenses	¥3,717,195	¥3,517,747
C. Net operating income from real estate rental business (A-B)	¥6,365,819	¥6,114,362

Gain on sales of real estate property:

From February 1, 2023 to July 31, 2023: Not applicable

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

7. UNITHOLDERS' EQUITY

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

	From February 1, 2023 to July 31, 2023	From August 1, 2022 to January 31, 2023
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	1,070,433 units

8. CASH AND CASH EQUIVALENTS

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

	As of July 31, 2023	As of January 31, 2023
	(in thousands of yen)	
Cash and deposits	¥13,203,144	¥13,949,810
Cash and deposits in trust	11,057,971	11,589,952
Cash and cash equivalents	¥24,261,115	¥25,539,762

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 July 31, 2023 and January 31, 2023 are as follows:

	As of July 31, 2023	As of January 31, 2023
	(in thousands of yen)	
Due in 1 year	¥12,000	¥12,000
Due after 1 year	503,000	509,000
Total	¥515,000	¥521,000

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 July 31, 2023 and January 31, 2023 are as follows:

	As of July 31, 2023	As of January 31, 2023
	(in thousands of yen)	
Due in 1 year	¥4,696,153	¥4,581,500
Due after 1 year	21,502,417	22,618,705
Total	¥26,198,570	¥27,200,205

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 4 months for borrowings and also have a redemption date of a maximum of 7 years and 10 months for investment corporation bonds as of July 31, 2023, the end of the 23rd 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. 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 July 31, 2023

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Current portion of investment corporation bonds	¥1,000,000	¥1,000,100	¥ 100
(2) Current portion of long-term loans payable	20,350,000	20,343,831	(6,168)
(3) Investment corporation bonds	6,700,000	6,572,430	(127,570)
(4) Long-term loans payable	135,870,000	135,380,740	(489,259)
Subtotal	163,920,000	163,297,102	(622,897)
Derivative transactions*	¥779,904	¥779,904	¥ -

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

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.

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 July 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	20,350,000	22,650,000	28,400,000	24,800,000	29,000,000	31,020,000
Total	¥21,350,000	¥22,650,000	¥28,400,000	¥25,800,000	¥29,000,000	¥36,720,000

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

11. REVENUE RECOGNITION

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

23rd Fiscal Period (February 1, 2023 to July 31, 2023)

	Revenue from contracts with customers*	Net sales to external customers
Revenue from sale of real estate, etc.	— thousand yen	— thousand yen
Utility charge reimbursement	66,183 thousand yen	66,183 thousand yen
Other	— thousand yen	10,016,831 thousand yen
Total	66,183 thousand yen	10,083,015 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.

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.

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.

	23rd Fiscal Period (February 1, 2023 to July 31, 2023)	22nd Fiscal Period (August 1, 2022 to January 31, 2023)
Receivables from contracts with customers (balance at beginning of fiscal year)	5,699 thousand yen	4,864 thousand yen
Receivables from contracts with customers (balance at end of fiscal year)	5,710 thousand yen	5,699 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 July 31, 2023 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge	Type of derivative	Hedged items	Contract amount	Fair value	Calculation method for
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accounting method	transactions	(in thousands of yen)		(in thousands of yen)	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	¥94,820,000	¥85,070,000	¥779,904	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	12,450,000	6,650,000	*	-
	Total	¥107,270,000	¥91,720,000	¥779,904	-

*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 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.

13. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

23rd Fiscal Period (February 1, 2023 to July 31, 2023) and 22nd Fiscal Period (August 1, 2022 to January 31, 2023): Not applicable

2. Affiliated companies and other

23rd Fiscal Period (February 1, 2023 to July 31, 2023) and 22nd Fiscal Period (August 1, 2022 to January 31, 2023): Not applicable

3. Fellow subsidiary companies and other

23rd Fiscal Period (February 1, 2023 to July 31, 2023) and 22nd Fiscal Period (August 1, 2022 to January 31, 2023): Not applicable

4. Directors, major individual unitholders and other

23rd Fiscal Period (February 1, 2023 to July 31, 2023) and 22nd Fiscal Period (August 1, 2022 to January 31, 2023): 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 July 31, 2023 and January 31, 2023, 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 July 31, 2023 and January 31, 2023. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

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

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

	As of July 31, 2023	As of January 31, 2023
	(in thousands of yen)	
Deferred tax assets:		
Valuation difference on assets acquired by merger	¥584,720	¥597,846
Deferred gains or losses on hedges	8,425	317
Asset retirement obligations	21,652	21,593
Amortization of leasehold right in trust	4,522	3,979
Other	20	20
Subtotal deferred tax assets	619,341	623,757
Valuation allowance	(619,341)	(623,757)
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 February 1, 2023 to July 31, 2023	From August 1, 2022 to January 31, 2023
	(in thousands of yen)	
Balance at the beginning of period	¥68,638	¥68,451
Accretion adjustment	187	187
Balance at the end of period	¥68,826	¥68,638

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.

