

34th Fiscal Period Financial Report (REIT)

May 23, 2023

REIT Issuer: Daiwa Securities Living Investment Corporation Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 8986 URL: <https://www.daiwa-securities-living.co.jp/en>
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 Scheduled date of commencement of distribution payment: June 15, 2023
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 Holding of financial results briefing session: Yes (for analysts and institutional investors)

(Amounts are rounded down to the nearest million yen)

1. Status of Operations and Assets for the 34th Fiscal Period (from October 1, 2022 to March 31, 2023)

(1) Management Status (% figures indicate the percentage of increase (decrease) over the previous fiscal period)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
34th Fiscal Period	11,898	4.0	5,571	4.3	4,829	3.8	4,828	3.8
33rd Fiscal Period	11,436	1.5	5,341	0.3	4,653	0.7	4,652	0.7

	Earnings per unit		Return on equity (ROE)	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	Yen	%			
34th Fiscal Period	2,136	2.9	2.9	1.3	40.6
33rd Fiscal Period	2,110	2.8	2.8	1.3	40.7

(2) Status of Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Ratio of distributions to net assets
	Yen	Million yen	Yen	Million yen	%	%
34th Fiscal Period	2,200	4,973	—	—	103.0	2.9
33rd Fiscal Period	2,180	4,806	—	—	103.3	2.9

(Note 1) The source of funds for payment of distributions for the 34th fiscal period is the amount of unappropriated retained earnings after including reserve for temporary difference adjustments of ¥145 million and differs from profit.

(Note 2) The source of funds for payment of distributions for the 33rd fiscal period is the amount of unappropriated retained earnings after including reserve for temporary difference adjustments of ¥153 million, and differs from profit.

(Note 3) Dividend payout ratio for the 34th fiscal period is calculated by the following formula since issuance of new investment units was implemented.

$$\text{Payout ratio} = [\text{Total distribution amount} / \text{Profit}] \times 100$$

(3) Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per unit
	Million yen	Million yen	%	Yen
34th Fiscal Period	366,565	171,436	46.8	75,826
33rd Fiscal Period	353,676	165,218	46.7	74,932

(4) Status of Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the end of the fiscal period
	Million yen	Million yen	Million yen	Million yen
34th Fiscal Period	7,629	(19,263)	7,813	13,944
33rd Fiscal Period	7,101	(2,447)	(2,006)	17,764

English Translation

The following is an English translation of the original Japanese document and is being provided for informational purposes only.

2. Earnings Forecast for the 35th Fiscal Period (from April 1, 2023 to September 30, 2023) and the 36th Fiscal Period (from October 1, 2023 to March 31, 2024)

(% figures indicate the percentage of increase (decrease) over the previous fiscal period)

	Operating revenue		Operating profit		Ordinary profit		Profit		Distribution per unit (excluding distributions in excess of earnings)	Distribution in excess of earnings per unit
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
35th period	11,892	(0.0)	5,482	(1.6)	4,749	(1.7)	4,748	(1.7)	2,200	—
36th period	11,866	(0.2)	5,509	0.5	4,763	0.3	4,763	0.3	2,200	—

(Reference) Expected earnings per unit (35th fiscal period): ¥2,100; Expected earnings per unit (36th fiscal period): ¥2,106

(Note) The source of funds for payment of distributions for the 35th fiscal period is the amount of profit after adding reversal of reserve for temporary difference adjustments of ¥225 million and thus it differs from the amount of profit. The source of funds for payment of distributions for the 36th fiscal period is the amount of profit after adding reversal of reserve for temporary difference adjustments of ¥210 million and thus it differs from the amount of profit. For the details of earnings forecast above, please refer to “1. Management Status, (4) Earnings Outlook” later in this document.

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatement

① Changes in accounting policies accompanying amendments to accounting standards	No
② Changes in accounting policies other than ①	No
③ Changes in accounting estimates	No
④ Retrospective restatement	No

(2) Total Number of Investment Units Issued and Outstanding

① Total number of investment units issued and outstanding (including treasury investment units) at the end of the fiscal period

34th Fiscal Period	2,260,890 units	33rd Fiscal Period	2,204,890 units
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② Total number of treasury investment units at the end of the fiscal period

34th Fiscal Period	0 units	33rd Fiscal Period	0 units
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(Note) For the number of investment units used as the base for calculating earnings per unit, please refer to “Notes on Per Unit Information” on page 28.

* Financial reports are exempt from the audit by a certified public accountant or an auditing firm.

* Special note

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Daiwa Securities Living Investment Corporation (hereinafter the “Investment Corporation”). Consequently, actual results may differ materially depending on a number of factors. In addition, the forecast is not intended as a guarantee of the amount of distributions. Regarding assumptions for earnings forecast and matters to consider when using the earnings forecast, please refer to “1. Management Status, (4) Earnings Outlook” on page 10.

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1. Management Status

(1) Management Status

① Overview of the Fiscal Period under Review

(a) Profile of the Investment Corporation

The Investment Corporation was established on October 7, 2005, based on the provisions of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended), and listed as a “housing-specific REIT” on the Tokyo Stock Exchange Real Estate Investment Trust market (stock code: 8986) on June 22, 2006. The Investment Corporation merged with Prospect Reit Investment Corporation in an absorption-type merger on July 1, 2010, and since then it has been seeking to steadily enhance distributions primarily by improving the quality of its portfolio through the replacement of properties (acquiring new properties and disposing of existing properties), strengthening overall operations by improving occupancy rates and other factors, and reducing costs by decreasing expenses for interest-bearing debt and other items. Furthermore, as a result of an absorption-type merger (hereinafter the “Merger”) whereby the Investment Corporation is the surviving corporation and Nippon Healthcare Investment Corporation (hereinafter “NHI”) is the absorbed corporation on April 1, 2020, upon which the trade name was changed from “Japan Rental Housing Investments Inc.” to “Daiwa Securities Living Investment Corporation” and healthcare facilities added to the portfolio, the Investment Corporation is now managed as a “REIT that comprehensively provides comfortable living spaces that ‘support life and lifestyle of everyone’ suited to each life stage.”

The properties under management at the end of March 2023 consisted of 248 properties with a total acquisition price of ¥363,237 million and a total rentable floor area of 766,035.49 square meters.

(b) Investment Environment

During the fiscal period under review, Japanese economy showed positive signs as various regulations to prevent the spread of COVID-19 were eased and the underlying tone in the March 2023 Consumer Confidence Survey was revised upward to “showing signs of recovery” from “showing signs of weakness” in the previous month. On the other hand, there were times when market volatility increased due to monetary policies of various countries, such as concerns over prolonged monetary tightening in Europe and the U.S., and the expansion of the fluctuation range for the long-term interest rate at the Bank of Japan's monetary policy meeting in December 2022.

Amid such, rental residential properties owned by listed residential REITs enjoyed a relatively stable management environment as seen in their maintenance of stable occupancy rates when compared with other sectors. On the other hand, in the real estate investment market, with investor interest in the stable cash flows of rental residential properties staying robust and the continued low-interest-rate environment in Japan, competition for property acquisition by domestic and foreign investors continues to be severe. Furthermore, for healthcare facilities, social demand for private nursing homes and other facilities for the elderly is increasing year by year as the proportion of the elderly in the total population increases.

(c) Management Performance

To enhance investment unit value, focus was placed on a. External growth through the acquisition of new properties; b. Continuing to strengthen overall operations; c. Strengthening of financing; and d. Sustainability initiatives.

a. External growth through acquisition of new properties

In the fiscal period under review, the Investment Corporation acquired seven rental housing (total acquisition price: ¥11,258 million) and one healthcare facility (acquisition price: ¥6,280 million), totaling eight properties (total acquisition price: ¥17,538 million) amid increasingly intensified competition for property acquisition. These properties contributed to the revenues of the Investment Corporation in the fiscal period under review and are expected to make a contribution toward expanding revenues in the next fiscal period onward.

Property name	Property type	Acquisition date	Acquisition price (thousand yen) (Note)
Gran Casa Minamisenju	Rental housing	October 4, 2022	1,159,000
Gran Casa Hikifune		October 4, 2022	2,760,000
Serenite Namba Plie		October 4, 2022	2,739,200
Gran Casa Oji		October 4, 2022	1,150,000
Gran Casa Ryogoku East		October 4, 2022	1,120,000
Gran Casa Tabata		October 4, 2022	825,000
Gran Casa Kuramae		March 6, 2023	1,505,000
Rental housing total			11,258,200
Sunny Life Shibaura	Healthcare facilities	October 4, 2022	6,280,000
Healthcare facilities total			6,280,000
Total			17,538,200

(Note) Acquisition price does not include acquisition expenses, adjustments to property tax and city planning tax, and consumption tax and local consumption tax.

b. Continuing to strengthen overall operations

i. Strategy for managing rental housing

As a result of use of the Daily Occupancy Forecasting System and the continued focus on a range of existing initiatives and other measures by Daiwa Real Estate Asset Management Co., Ltd., the asset management company of the Investment Corporation (hereinafter the “Asset Manager”), the average occupancy rate during the period stood at 98.6% (97.9% in the previous fiscal period). In addition, as a result of continuing to focus on also increasing the rent at the time of replacement (Note), an increase in rent from the previous rent was achieved for 850 out of 1,268 contracts (the total number of new contracts) in the fiscal period under review. The percentage of contracts with higher rent (based on the number of contracts) was 67.0%. The percentage of change in rent at tenant turnover (based on rent) rose by 1.9% (an increase of 1.5% in the previous fiscal period), continuing an upward trend and contributing to higher revenues as in the previous fiscal period.

As for expenses related to leasing business, the Asset Manager focused on a range of existing initiatives, including the reduction of repair expenses and expenses for work to restore properties to their original state through the High-Cost Construction Approval Committee.

In the fiscal period under review, in consideration of the trend in the rental market with shifting to post-pandemic lifestyles due to changes in economic conditions, campaigns to conclude contracts and revision of terms and conditions of contracts were carried out, resulting in occupancy rates improving from the previous period.

(Note) The rent at the time of replacement is calculated by excluding properties for which the previous rent is unknown due to newly acquired properties and the cancellation of the sublease contract and rooms for rent whose use is other than as a residence.

(Existing initiatives)

- Utilizing the “Daily Occupancy Forecasting System” (an IT system independently self-developed by the Asset Manager that predicts occupancy rates at the end of every month on a daily basis; introduced in October 2011) to understand dynamic information regarding individual vacancies, and shorten the cycle for identifying individual vacancies, conducting onsite inspections, investigating causes, taking action, and verifying effects. With the commencement of the operation of the IT system that was upgraded to a new version in May 2015, a mechanism that is able to ascertain various types of information including occupancy rates on the Internet in real time has been set in place.
- Fully enforcing the “Three-week Rule” (a rule to fully restore properties to their original state within three weeks of tenants vacating; introduced in October 2010) to minimize opportunity losses.
- “Downtime 60 Days” (a policy to conclude a new contract within 60 days of tenants vacating; introduced in October 2012).
- “Action 30 Days” (focused response to achieve the best rent at the earliest in the first 30 days after beginning to seek tenants; focused response to vacancies of 30 days after beginning to seek tenants, which was introduced in October 2013, has been changed to a more aggressive initiative based on the “Management Policy by Property” newly introduced in April 2016) to further improve occupancy rates and profitability by shortening vacancy periods.
- Taking stronger action on “Key Focus Properties (introduced in April 2011)” and “Long-term Vacancies” (vacancies over 60 days; introduced in October 2010)
- “High-Cost Construction Approval Committee” (a committee conducting a detailed, systematic examination of the content and amount of construction work for ¥1 million or more when orders are placed; introduced in April 2012) to optimize expenses for high-priced construction work.
- Formulation of “Standard Specifications for Work to Restore Properties to their Original State” (setting unique construction specifications for work to restore properties to their original state after tenants vacate, regarding it as a recommercialization measure; introduced in April 2012) to build better rooms and improve management of expenses and construction schedules.
- “Management to Increase the Number of Properties with Full Occupancy” (further improving occupancy rates through the management of the number of properties with full occupancy; introduced in April 2014).
- “Management Policy by Property” (a policy of managing properties by drafting a basic policy for each property based on an analysis of past contract data (rent, downtime, comparison with the previous rent, key money, etc.) of each property and focusing on increasing revenue by simultaneously raising rents and shortening the downtime for each room newly contracted after cancellation through implementation in conjunction with “Action 30 Days,” one of the existing initiatives above; introduced in April 2016).

ii. Strategy for managing healthcare facilities

In order for healthcare facilities to earn stable revenue and serve to maintain and enhance unitholder value, the Asset Manager monitors operators as it regards the creditworthiness, operational capabilities, etc. of the operators operating the facilities as important factors in realizing stable occupancy. In the fiscal period under review, while monitoring the impact of COVID-19, interviews and such were conducted by visiting facilities and in the form of meetings with facility managers and head office staff using an online conferencing system. COVID-19 has had no impact on the performance of the Investment Corporation as of the end of the fiscal period under review. In addition, there are no changes to the terms and conditions of contracts, such as mid-term cancellation of lease agreements with operators, rent reduction/exemption and postponement of payment.

As a result of the above, the average occupancy rate of healthcare facilities during the period was 100.0%.

c. Strengthening of financing

In the fiscal period under review, the Investment Corporation conducted the following issuance of new investment units and borrowing of funds to fund the acquisition of new properties and repayment of borrowings.

- * The Investment Corporation conducted issuance of new investment units (payment date: October 3, 2022, number of investment units issued: 53,333 units, issue price: ¥114,387, total issue value: ¥5,900 million), and used as part of funds for acquisition of the properties acquired on October 4, 2022.
- * On October 4, 2022, the Investment Corporation borrowed a total of ¥6,450 million as part of the funds for acquisition of the properties acquired on the same day.
- * The Investment Corporation conducted issuance of new investment units through third-party allotment (payment date: October 19, 2022, total issue value: ¥295 million), and reserved as cash on hand.
- * On October 31, 2022, the Investment Corporation refinanced ¥2,400 million of the bank borrowings from existing transaction banks as the funds for repayment of the same amount in total for long-term borrowings due on the same day.
- * On December 30, 2022, the Investment Corporation refinanced ¥2,000 million of the bank borrowings from existing transaction banks as the funds for repayment of the same amount in total for long-term borrowings due on the same day.

- * On March 31, 2023, the Investment Corporation refinanced ¥5,000 million of the bank borrowings from existing transaction banks as the funds for repayment of the same amount in total for long-term borrowings due on the same day.

As a result of the above, the Investment Corporation achieved extension of borrowing periods, in addition to diversification of due dates. Furthermore, the ratio of interest-bearing debt to total assets at the end of the fiscal period under review came to 51.3%, the ratio of long-term interest-bearing debt (excluding interest-bearing debt to be repaid within a year) came to 89.1%, and the ratio of fixed interest rates came to 69.1% on a contract basis.

d. Sustainability initiatives

Based on the recognition that the emphasis on environmental, social and corporate governance practices (collectively called “ESG”) in asset management contributes to the improvement of corporate value over the medium to long term, the Investment Corporation has promoted sustainability initiatives based on the sustainability policy established by the Asset Manager.