	23rd Fiscal Period from February 1, 2023 to July 31, 2023	22nd Fiscal Period from August 1, 2022 to January 31, 2023
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥298,843,455	¥288,832,748
Changes during the period	3,200,428	10,010,707
Balance at the end of period	302,043,884	298,843,455
Fair value at the end of period	¥397,250,000	¥391,623,000

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 23rd fiscal period, the principal increase was the

acquisition of real estate in 2 properties totaling ¥3,514,140 thousand, and the principal decrease was depreciation of ¥1,773,984 thousand and 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 depreciation of ¥1,720,996 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 July 31, 2023 and January 31, 2023 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 February 1, 2023 to July 31, 2023, and from August 1, 2022 to January 31, 2023 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 February 1, 2023 to July 31, 2023	From August 1, 2022 to January 31, 2023
Net asset value per unit	¥140,923	¥141,655
Net income per unit	¥4,205	¥4,361
Weighted average number of units (units)	1,070,433	1,053,166

The weighted average number of units outstanding of 1,070,433 and 1,053,166 were used for the computation of the amount of net income per unit as of July 31, 2023 and January 31, 2023, 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 February 1, 2023 to July 31, 2023	From August 1, 2022 to January 31, 2023
Net income (in thousands of yen)	¥4,501,392	¥4,593,229
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥4,501,392	¥4,593,229
Weighted average number of units during the period (units)	1,070,433	1,053,166

19. SIGNIFICANT SUBSEQUENT EVENTS

The Merger Among Kenedix Residential Next Investment Corporation (“KDR”), Kenedix Office Investment Corporation (“KDO”) and Kenedix Retail REIT Corporation (“KRR”)

KDR, KDO and KRR (collectively referred to as “Each REIT”) has, at Each REIT’s Board of Directors Meeting held on June 13, 2023, resolved to undertake an absorption-type merger, with November 1, 2023 as the effective date, whereby KDO will be the surviving corporation and KDR and KRR will be the dissolving corporations in the merger (the “Merger”), and have also executed a merger agreement (the “Merger Agreement”) on the same day. Moreover, the proposals were approved at Each REIT’s General Meeting of Unitholders held on August 21 and 22, 2023.