As for its environmental initiatives, the Investment Corporation is working to reduce the environmental impact of its portfolio through energy conservation and greenhouse gas emissions reduction by installing LEDs and other equipment with high energy-saving performance, as well as effective utilization of limited resources such as water conservation. Furthermore, a total of 21 properties owned by the Investment Corporation as of the date of submission of this document have obtained environmental certification (Note 1), and the ratio of certification is 15.74% (based on the total floor area of the entire portfolio).

Regarding social initiatives, the Investment Corporation is making efforts to improve tenant satisfaction and contribute to the sustainable development of local communities by building good relationships with external stakeholders related to its real estate held to collaborate with them. In order to further promote supply of excellent healthcare facilities in Japan, as of the date of submission of this document, the Investment Corporation borrowed through social loans (¥9,920 million) and issued social bonds (¥2,000 million) based on the Social Finance Framework formulated in May 2021.

As part of our governance initiatives, the Asset Manager ensures prevention of conflicts of interest, management of risks, and compliance with laws and regulations, and has introduced an asset management fee system linked to the results of management, emphasizing the linkage with unitholder interests.

The Investment Corporation has been continuously participating in GRESB Real Estate Assessment since 2018, and received the “Green Star” assessment given to participants with excellent scores in the “Management Component” assessing policies and organizational structures for ESG promotion and the “Performance Component” assessing environmental performance and initiatives with tenants in properties owned in the 2022 GRESB Real Estate Assessment. It also received two stars in the five-level GRESB rating based on the global ranking of overall scores. Furthermore, the Investment Corporation received the highest rank of “A” in the five-level rating in the 2022 GRESB disclosure assessment measuring the level of ESG disclosure in recognition of its excellent disclosure related to environmental consideration and sustainability initiatives.

The Asset Manager formulated a “Climate Change Resilience Policy” in December 2021 and expressed support for the TCFD (Task Force on Climate-related Financial Disclosures) (Note 2) recommendations to promote clarification of the policy on initiatives to address climate-related issues and the enhancement of disclosure of the content of such initiatives. Furthermore, in January 2022, the Asset Manager joined the TCFD Consortium, an organization formed by companies in Japan expressing support for the recommendations.

Based on the four items whose information disclosure is recommended in the TCFD recommendations (governance, strategy, risk management, and indicators and targets), a qualitative scenario analysis of business risks and opportunities caused by the response to climate change was conducted and disclosed on the Investment Corporation’s website from March 2023.

(Note 1) The environmental certifications which the properties owned by the Investment Corporation have acquired include CASBEE for Real Estate Certification, DBJ Green Building Certification, BELS Certification.

(Note 2) TCFD (Task Force on Climate-related Financial Disclosures) is an international initiative established by the Financial Stability Board (FSB) at the request of the G20 regarding how climate-related information should be disclosed and addressed by financial institutions.

(d) Summary of Results and Distributions

As a result of the management initiatives described above, the Investment Corporation recorded operating revenue of ¥11,898 million, operating profit of ¥5,571 million, ordinary profit of ¥4,829 million and profit of ¥4,828 million.

As for distributions, the Investment Corporation will distribute the amount of unappropriated retained earnings after adding reversal of reserve for temporary difference adjustments of ¥145 million according to the existing policy.

As a result, total distributions came to ¥4,973 million in the fiscal period under review, and the distribution per unit was ¥2,200 (up ¥20 from the previous fiscal period).

(Note) With respect to distributions, based on the plan that the maximum amount of distribution of earnings shall be included in deductible expenses upon the application of Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, including amendments thereto; hereinafter the “Special Taxation Measures Act”), the full amount of unappropriated retained earnings except for fractions of less than one (1) yen of cash distribution per investment unit will be distributed.

② Outlook for the Next Fiscal Period

(a) Future Management Policy

The Investment Corporation will seek to achieve further growth through investment in rental housing and healthcare facilities as a “REIT that comprehensively provides comfortable living spaces suited to each life stage,” and thereby pursue maximization of unitholder value from securement of revenues and stabilization/enhancement of distribution of the Investment Corporation.

a. External growth through acquisition of new properties

As the Asset Manager is entrusted with the asset management business by five listed and private investment corporations, including the Investment Corporation, and real estate funds other than the form of investment corporation, and as the Asset Manager remains an independent asset management company that does not belong to any particular group of real estate firms, developers, or the like, in relation to its real estate business, property information can be obtained from a number of sources, including real estate private funds, asset management companies of real estate investment corporations, financial institutions, real estate firms, real estate agents, business corporations, investors, and Daiwa Securities Group Inc. and its group companies. The Asset Manager will work to acquire new properties in a flexible manner by carefully selecting from the abundant property information obtained. The Asset Manager will also consider investment in development projects using a bridge fund and other means.

In addition, the Asset Manager has been carrying out an investment strategy focused on the healthcare sector (hospitals and nursing care facilities) since 2001, and since 2008 it has concluded an advisory agreement with AIP Healthcare Japan GK, engaged in investment specializing in private nursing homes and other facilities for the elderly. Based on this agreement, the Asset Manager receives advice on information provision, management and operation of healthcare facilities that are the investment assets of the Investment Corporation, collaboration with operators, etc.

The Asset Manager will seek to acquire new properties through use of various methods by carefully selecting properties from the following three perspectives.

- 1) Properties for which an arm’s length transaction is planned on rational grounds and properties with few competing bidders
- 2) Undervalued properties (with the high probability that the Investment Corporation could improve revenues after acquisition in terms of rent, occupancy rates, property-related expenses, etc.)
- 3) Properties not for sale (properties that are not brought on the market for sale)

When investing in rental housing, regionally diversified investment will be made in order to secure stable cash flows by mitigating risks associated with changes in local economies and rental markets, and with earthquakes, etc. The investment territory for rental housing will include the national capital region, ordinance-designated cities, prefectural capitals and other similar cities, and commuting areas around thereof, and diversified investment will be made throughout Japan by region. Diversified investment will also be made with different categories of rental housing in order to secure stable cash flows by mitigating risks associated with changes in the rental markets for each category of rental housing. The categories of rental housing for investments will be the studio type (Note 1) and the family type (Note 2). When investing in rental housing, comprehensive judgement will be made on a case-by-case basis based on an examination of investment value, whereby a full investigation is conducted in respect of expected earnings, site area and housing environment, construction and equipment specifications, earthquake-resisting capacity, related rights, building management conditions, environment and geology, etc. of the relevant rental housing.

When investing in healthcare facilities, investment will be made mainly in healthcare facilities located in the three major metropolitan areas consisting of the greater Tokyo area (Note 3), the Chukyo area (Note 4) and the Kinki area (Note 5) where concentration of the entire population and the elderly population can be expected to secure medium- to long-term stable management, as well as in healthcare facilities located throughout Japan to diversify the risk of the portfolio. When investing in healthcare facilities, investment decisions will be made on a case-by-case basis based on comprehensive examination of (i) general factors including economic factors (such as economic and financial condition, and trends in financial and real estate markets), social factors (such as trends in the elderly population and the number of those who are certified for being eligible of long-term care) and administrative factors (such as nursing and medical insurance systems and regulations on healthcare facilities supply), (ii) local factors such as surrounding environment of the location area of the property (such as transportation accessibility, vicinity to retail and public facilities, and quality as a living environment), and (iii) factors for the individual property such as specifications of the building, the operator that is the lessee, facility occupancy status and rent-paying capacity.