(a) Purpose of the Merger

The Japanese economy is making a moderate recovery as movement restrictions to prevent the spread of COVID-19 infections was removed, and its economic and social activities are being normalized. However, there are uncertain factors in the economic conditions in and outside Japan such as changes in the global affairs, emergence of geopolitical risks and effects of economic sanctions related to these risks as a result of the invasion of Ukraine by Russia, continuous global inflation related to rising commodity prices and fuel costs, increase of the policy interest rates by major countries, and bankruptcies of overseas financial institutions. In such environment, the current real estate investment trust securities market (the “J-REIT market”) is unstable and affected by the concern for rising operational costs due to inflation and the fear for the rise in the long-term interest rates due to future changes of the monetary policies by the Bank of Japan. The asset management company of Each REIT, Kenedix Real Estate Fund Management (“KFM”), was established as follows: Kenedix Residential Partners, Inc. established in March 2011 merged with Kenedix Office Partners, Inc. and Kenedix Advisors, Inc. (both established in November 2003) in October 2013 in an absorption-type merger, and changed its corporate name to the current name of the asset management company. Each REIT has received sponsor support from Kenedix, Inc., the parent company of KFM, and its group companies and has achieved operational results. Each REIT has implemented various measures to ensure the acquisition of stable profits and the continued growth of investment assets by leveraging each characteristic. However, the real estate market’s evaluations of the mid-sized office buildings, which are KDO’s main investment target, have not changed because of their scarcity and liquidity. Thus, the capitalization rate remains low and it remains difficult to acquire mid-sized office buildings. Moreover, recently, unit prices of KDO are significantly below NAV per unit due to the concern for the market outlook regarding secondary vacancies and rent decline due to large supplies of large office buildings, and there are limited opportunities for external growth that involve public offering. Therefore, there are issues with ensuring continued future growth. As for KDR, although KDR has conducted public offerings for five consecutive years, there is the possibility that the acquisition competition may escalate and the acquisition opportunities may decrease due to the relatively stable profitability of residential properties, and recently unit price is below NAV per unit. Moreover, KDR’s LTV is relatively high in the J-REIT market, and KDR has concerns regarding the increase in costs when interest rates are rising. As for KRR, although KRR has a rich real estate pipeline, it has been increasingly difficult to acquire shopping centers for daily needs since the COVID-19 pandemic. In addition, there are concerns over increase in costs caused by inflation, and there are issues such as limited room for the future internal growth as a whole due to the long-term fixed rents. Moreover, Each REIT is watching the trends of interest levels and price levels such as costs of utilities, which may have an impact on the profitability of their portfolios in the future, and Each REIT recognizes this situation as their common issues. In such circumstances, Each REIT agreed to start negotiation for merger and carefully deliberated on the issues in order to deal with the issues described above, respond flexibly to environmental changes and attain continued growth. As a result, Each REIT came to the same conclusion that the Merger will contribute to maximize unitholders’ value by leading to the continued growth by expanding investment target sectors, improving their presence and stability in the market by increasing the sizes of their assets, and enabling more commitment for sustainability. Therefore, the Merger Agreement was made and entered into by and among Each REIT. Each REIT considers that the Merger has the following rationale:

(i) Sustainable growth driven by expansion of investment universe

The New REIT (defined below) will continue to focus on their main investment target, i.e. mid-sized office buildings, residential properties, healthcare facilities, and shopping centers for daily needs, and it will start to additionally focus on logistics facilities and hotels, in which Each REIT has conducted only limited investments until now, to increase opportunities for acquisitions. In addition, the Merger will enable asset reshuffling among different asset types, disposing of properties with less competitiveness or profitability, allow flexibly to the changes of the external environment surrounding the real estate market, and activate the investments in the investment target sectors that are expected to grow, and thus leading to the improvement of portfolio profitability. As described above, the New REIT aims to attain continued growth beyond the boundary of the strategic management for the existing specialized REIT through a strategic management that ensures a wide range of opportunities for acquisitions and flexibility related to the expansion of the investment target sectors.

(ii) Improvement in the market presence and ability

Through the Merger, the asset size of the investment corporation after the Merger (the “New REIT”) will be ranked third in the J-REIT market^(Note 1) and this will significantly improve the presence in the market and liquidity of investment units, and the portfolio is expected to own a total of 350 ^(Note2) properties after the Merger. Having the largest expected number of properties in the J-REIT market will enhance diversification and contribute to improve the stability of the portfolio. In addition, a property manager that leverages the advantage of its scale will contribute to increase resilience against the pressure of the rising costs.

(iii) Further commitment to sustainability

Each REIT has recognized sustainability as a significant issue and has taken the initiative in implementing various initiatives. Specifically, KDO has become the first investment corporation in the J-REIT market to participate in GRESB Real Estate Assessment, KDR was the first J-REIT to issue social bonds, and KRR was the first J-REIT to introduce investment unit performance fee. The New REIT plans to integrate and elevate expertise accumulated by Each REIT through the Merger and aims to be a leading company in the sustainability initiatives. Moreover, the New REIT plans to further enforce the sustainability initiatives under the management system with a high degree of specialization and diversity by introducing a new management fee structure that is linked to unitholder value and sustainability metric, improving governance through the enhancement of supervisory officers, and promoting diversity.

(Note 1) The amount of asset size after the Merger is calculated by totaling the asset size of Each REIT. The asset size of KDO is assumed to be the total of

acquisition price of the properties in the portfolio as of April 30, 2023, plus the acquisition (scheduled) price reflecting the acquisitions and sales (including one that are scheduled) of the properties from May 1, 2023 to the effective date of the Merger. The asset size of KDR and KRR is considered to be the appraisal values of the properties as of the end of the latest fiscal period (relating to KDR, as of January 31, 2023. The asset sizes of the other investment corporations in the J-REIT market are calculated based on the asset sizes including any properties that the other investment corporations announced the acquisition and sale thereof in the J-REIT market as of April 30, 2023 (acquisition (scheduled) price basis). Therefore, it is not guaranteed that the New REIT after the Merger will have the third largest asset size in the J-REIT market as of the effective date of the Merger. In regard to the asset size after the Merger, because it is planned that assets of KDR and KRR will be succeeded at market price based on the purchase method by KDO as the acquiring corporation, the asset size will not be a simple sum of the total (scheduled) acquisition price of KDO and the total appraisal values of KDR and KRR as of the end of the latest accounting period.

(Note 2) The number of properties of the portfolio after the Merger is based on the number of properties of KDO, KDR and KRR as of the date hereof and reflecting the change in the number of the acquisitions and sales of the properties (including ones that are scheduled) by the effective date of the Merger. KDX Chofu Building is treated as one property in the calculation of the number of properties of the portfolio after the Merger though KDO owns its office tower and KRR owns its retail wing respectively as of today. The numbers of the properties of the other investment corporations in the J-REIT market is calculated based on the number of properties including those that the other investment corporations announced acquisition and sale thereof in the J-REIT market as of April 30, 2023. Therefore, it is not guaranteed that the portfolio of the New REIT after the Merger will have the largest number of properties in the J-REIT market as of the effective date of the Merger.

(b) Form of the Merger

KDO will be the surviving corporation under an absorption-type merger and KDR and KRR will be dissolved in the Merger.

(c) Allocation of Investment Units under the Merger

	KDO (Surviving corporation in the absorption-type merger)	KDR (Dissolving corporation in the absorption-type merger)	KRR (Dissolving corporation in the absorption-type merger)
Allocation of investment units under the Merger	1	1.34 (Reference) Before the Investment Unit Split 0.67	1.68 (Reference) Before the Investment Unit Split 0.84

(Note 1) The number of new KDO investment units to be issued as a result of the Merger (the number of units taking into account the Investment Unit Split of KDO): 2,446,037

(Note 2) KDO plans to split one investment unit into 2 investment units with October 31, 2023 as the record date for splitting the investment units and November 1, 2023 as the effective date of the split; the allocation ratio shown above and the number of the New Investment units KDO will allocate and deliver are subject to the Investment Unit Split taking effect. If 0.67 KDO investment units are allocated and delivered against 1 KDR investment unit and 0.84 KDO investment units are allocated and delivered against 1 KRR investment unit on the basis of the merger ratio before the Investment Unit Split, there will be many unitholders of KDR and KRR being allocated fractions of less than one KDO investment unit. To make it possible for unitholders of KDR and KRR to continue holding KDO investment units after the Merger, a split of KDO investment units will be carried out before the allocation towards unitholders of KDR and KRR, in the ratio of two KDO investment units to one KDO investment unit for the purpose of delivering to all unitholders of KDR and KRR at least one KDO investment unit, and 1.34 KDO investment unit post- investment unit split will be allocated and delivered for every one KDR investment unit and 1.68 KDO investment unit post- Investment Unit Split will be allocated and delivered every one KRR investment unit.

(d) Distributions of Payment Upon the Merger

In addition to the above mentioned investment units, KDO intends to pay unitholders of KDR and KRR (the unitholders stated or recorded in the final unitholders' registers of KDR and KRR on the day before the effective date of the Merger (excluding Each REIT and unitholders of KDR and KRR who has demanded the purchase of their investment units pursuant to Article 149-3 of the Act on Investment Trusts and Investment Corporations (excluding those who have withdrawn such demand for purchase) (hereinafter referred to as the "Unitholders Subject to Allocation")), in lieu of cash distributions (distributions of profits) for the last fiscal period of KDR and KRR which ends the day before the effective date of the Merger, the Payment upon the Merger in the form of cash distributions based on distributable income of KDR and KRR for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of distributable income of KDR and KRR on the date before the effective date of the Merger by the number of issued investment units of KDR and KRR on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The Payment upon the Merger will be paid within a reasonable period from the effective date of the Merger

(e) Outline of the latest fiscal period of KDO and KRR

Outline of the latest fiscal period of KDO (Apr. 2023)

Business overview : Invest in and manage real estate properties or trust beneficiary interest in real estate defined by the Article 149-3 of the Act on Investment Trusts and Investment Corporations.