- (Note 1) “Studio type” refers to residences in the 1R, 1K, 1DK, and 1LDK layouts.
(Note 2) “Family type” refers to residences in the 2K, 2DK, 2LDK, and above layouts.
(Note 3) “Greater Tokyo area” refers to Tokyo, Kanagawa, Chiba and Saitama prefectures.
(Note 4) “Chukyo area” refers to Aichi, Mie and Gifu prefectures.
(Note 5) “Kinki area” refers to Osaka, Kyoto, Hyogo, Nara and Shiga prefectures.

b. Continuing to strengthen overall operations

i. Strategy for managing rental housing

For rental housing, the Asset Manager will continue to focus on maximizing rental income for each property by optimizing the downtime and rent based on a range of existing initiatives including the Management Policy by Property and by using the Daily Occupancy Forecasting System. In addition, the Asset Manager also pursues an increase in the rent for new contracts by setting fine-tuned rent conditions in light of the stable rental housing market in major metropolitan areas. With regard to property-related expenses, the Asset Manager will continue to work to reduce repair expenses and expenses for work to restore properties to their original state through the High-Cost Construction Approval Committee, and to reduce utilities expenses by introducing LED lights and other measures.

ii. Strategy for managing healthcare facilities

In order for healthcare facilities to earn stable revenue and serve to maintain and enhance unitholder value, the Asset Manager continues to monitor operators as it regards the creditworthiness, operational capabilities, etc. of the operators operating the facilities as important factors in realizing stable occupancy. In addition, in order to avoid a decline in revenue due to prolonged vacancy periods resulting from the termination of lease agreements with operators, the Investment Corporation concluded an agreement on the backup of operations with the respective operators of its assets (excluding some of them). Although restrictions on activities due to COVID-19 have been eased, we will continue to implement a certain level of measures to prevent the spread of the infectious disease and monitor the situation by visiting facilities and conducting interviews and such in the form of meetings with facility managers using an online conferencing system. In the event that a case of COVID-19 is found at any of the facilities, the Investment Corporation will take prompt action in cooperation with administrative organs to prevent the spread of infection.

c. Financial strategy

In terms of debt financing, the Investment Corporation will seek to further extend borrowing periods, diversify due dates and fix floating interest rates, and seek stable financing by continuing to work to maintain a solid bank formation. The Investment Corporation will continue considering the issuance of investment corporation bonds, while identifying trends in the financing environment and conditions such as the effect of reducing interest rates. Concerning the level of interest-bearing debt, the Investment Corporation will manage with the upper limit set at 60% in principle to take heed of securing of financing capacity. The Investment Corporation will also consider equity financing, taking into comprehensive account the acquisition of new properties, the total assets LTV, the impact on distributions and the financial market environment, etc.

d. Distributions strategy

The Investment Corporation has been distributing profit after adding ¥67 million, which is a portion of the reserve for temporary difference adjustments, from the 23rd fiscal period ended September 30, 2017, as well as ¥11 million from the 30th fiscal period ended March 31, 2021.

To stabilize the level of distributions over the long term, the Investment Corporation may use the reserve for dividends and the reserve for temporary difference adjustments and add them to the above amount for distributions (Note).

(Note) This policy does not guarantee the method and amount, etc. of the reversal of reserve for temporary difference adjustments, because the policy may be changed by a resolution, etc. at a meeting of the Investment Corporation’s Board of Directors in the future.

(2) Investment Risk

Disclosure is omitted because there are no material changes from the statement in the most recent semiannual securities report (submitted on December 21, 2022).

(3) Significant Events after the Closing of Accounts

A. Acquisition of assets

The Investment Corporation acquired the assets for which purchase and sale agreements were concluded on March 22, 2023, as described below.

Property name	Asset type	Property type	Location	Acquisition price (thousand yen) (Note 1)	Appraisal value (thousand yen) (Note 2)	Acquisition date	Counterparty
Gran Casa Kinshicho (Note 3)	Real estate	Rental housing	Sumida-ku, Tokyo	850,000	886,000	April 3, 2023	(Note 4)
Total	—	—	—	850,000	886,000	—	—

(Note 1) The amount (the trade price of the real estate recorded in the real estate purchase and sale contract) that does not include the expenses required for the acquisition of the real estate (intermediation fees, taxes and public dues, etc.) is stated.

(Note 2) The date of the appraisal value is February 1, 2023.

(Note 3) The property name was changed from “Splendide Kinshicho I” to “Gran Casa Kinshicho” on May 1, 2023. The same applies hereinafter.

(Note 4) The counterparty is Ookanda Kensetsu Co., Ltd.

(4) Earnings Outlook

The earnings outlook for the 35th fiscal period (from April 1, 2023 to September 30, 2023) and the 36th fiscal period (from October 1, 2023 to March 31, 2024) is as follows. For the preconditions for this earnings outlook, please refer to “Preconditions for Earnings Forecast for the 35th Fiscal Period (from April 1, 2023 to September 30, 2023) and the 36th Fiscal Period (from October 1, 2023 to March 31, 2024)” below.

(% figures indicate the percentage of increase (decrease) over the previous fiscal period)

	Operating revenue		Operating profit		Ordinary profit		Profit		Distribution per unit (excluding distribution in excess of earnings)	Total distributions in excess of earnings per unit
	Million yen	%	Million yen	%	Million yen	%	Million yen	%		
35th period	11,892	(0.0)	5,482	(1.6)	4,749	(1.7)	4,748	(1.7)	Yen 2,200	Yen —
36th period	11,866	(0.2)	5,509	0.5	4,763	0.3	4,763	0.3	Yen 2,200	Yen —

(Reference) Expected earnings per unit (35th fiscal period): ¥2,100; Expected earnings per unit (36th fiscal period): ¥2,106

(Note) The source of funds for payment of distributions for the 35th fiscal period is the amount of profit after adding reversal of reserve for temporary difference adjustments of ¥225 million and thus it differs from the amount of profit. The source of funds for payment of distributions for the 36th fiscal period is the amount of profit after adding reversal of reserve for temporary difference adjustments of ¥210 million and thus it differs from the amount of profit.

<Preconditions for Earnings Forecast for the 35th Fiscal Period (from April 1, 2023 to September 30, 2023) and the 36th Fiscal Period (from October 1, 2023 to March 31, 2024)>