Operating Revenue : 17,290 mil yen

Net Income : 7,205 mil yen

Total Assets : 474,274 mil yen

Total liabilities : 243,791 mil yen

Net Assets : 230,482 mil yen

Outline of the latest fiscal period of KRR (Mar. 2023)

Business overview : Invest in and manage real estate properties or trust beneficiary interest in real estate defined by the Article 149-3 of the Act on Investment Trusts

and Investment Corporations

Operating Revenue : 9,924 mil yen

Net Income : 3,922 mil yen

Total Assets : 287,569 mil yen

Total liabilities : 145,002 mil yen

Net Assets : 142,566 mil yen

(f) Timing of the Merger

The effective date of the Merger 1 November 2023 (Scheduled)

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment consist of the following as of July 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	¥875,691	¥ -	¥1,322,747	¥22,036	¥16,074	¥1,300,710	Notes 1
Structures	10,306	21,299	-	31,606	992	699	30,613	
Tools, furniture and fixtures	10,342	35,086	-	45,429	1,683	1,253	43,746	
Land	1,804,624	2,593,204	-	4,397,829	-	-	4,397,829	Notes 1
Sub total	2,272,330	3,525,282	-	5,797,612	24,712	18,026	5,772,899	
Buildings in trust	125,940,957	1,331,753	-	127,272,710	21,938,495	1,634,717	105,334,215	
Structures in trust	1,568,935	5,266	-	1,574,202	469,601	40,242	1,104,601	
Machinery and equipment in trust	1,600,108	59,066	-	1,659,175	588,714	35,969	1,070,460	
Tools, furniture and fixtures in trust	1,405,598	51,774	-	1,457,373	292,713	43,303	1,164,659	
Land in trust	185,748,052	1,268	-	185,749,321	-	-	185,749,321	
Sub total	316,263,652	1,449,130	-	317,712,783	23,289,525	1,754,232	294,423,257	
Total	318,535,982	4,974,412	-	323,510,395	23,314,238	1,772,259	300,196,157	
Intangible assets								
Leasehold right in trust	1,862,101	-	-	1,862,101	14,374	1,724	1,847,727	
Other	7,762	-	-	7,762	7,762	129	-	
Total	¥1,869,864	¥ -	¥ -	¥1,869,864	¥22,137	¥1,854	¥1,847,727	

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

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.

21. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of July 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	(Note2)	Unsecured
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30,2028		

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)						
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 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	¥ -

22. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt and long-term debt consist of the following as of July 31, 2023

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
Short-term loans payable	Mizuho Bank, Ltd.(Note 8)	2,000,000	-	2,000,000	-	0.302%	March 31, 2023		
	Sumitomo Mitsui Banking Corporation(Note 8)	900,000	-	900,000	-	0.302%	April 30, 2023		
	Sumitomo Mitsui Banking Corporation(Note 8)	1,200,000	-	1,200,000	-	0.302%	June 30, 2023		
	Mizuho Bank, Ltd.(Note 8)	300,000	-	300,000	-	0.302%	June 30, 2023		
	Sumitomo Mitsui Banking Corporation(Note 8)	900,000	-	900,000	-	0.302%	July 31, 2023	(Note 6)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000	0.303%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.303%	August 31, 2023		
	Mizuho Bank, Ltd.(Note 8)	950,000	-	950,000	-	0.302%	November 30, 2023		
	Mizuho Bank, Ltd.(Note 9)	-	1,200,000	1,200,000	-	0.304%	March 29, 2024		
	Sub total	8,250,000	1,200,000	7,450,000	2,000,000				
Current portion of long-term loans payable	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	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	-	0.279%	February 28, 2023		
	Mizuho Trust & Banking Co., Ltd.	200,000	-	200,000	-	0.229%	February 28, 2023		
	Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000	1.254%	August 7, 2023		
	Resona Bank, Limited	200,000	-	-	200,000				
	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	(Note 6)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.592%	August 31, 2023		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.592%	August 31, 2023		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.592%	August 31, 2023		
	The Bank of Fukuoka, Ltd.	800,000	-	-	800,000	0.230%	November 30, 2023		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.225% (Note 5)	October 31, 2023		
	MUFG Bank, Ltd.	300,000	-	-	300,000	0.225% (Note 5)	November 30, 2023		
	MUFG Bank, Ltd.	900,000	-	-	900,000	0.225% (Note 5)	January 31, 2024		
MUFG Bank, Ltd.(Note 2)	2,000,000	-	-	2,000,000	1.100%	April 30, 2024			
Aozora Bank, Ltd. (Note 2)	1,500,000	-	-	1,500,000	0.582%	February 29, 2024			
Sumitomo Mitsui Banking Corporation(Note 2)	1,000,000	-	-	1,000,000	0.582%	February 29, 2024			
MUFG Bank, Ltd.(Note 2)	1,000,000	-	-	1,000,000	0.582%	February 29, 2024			
Resona Bank, Limited(Note 2)	450,000	-	-	450,000	0.336%	April 30, 2024			
Mizuho Bank, Ltd.(Note 2)	500,000	-	-	500,000	0.259%	February 29, 2024			
Sumitomo Mitsui Trust Bank, Limited(Note 2)	500,000	-	-	500,000	0.259%	February 29, 2024			

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)	600,000	-	-	600,000	0.300% (Note 5)	February 29, 2024		
	SBI Shinsei Bank, Limited (Note 2)	1,000,000	-	-	1,000,000	0.252%	July 31, 2024	(Note 6)	Unsecured/ Unguaranteed
	MUFG Bank, Ltd.(Note 2)	500,000	-	-	500,000	0.225% (Note 5)	February 29, 2024		
	MUFG Bank, Ltd.(Note 9)	-	500,000	500,000	-	0.301%	April 30, 2024		
	Resona Bank, Limited	-	1,000,000	-	1,000,000	0.251%			
Sub total	27,150,000	1,500,000	8,300,000	20,350,000					
Long-term loans payable	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	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				
	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					
Nippon Life Insurance Company	500,000	-	-	500,000	0.799%	February 2, 2026			
Resona Bank, Limited	400,000	-	-	400,000					
SBI Shinsei Bank, Limited	400,000	-	-	400,000					
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000					
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000					

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)							
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	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	500,000	-	-	500,000	0.484%	November 30, 2025		
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.572%	August 31, 2026		
MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.600%	November 30, 2026		
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			(Note 6)	Unsecured/ Unguaranteed
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		
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.646%	June 30, 2028		
SBI Shinsei Bank, Limited	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%			
SBI Shinsei Bank, Limited	1,750,000	-	-	1,750,000				
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Mizuho Bank, Ltd.	500,000	-	-	500,000		July 31, 2028		
Resona Bank, Limited	500,000	-	-	500,000	0.641%			
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%	August 31, 2028		
Aozora Bank, Ltd.	300,000	-	-	300,000	0.690%			
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		

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)							
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		
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)	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%	February 28, 2030		
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% (Note 5)	November 30, 2026	(Note 6)	Unsecured/Unguaranteed
The Musashino Bank, Ltd.	500,000	-	-	500,000				
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		
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				
Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000	0.425%	May 31, 2026		
Sompo Japan Insurance Inc.	1,000,000	-	-	1,000,000	0.380% (Note 5)	August 31, 2025		
SBI Shinsei Bank, Limited	1,100,000	-	-	1,100,000	0.550%	July 31, 2027		
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		

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)							
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	0.666% (Note 5)	January 31, 2027		
Daishi Hokuetsu Bank, Ltd.	500,000	-	-	500,000	0.666% (Note 5)	January 31, 2027		
SBI Shinsei Bank, Limited	500,000	-	-	500,000	0.790% (Note 5)	January 31, 2028		
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.300%	August 31, 2025		
Mizuho Bank, Ltd.	-	1,500,000	-	1,500,000				
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	1.008%	February 29, 2028		
Mizuho Bank, Ltd.	-	1,000,000	-	1,000,000				
The Yamaguchi Bank, Ltd.	-	500,000	-	500,000	0.888%	February 28, 2029		
The Chiba Bank, Ltd.	-	400,000	-	400,000	0.888%	February 28, 2029		
THE HACHIJUNI BANK, LTD.	-	400,000	-	400,000				
The Yamanashi Chuo Bank, Ltd.	-	400,000	-	400,000				
The Chugoku Bank, Ltd.	-	400,000	-	400,000	0.888% (Note 5)	February 28, 2029	(Note 6)	Unsecured/Unguaranteed
THE NISHI-NIPPON CITY BANK, LTD.	-	400,000	-	400,000				
Kansai Mirai Bank, Limited	-	400,000	-	400,000				
The Bank of Kyoto, Ltd.	-	350,000	-	350,000				
MUFG Bank, Ltd.	-	1,700,000	-	1,700,000	0.841% (Note 5)	February 29, 2028		
The Bank of Fukuoka, Ltd.	-	500,000	-	500,000	0.175%	February 28, 2025		
Resona Bank, Limited	-	500,000	-	500,000	0.798%	October 31, 2028		
Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000	0.245%	July 31, 2026		
SBI Shinsei Bank, Limited	-	600,000	-	600,000	0.538% (Note 5)	January 31, 2028		
MUFG Bank, Ltd.	-	400,000	-	400,000	0.645% (Note 5)	July 31, 2028		
MUFG Bank, Ltd.	-	500,000	-	500,000				
Mizuho Bank, Ltd.	-	800,000	-	800,000	0.245%	July 31, 2025		
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	0.245%	July 31, 2026		
Sumitomo Mitsui Trust Bank, Limited	-	300,000	-	300,000	0.245%	July 31, 2026		
The Bank of Fukuoka, Ltd.	-	200,000	-	200,000	0.195%	July 31, 2026		
SBI Shinsei Bank, Limited	-	500,000	-	500,000	0.720% (Note 5)	July 31, 2029		
Sub total	121,120,000	14,750,000	-	135,870,000				
Total	¥156,520,000	¥17,450,000	¥15,750,000	¥158,220,000				