Item	Preconditions
Dates	<ul style="list-style-type: none"> * 35th fiscal period: from April 1, 2023 to September 30, 2023 (183 days) * 36th fiscal period: from October 1, 2023 to March 31, 2024 (183 days)
Portfolio assets	<ul style="list-style-type: none"> * 249 properties owned by the Investment Corporation as of today are assumed. * The Investment Corporation assumes that there will be no change in the portfolio assets through the end of the 36th fiscal period (March 31, 2024). In practice, however, assets under management are likely to change due to acquisitions or sales of other properties.
Operating revenue	<ul style="list-style-type: none"> * Operating revenue is calculated under the above assumptions for portfolio assets. * No posting of gain on sale of real estate properties is expected for the 35th fiscal period and the 36th fiscal period.
Operating expenses	<ul style="list-style-type: none"> * Operating expenses are calculated under the above assumptions for portfolio assets. * No posting of loss on sale of real estate properties is expected for the 35th fiscal period and the 36th fiscal period. * Of the expenses related to leasing business, which are major operating expenses, expenses other than depreciation are calculated based on past results as well as materials provided by the previous owners, etc. of the assets to be acquired and by reflecting fluctuation factors of the expenses. * Management fee is assumed to be ¥487 million for the 35th fiscal period and ¥487 million for the 36th fiscal period. * For the expenditures for repair of buildings, the amount required in the relevant fiscal period is estimated, and is assumed to be ¥487 million for the 35th fiscal period and ¥407 million for the 36th fiscal period. Please note, however, the actual repair expenses could differ significantly from the estimated amount due to unexpected repair expenses possibly arising and other factors. * Taxes are assumed to be ¥768 million for the 35th fiscal period and ¥768 million for the 36th fiscal period. In general, property tax, city planning tax, etc. upon transactions of real estate, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the current owner, but the property tax, city planning tax, etc. for the fiscal year of acquisition borne by the Investment Corporation are included in the cost of acquisition and thus not recognized as expenses. * Depreciation is calculated using the straight-line method, including incidental expenses and additional future capital expenditure, and is assumed to be ¥2,598 million for the 35th fiscal period and ¥2,604 million for the 36th fiscal period.
Non-operating expenses	<ul style="list-style-type: none"> * Non-operating expenses are assumed to be ¥737 million for the 35th fiscal period and ¥750 million for the 36th fiscal period and consist of the following: <ol style="list-style-type: none"> (1) Interest expenses and interest expenses on investment corporation bonds of ¥570 million for the 35th fiscal period and ¥581 million for the 36th fiscal period (2) Borrowing-related expenses of ¥149 million for the 35th fiscal period and ¥150 million for the 36th fiscal period (3) No posting of investment unit issuance expenses is expected for the 35th fiscal period and the 36th fiscal period. (4) Amortization of investment corporation bond issuance costs of ¥12 million for the 35th fiscal period and ¥12 million for the 36th fiscal period (5) Other expenses of ¥5 million for the 35th fiscal period and ¥6 million for the 36th fiscal period
Interest-bearing debt	<ul style="list-style-type: none"> * The Investment Corporation has outstanding borrowings of ¥166,037 million and outstanding amount of investment corporation bonds issued of ¥22,100 million as of today, and it is assumed that the balance will not change until the 36th fiscal period. * The interest-bearing debt ratio is expected to be 51.3% at the end of both the 35th fiscal period and the 36th fiscal period. * The interest-bearing debt ratio in the forecast is calculated using the following formula. Interest-bearing debt ratio = (Total interest-bearing debt / Total assets) x 100
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> * The total number of investment units issued and outstanding is 2,260,890 units as of today. * Afterward, it is assumed there will be no change to this through to the end of the 36th fiscal period.
Distribution per unit	<ul style="list-style-type: none"> * Distribution per unit is based on the assumption that distribution will comply with the monetary distribution policy stipulated in the Articles of Incorporation. In addition, as a principle, it is calculated with the assumption that all of the profit in each business period will be distributed. * A total of ¥4,973 million (distribution per unit of ¥2,200), which is the amount obtained by adding the planned reversal of reserve for temporary difference adjustment of ¥225 million (¥99 per unit) to profit of ¥4,748 million (¥2,100 per unit), is assumed to be distributed for the 35th fiscal period. * A total of ¥4,973 million (distribution per unit of ¥2,200), which is the amount obtained by adding the planned reversal of reserve for temporary difference adjustment of ¥210 million (¥93 per unit) to profit of ¥4,763 million (¥2,106 per unit), is assumed to be distributed for the 36th fiscal period. * Distribution per unit may change due to various factors including change of rental revenue alongside transfer of assets under management, transfer of tenants, etc. and unforeseen repairs. * Earnings per unit and distribution per unit for each business period are calculated using the expected total number of investment units issued and outstanding at the end of each period based on the above total number of investment units issued and outstanding.

English Translation
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Item	Preconditions
Distribution in excess of earnings per unit	* At present, the Investment Corporation does not plan to make cash distribution in excess of earnings.
Other	* The forecast is based on the assumption that no revisions impacting the forecast figures above will be made to laws and regulations, the tax system, accounting standards, the listing rules, or the rules of The Investment Trusts Association, Japan, etc. * It is also assumed there will be no unexpected material change in general economic trends, the real estate market conditions, etc.

2. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	33rd period (as of September 30, 2022)	34th period (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	14,773,837	10,616,180
Cash and deposits in trust	2,990,641	3,328,482
Operating accounts receivable	157,048	173,547
Prepaid expenses	420,349	336,048
Other	1	39
Allowance for doubtful accounts	(6,587)	(6,327)
Total current assets	18,335,291	14,447,969
Non-current assets		
Property, plant and equipment		
Buildings	96,939,998	97,629,890
Accumulated depreciation	(26,784,976)	(27,935,622)
Buildings, net	70,155,022	69,694,267
Structures	509,981	512,622
Accumulated depreciation	(297,604)	(312,302)
Structures, net	212,376	200,320
Machinery and equipment	455,658	487,038
Accumulated depreciation	(279,881)	(292,152)
Machinery and equipment, net	175,777	194,886
Tools, furniture and fixtures	1,222,841	1,310,341
Accumulated depreciation	(696,679)	(771,858)
Tools, furniture and fixtures, net	526,161	538,482
Land	82,038,609	83,155,633
Construction in progress	1,529	11,885
Buildings in trust	91,366,556	97,318,113
Accumulated depreciation	(11,494,629)	(12,763,756)
Buildings in trust, net	79,871,927	84,554,356
Structures in trust	1,097,210	1,173,429
Accumulated depreciation	(208,044)	(235,766)
Structures in trust, net	889,166	937,663
Machinery and equipment in trust	136,418	145,355
Accumulated depreciation	(58,540)	(63,740)
Machinery and equipment in trust, net	77,877	81,615
Tools, furniture and fixtures in trust	449,712	497,485
Accumulated depreciation	(174,963)	(212,582)
Tools, furniture and fixtures in trust, net	274,748	284,902
Land in trust	99,334,289	110,604,070
Construction in progress in trust	3,762	3,729
Total property, plant and equipment	333,561,246	350,261,811
Intangible assets		
Leasehold interests in land	546,283	546,283
Land leasehold interests in trust	63,564	63,248
Trademark right	461	428
Total intangible assets	610,310	609,960

(Unit: thousand yen)

	33rd period (as of September 30, 2022)	34th period (as of March 31, 2023)
Investments and other assets		
Leasehold and guarantee deposits	13,718	13,839
Long-term prepaid expenses	840,677	920,429
Reserve for repairs	199,979	208,034
Total investments and other assets	1,054,375	1,142,304
Total non-current assets	335,225,932	352,014,075
Deferred assets		
Investment corporation bond issuance costs	115,449	103,069
Total deferred assets	115,449	103,069
Total assets	353,676,673	366,565,114
Liabilities		
Current liabilities		
Operating accounts payable	525,534	499,435
Current portion of long-term borrowings	18,200,000	20,540,000
Accounts payable - other	30,082	24,113
Accrued expenses	797,859	833,039
Income taxes payable	605	605
Accrued consumption tax	25,908	27,628
Advances received	865,409	928,838
Other	7,615	6,540
Total current liabilities	20,453,015	22,860,200
Non-current liabilities		
Investment corporation bonds	22,100,000	22,100,000
Long-term borrowings	141,387,000	145,497,000
Leasehold and guarantee deposits received	1,080,874	1,069,491
Leasehold and guarantee deposits received in trust	3,316,762	3,482,467
Asset retirement obligations	118,835	119,161
Other	1,362	655
Total non-current liabilities	168,004,834	172,268,775
Total liabilities	188,457,850	195,128,975
Net assets		
Unitholders' equity		
Unitholders' capital	132,170,548	138,365,940
Surplus		
Capital surplus	20,620,242	20,620,242
Voluntary retained earnings		
Reserve for dividends	875,895	875,895
Reserve for temporary difference adjustments	*2 6,899,318	*2 6,745,476
Total voluntary retained earnings	7,775,214	7,621,372
Unappropriated retained earnings (undisposed loss)	4,652,818	4,828,583
Total surplus	33,048,275	33,070,199
Total unitholders' equity	165,218,823	171,436,139
Total net assets	*1 165,218,823	*1 171,436,139
Total liabilities and net assets	353,676,673	366,565,114

(2) Statement of Income

(Unit: thousand yen)

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Operating revenue		
Leasing business revenue	*1, *2 11,436,512	*1, *2 11,898,192
Total operating revenue	11,436,512	11,898,192
Operating expenses		
Expenses related to leasing business	*1 4,806,426	*1 5,010,571
Asset management fees	823,700	843,900
Remuneration for directors (and other officers)	6,000	6,000
Asset custody fees	18,710	18,812
Administrative service fees	51,706	52,680
Audit fees	15,000	15,000
Provision of allowance for doubtful accounts	3,527	113
Other operating expenses	369,561	379,745
Total operating expenses	6,094,633	6,326,824
Operating profit	5,341,879	5,571,368
Non-operating income		
Interest income	11	12
Miscellaneous income	17,460	10,884
Total non-operating income	17,471	10,896
Non-operating expenses		
Interest expenses	470,653	490,633
Interest expenses on investment corporation bonds	66,548	65,761
Borrowing related expenses	153,308	157,642
Investment unit issuance expenses	—	23,948
Amortization of investment corporation bond issuance costs	12,380	12,380
Other	3,036	2,709
Total non-operating expenses	705,927	753,075
Ordinary profit	4,653,423	4,829,188
Profit before income taxes	4,653,423	4,829,188
Income taxes - current	605	605
Total income taxes	605	605
Profit	4,652,818	4,828,583
Unappropriated retained earnings (undisposed loss)	4,652,818	4,828,583

(3) Statement of Unitholders' Equity

33rd period (from April 1, 2022 to September 30, 2022)

(Unit: thousand yen)

	Unitholders' equity							
	Unitholders' capital	Surplus						Total unitholders' equity
		Capital surplus	Voluntary retained earnings			Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for dividends	Reserve for temporary difference adjustments	Total voluntary retained earnings			
Balance at beginning of period	132,170,548	20,620,242	875,895	7,084,436	7,960,332	4,621,541	33,202,116	165,372,665
Changes during period								
Reversal of reserve for temporary difference adjustments				(185,118)	(185,118)	185,118	—	—
Dividends of surplus						(4,806,660)	(4,806,660)	(4,806,660)
Profit						4,652,818	4,652,818	4,652,818
Net changes in items other than unitholders' equity								
Total changes during period	—	—	—	(185,118)	(185,118)	31,276	(153,841)	(153,841)
Balance at end of period	132,170,548	20,620,242	875,895	6,899,318	7,775,214	4,652,818	33,048,275	165,218,823

	Total net assets
Balance at beginning of period	165,372,665
Changes during period	
Reversal of reserve for temporary difference adjustments	—
Dividends of surplus	(4,806,660)
Profit	4,652,818
Net changes in items other than unitholders' equity	—
Total changes during period	(153,841)
Balance at end of period	165,218,823

English Translation
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34th period (from October 1, 2022 to March 31, 2023)

(Unit: thousand yen)

	Unitholders' equity							Total unitholders' equity
	Unitholders' capital	Surplus					Total surplus	
		Capital surplus	Voluntary retained earnings			Unappropriated retained earnings (undisposed loss)		
			Reserve for dividends	Reserve for temporary difference adjustments	Total voluntary retained earnings			
Balance at beginning of period	132,170,548	20,620,242	875,895	6,899,318	7,775,214	4,652,818	33,048,275	165,218,823
Changes during period								
Issuance of new investment units	6,195,392							6,195,392
Reversal of reserve for temporary difference adjustments				(153,841)	(153,841)	153,841	—	—
Dividends of surplus						(4,806,660)	(4,806,660)	(4,806,660)
Profit						4,828,583	4,828,583	4,828,583
Net changes in items other than unitholders' equity								
Total changes during period	6,195,392	—	—	(153,841)	(153,841)	175,765	21,923	6,217,315
Balance at end of period	138,365,940	20,620,242	875,895	6,745,476	7,621,372	4,828,583	33,070,199	171,436,139

	Total net assets
Balance at beginning of period	165,218,823
Changes during period	
Issuance of new investment units	6,195,392
Reversal of reserve for temporary difference adjustments	—
Dividends of surplus	(4,806,660)
Profit	4,828,583
Net changes in items other than unitholders' equity	—
Total changes during period	6,217,315
Balance at end of period	171,436,139

(4) Statement of Cash Distributions

Item	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
I. Unappropriated retained earnings	¥4,652,818,657	¥4,828,583,945
II. Reversal of voluntary retained earnings		
Reversal of reserve for temporary difference adjustments	*1 ¥153,841,543	*1 ¥145,374,055
III. Amount of distributions	¥4,806,660,200	¥4,973,958,000
[Amount of distribution per investment unit]	[¥2,180]	[¥2,200]
IV. Retained earnings carried forward	—	—
Method for calculating the amount of distributions	<p>The cash distribution policy set out in Article 15, Paragraph 1 of the Articles of Incorporation of the Investment Corporation stipulates that the amount of distributions shall exceed the amount equivalent to 90% of “earnings available for distribution” as provided for in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the decision was made to distribute, as a distribution of earnings, ¥4,806,660,200, the maximum integral multiple of the 2,204,890 investment units issued and an amount not exceeding the amount obtained by adding ¥153,841,543 of reversal of reserve for temporary difference adjustments to ¥4,652,818,657 of unappropriated retained earnings. The cash distribution in excess of earnings set out in Article 15, Paragraph 3 of the Articles of Incorporation of the Investment Corporation will not take place.</p>	<p>The cash distribution policy set out in Article 15, Paragraph 1 of the Articles of Incorporation of the Investment Corporation stipulates that the amount of distributions shall exceed the amount equivalent to 90% of “earnings available for distribution” as provided for in Article 67-15 of the Special Taxation Measures Act. Based on this policy, the decision was made to distribute, as a distribution of earnings, ¥4,973,958,000, the maximum integral multiple of the 2,260,890 investment units issued and an amount not exceeding the amount obtained by adding ¥145,374,055 of reversal of reserve for temporary difference adjustments to ¥4,828,583,945 of unappropriated retained earnings. The cash distribution in excess of earnings set out in Article 15, Paragraph 3 of the Articles of Incorporation of the Investment Corporation will not take place.</p>

(5) Statement of Cash Flows

(Unit: thousand yen)

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	4,653,423	4,829,188
Depreciation	2,509,181	2,592,812
Amortization of long-term prepaid expenses	118,499	128,597
Amortization of investment corporation bond issuance costs	12,380	12,380
Interest income	(11)	(12)
Interest expenses	470,653	490,633
Interest expenses on investment corporation bonds	66,548	65,761
Increase (decrease) in allowance for doubtful accounts	1,688	(259)
Decrease (increase) in operating accounts receivable	13,601	(16,498)
Decrease (increase) in prepaid expenses	(71,566)	98,361
Increase (decrease) in operating accounts payable	17,985	115,088
Increase (decrease) in accrued consumption taxes	(466)	1,720
Increase (decrease) in accounts payable - other	7,535	(4,869)
Increase (decrease) in accrued expenses	22,747	15,947
Increase (decrease) in advances received	(2,098)	63,428
Long-term prepaid expenses paid	(162,073)	(222,409)
Other	(18,188)	15,095
Subtotal	7,639,839	8,184,966
Interest received	11	12
Interest paid	(537,374)	(554,424)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	7,101,871	7,629,949
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,156,718)	(2,058,387)
Purchase of property, plant and equipment in trust	(288,452)	(17,359,452)
Refund of leasehold and guarantee deposits received	(87,665)	(87,944)
Proceeds from leasehold and guarantee deposits received	88,919	76,631
Refund of leasehold and guarantee deposits received in trust	(34,192)	(28,581)
Proceeds from leasehold and guarantee deposits received in trust	30,324	194,285
Net cash provided by (used in) investing activities	(2,447,785)	(19,263,447)
Net cash provided by (used in) financing activities		
Proceeds from long-term borrowings	12,800,000	15,850,000
Repayments of long-term borrowings	(10,000,000)	(9,400,000)
Proceeds from issuance of investment units	—	6,171,443
Distributions paid	(4,806,567)	(4,807,760)
Net cash provided by (used in) financing activities	(2,006,567)	7,813,682
Net increase (decrease) in cash and cash equivalents	2,647,518	(3,819,815)
Cash and cash equivalents at beginning of period	15,116,959	17,764,478
Cash and cash equivalents at end of period	*1 17,764,478	*1 13,944,662

(6) Notes on the Going Concern Assumption

Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets

① Property and equipment (including trust accounts)

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets as stated below.