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	¥ 22,650,000	¥ 28,400,000	¥ 24,800,000	¥ 29,000,000	¥ 31,020,000

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: Early repayment was made on February 28, 2023.

Note 9: Early repayment was made on July 31, 2023.

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				
	Resona Bank, Limited (Note 2)	200,000			200,000	1.254%	August 7, 2023		
	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	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate	Payment due date (Note 7)	Use	Remarks
						(Note 3) (Note 4)			
(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	0.658%			
	Mizuho Bank, Ltd.	800,000	-	-	800,000				
	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		
Long-term loans payable	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.575% (Note 5)	January 31, 2030	(Note 6)	Unsecured/ Unguaranteed
	Nippon Life Insurance Company	1,000,000	-	-	1,000,000	0.700% (Note 5)			
	The Yamaguchi Bank, Ltd.	800,000	-	-	800,000	0.358%	February 28, 2027		
	The Chugoku Bank, Ltd.	500,000	-	-	500,000				
	The 77 Bank, Ltd.	500,000	-	-	500,000	0.533%	February 28, 2029		
	Aozora Bank, Ltd.	350,000	-	-	350,000				
	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	0.325% (Note 5)	November 30, 2026		
	The Musashino Bank, Ltd.	500,000	-	-	500,000				
	The Hyakugo Bank, Ltd.	500,000	-	-	500,000	0.314%	November 30, 2025		
	THE HACHIJUNI BANK, LTD.	500,000	-	-	500,000				
	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	0.561%	November 30, 2029		
The Yamanashi Chuo Bank, Ltd.	500,000	-	-	500,000					
The Yamaguchi Bank, Ltd.	1,000,000	-	-	1,000,000	0.631%	November 30, 2030			
The Bank of Yokohama, Ltd.	700,000	-	-	700,000					
Kansai Mirai Bank, Limited	500,000	-	-	500,000	0.703%	November 30, 2031			
The Bank of Kyoto, 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)							
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	(Note 6)	Unsecured/ Unguaranteed
SBI Shinsei Bank, Limited (Note 8)	1,100,000	-	-	1,100,000	0.550%	July 31, 2027		
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.

23. DISTRIBUTIONS

	23rd Fiscal Period (From February 1, 2023 to July 31, 2023)	22nd Fiscal Period (From August 1, 2022 to January 31, 2023)
I. Retained earnings at the end of period	¥4,682,702,038	¥4,718,142,642
II. Reversal of voluntary retained earnings		
Reversal of reserve for temporary difference adjustments (Note 1)	¥20,000,000	¥20,000,000
III. Total distributions	¥4,521,508,992	¥4,556,833,281
Distributions per unit	¥4,224	¥4,257
IV. Retained earnings brought forward to the next period	¥181,193,046	¥181,309,361
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 ¥4,521,508,992, which is the amount of ¥4,501,392,677 in net income and ¥116,315 from retained earnings brought forward and ¥20,000,000 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 23rd 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 ¥4,556,833,281, 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>

Note 1: Reserve for temporary difference adjustments

23rd Fiscal Period (February 1, 2023 to July 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 23rd fiscal period distribution.

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.