Buildings	1–70 years
Structures	4–60 years
Machinery and equipment	6–24 years
Tools, furniture and fixtures	2–21 years

② Intangible assets

Depreciation of intangible assets is calculated on a straight-line basis.

③ Long-term prepaid expenses

Depreciation of long-term prepaid expenses is calculated on a straight-line basis.

2. Accounting for deferred assets

① Investment unit issuance expenses

The entire amount is expensed when incurred.

② Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized equally over the period up to the redemption of the investment corporation bonds.

3. Standards for recognition of allowances

Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount which is considered sufficient to cover possible bad debt expenses on receivables, based on a case-by-case examination of collectability for doubtful and other specific receivables.

4. Standards for recognition of revenues and expenses

Accounting for property tax, etc.

Properties are subject to various taxes, such as property tax, city planning tax and depreciable assets tax. The owner of properties is registered in a record maintained by the local government in each jurisdiction, and the taxes are imposed on the owner registered in the record, as of January 1, based on an assessment made by the local government.

When a property is purchased before January 1 of any given calendar year, such taxes for the previous year are imposed on the seller. The Investment Corporation pays the seller the corresponding tax amounts for the period from the property's transfer date to December 31 of the previous year as part of the purchase prices of each property, and capitalizes these amounts as part of the cost of the property. The Investment Corporation expenses the taxes imposed on such properties as expenses related to leasing business every calendar year when incurred.

5. Hedge accounting method

① Method of hedge accounting

In principle, the deferred hedge method is used. In cases where the interest swaps meet conditions for special treatment, special treatment is adopted.

② Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Interest on borrowings

③ Hedging policy

The Investment Corporation conducts derivative transactions to hedge risks set out in the Articles of Incorporation pursuant to the financial policy.

④ Method for assessing the effectiveness of hedging

The effectiveness of hedging is assessed by comparing the cumulative changes in cash flows of the hedged items and the cumulative changes in cash flows of the hedging instruments, and examining the ratio of the amount of change in both. However, evaluation of effectiveness is omitted in the case of interest rate swaps with special treatment.

6. Scope of funds on the Statement of Cash Flows

The funds (cash and cash equivalents) on the Statement of Cash Flows consist of cash on hand, cash held in trust, deposits and deposits held in trust that can be withdrawn at any time, and short-term investments, with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of value fluctuation.

7. Other matters serving as the basis for preparing financial statements

① Accounting for trust beneficiary interests in real estate

For trust beneficiary interests in real estate, all trust assets and liabilities as well as all income generated and expenses incurred in trusts are recorded in the relevant accounts on the Balance Sheet and the Statement of Income.

The following material items of the trust accounts recorded in the relevant accounts are separately listed on the Balance Sheet.

- a. Cash and deposits in trust
- b. Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust; Land in trust, Construction in progress in trust
- c. Land leasehold interests in trust
- d. Leasehold and guarantee deposits received in trust

② Accounting for consumption taxes on non-current assets and deferred assets

Non-current assets and deferred assets are tax inclusive.

(8) Notes to Financial Statements

(Notes to Balance Sheet)

*1. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

¥50,000 thousand

*2. Matters concerning provision and reversal of reserve for temporary difference adjustments

33rd period (as of September 30, 2022)

(Unit: thousand yen)

	Initial amount	Balance at beginning of period	Provision during period	Reversal during period	Balance at end of period	Reason for provision/reversal
Reserve for dividends (Note 1)	6,733,122	5,910,264	—	173,136	5,737,127	Appropriation to the distribution
Part of the discrepancy between taxation and accounting in excess of earnings due to gain on bargain purchase (Note 2)	1,198,134	1,174,171	—	11,981	1,162,190	Appropriation to the distribution
Total	7,931,256	7,084,436	—	185,118	6,899,318	

(Note 1) The amount is the remaining balance of the amount subdivided into gain on bargain purchase recorded in prior fiscal years. The Investment Corporation plans to reverse an amount equivalent to the averaged amount for 50 years or more, in each fiscal period, starting with the fiscal period ended September 2017.

(Note 2) The amount is the accumulation of a portion of the discrepancy between taxation and accounting in excess of earnings due to gain on bargain purchase, and the Investment Corporation plans to reverse an amount equivalent to the averaged amount for 50 years or more, in each fiscal period, starting with the fiscal period ended March 2021.

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34th period (as of March 31, 2023)

(Unit: thousand yen)

	Initial amount	Balance at beginning of period	Provision during period	Reversal during period	Balance at end of period	Reason for provision/reversal
Reserve for dividends (Note 1)	6,733,122	5,737,127	—	141,860	5,595,267	Appropriation to the distribution
Part of the discrepancy between taxation and accounting in excess of earnings due to gain on bargain purchase (Note 2)	1,198,134	1,162,190	—	11,981	1,150,209	Appropriation to the distribution
Total	7,931,256	6,899,318	—	153,841	6,745,476	

(Note 1) The amount is the remaining balance of the amount subdivided into gain on bargain purchase recorded in prior fiscal years. The Investment Corporation plans to reverse an amount equivalent to the averaged amount for 50 years or more, in each fiscal period, starting with the fiscal period ended September 2017.

(Note 2) The amount is the accumulation of a portion of the discrepancy between taxation and accounting in excess of earnings due to gain on bargain purchase, and the Investment Corporation plans to reverse an amount equivalent to the averaged amount for 50 years or more, in each fiscal period, starting with the fiscal period ended March 2021.

(Notes to Statement of Income)

*1. Breakdown of profit (loss) on operations of rental properties

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
A. Leasing business revenue		
Rent income	¥10,115,380 thousand	¥10,531,394 thousand
Common area charges	¥519,639 thousand	¥546,202 thousand
Parking revenue	¥313,232 thousand	¥316,263 thousand
Incidental revenue	¥104,827 thousand	¥130,985 thousand
Other leasing business revenue	¥383,433 thousand	¥373,345 thousand
Total	¥11,436,512 thousand	¥11,898,192 thousand
B. Expenses related to leasing business		
Management fees	¥508,244 thousand	¥540,353 thousand
Taxes	¥738,590 thousand	¥738,484 thousand
Utilities expenses	¥190,166 thousand	¥248,575 thousand
Repair expenses	¥448,295 thousand	¥434,387 thousand
Insurance expenses	¥31,519 thousand	¥32,749 thousand
Advertising expenses	¥249,646 thousand	¥272,368 thousand
Trust fees	¥22,075 thousand	¥23,951 thousand
Depreciation	¥2,509,181 thousand	¥2,592,778 thousand
Other expenses related to leasing business	¥108,707 thousand	¥126,923 thousand
Total	¥4,806,426 thousand	¥5,010,571 thousand
C. Net profit on operations of rental properties (A - B)	¥6,630,086 thousand	¥6,887,620 thousand

*2. Trading volume with major unitholders

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Trading volume through sales transactions		
Leasing business revenue	¥14,034 thousand	¥12,315 thousand

(Notes to Statement of Unitholders' Equity)

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	2,204,890 units	2,260,890 units

(Notes to Statement of Cash Distributions)

*1. Reserve for temporary difference adjustments

33rd period (from April 1, 2022 to September 30, 2022)

By application of the transitional measures stipulated in Paragraph 3 of Supplementary Provisions of Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 27 of 2015), ¥6,733,122,069 of reserve for dividends that is the remaining balance of the amount subdivided into gain on bargain purchase recorded in prior fiscal years is reserved as reserve for temporary difference adjustments on the Statement of Cash Distributions for the fiscal period ended March 2017. Starting from the fiscal period ended September 2017 (the fiscal year following the fiscal year in which the reserve was made), the Investment Corporation is required to reverse the amount equivalent to the averaged amount for 50 years of the balance at the time of provision or more (¥67,331,221 or more) in each fiscal period, and thus reversed ¥141,860,197 in the fiscal period ended September 2022.

Of the discrepancy between taxation and accounting in excess of earnings (refers to the discrepancy between taxation and accounting where the amount obtained by deducting the total amount of expenses, etc. from the total amount of revenues, etc. exceeds the amount obtained by deducting the amount of deductible expenses from the amount of gross profit) arising in the fiscal period ended September 2020, ¥1,198,134,568 is reserved as reserve for temporary difference adjustments. Starting from the fiscal period ended March 2021 (the fiscal year following the fiscal year in which the reserve was made), the Investment Corporation is required to reverse the amount equivalent to the averaged amount (¥11,981,346 or more) in each fiscal period within 50 years, and thus reversed ¥11,981,346 in the fiscal period ended September 2022.

34th period (from October 1, 2022 to March 31, 2023)

By application of the transitional measures stipulated in Paragraph 3 of Supplementary Provisions of Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 27 of 2015), ¥6,733,122,069 of reserve for dividends that is the remaining balance of the amount subdivided into gain on bargain purchase recorded in prior fiscal years is reserved as reserve for temporary difference adjustments on the Statement of Cash Distributions for the fiscal period ended March 2017. Starting from the fiscal period ended September 2017 (the fiscal year following the fiscal year in which the reserve was made), the Investment Corporation is required to reverse the amount equivalent to the averaged amount for 50 years of the balance at the time of provision or more (¥67,331,221 or more) in each fiscal period, and thus reversed ¥133,392,709 in the fiscal period ended March 2023.

Of the discrepancy between taxation and accounting in excess of earnings (refers to the discrepancy between taxation and accounting where the amount obtained by deducting the total amount of expenses, etc. from the total amount of revenues, etc. exceeds the amount obtained by deducting the amount of deductible expenses from the amount of gross profit) arising in the fiscal period ended September 2020, ¥1,198,134,568 is reserved as reserve for temporary difference adjustments. Starting from the fiscal period ended March 2021 (the fiscal year following the fiscal year in which the reserve was made), the Investment Corporation is required to reverse the amount equivalent to the averaged amount (¥11,981,346 or more) in each fiscal period within 50 years, and thus reversed ¥11,981,346 in the fiscal period ended March 2023.

(Notes to Statement of Cash Flows)

*1. Reconciliation of cash and cash equivalents at the end of the fiscal period with the amount of the accounts on the Balance Sheet was as follows:

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Cash and deposits	¥14,773,837 thousand	¥10,616,180 thousand
Cash and deposits in trust	¥2,990,641 thousand	¥3,328,482 thousand
Cash and cash equivalents	¥17,764,478 thousand	¥13,944,662 thousand

English Translation
The following is an English translation of the original Japanese document and is being provided for informational purposes only.

(Notes on Related-Party Transactions)

1. Parent company, major corporate unitholder, etc.
Not applicable for the 33rd period and 34th period.
2. Subsidiary, etc.
Not applicable for the 33rd period and 34th period.
3. Fellow subsidiary, etc.
33rd period (from April 1, 2022 to September 30, 2022)

Type	Name	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held in (by) related party (%)	Relationship with related party	Description of transaction	Amount of transaction (thousand yen) (Note 1)	Account item	Balance at the end of the period (thousand yen) (Note 1)
Subsidiary of major unitholder	Good Time Living Co. Ltd.	Chiyoda-ku, Tokyo	50,000	Operation of fee-based homes for the elderly, etc.	Directly owned by the company 0.49	Healthcare facility renter and operator	Leasing business revenue, etc.	1,267,926	Advances received	199,315
									Leasehold and guarantee deposits received in trust	1,252,255

(Note 1) Of the amounts above, the amount of transaction does not include consumption tax, etc., and the balance at the end of the period includes consumption tax, etc.

(Note 2) The terms and conditions of transactions with interested persons or other close affiliates were determined based on the internal rules on measures against conflicts of interest of the Asset Manager.

(Note 3) The terms and conditions of transactions were determined based on market conditions.

34th period (from October 1, 2022 to March 31, 2023)

Type	Name	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held in (by) related party (%)	Relationship with related party	Description of transaction	Amount of transaction (thousand yen) (Note 1)	Account item	Balance at the end of the period (thousand yen) (Note 1)
Subsidiary of major unitholder	Good Time Living Co. Ltd.	Chiyoda-ku, Tokyo	50,000	Operation of fee-based homes for the elderly, etc.	Directly owned by the company 0.48	Healthcare facility renter and operator	Leasing business revenue, etc.	1,270,062	Advances received	199,310
									Leasehold and guarantee deposits received in trust	1,252,255
Subsidiary of major unitholder	G.K. Tokyo Residential 3 (Note 4)	Chuo-ku, Tokyo	400	Investment management	—	Seller of real estate trust beneficiary interests	Purchase of real estate trust beneficiary interests (Note 8)	1,159,000	—	—
Subsidiary of major unitholder	G.K. Tokyo Residential 6 (Note 5)	Chuo-ku, Tokyo	400	Investment management	—	Seller of real estate trust beneficiary interests	Purchase of real estate trust beneficiary interests (Note 8)	2,760,000	—	—
Subsidiary of major unitholder	G.K. Tokyo Residential 5 (Note 6)	Chuo-ku, Tokyo	400	Investment management	—	Seller of real estate trust beneficiary interests	Purchase of real estate trust beneficiary interests (Note 8)	5,009,200	—	—
Subsidiary of major unitholder	G.K. Tokyo Residential 8 (Note 5)	Chuo-ku, Tokyo	400	Investment management	—	Seller of real estate trust beneficiary interests	Purchase of real estate trust beneficiary interests (Note 8)	825,000	—	—
Subsidiary of major unitholder	G.K. DA Healthcare 11 (Note 7)	Minato-ku, Tokyo	200	Investment management	—	Seller of real estate trust beneficiary interests	Purchase of real estate trust beneficiary interests (Note 8)	6,280,000	—	—

(Note 1) Of the amounts above, the amount of transaction does not include consumption tax, etc., and the balance at the end of the period includes consumption tax, etc.

(Note 2) The terms and conditions of transactions with interested persons or other close affiliates were determined based on the internal rules on measures against conflicts of interest of the Asset Manager.

(Note 3) The terms and conditions of transactions were determined based on market conditions.

(Note 4) Dissolved on February 28, 2023, with the consent of all members.

(Note 5) Dissolved on February 27, 2023, with the consent of all members.

(Note 6) Dissolved on March 31, 2023, with the consent of all members.

(Note 7) Dissolved on November 28, 2022, with the consent of all members.

(Note 8) The amount of transaction for the purchase of real estate trust beneficiary interests stated above does not include acquisition expenses, adjustments to property tax and city planning tax, and consumption tax, etc.

4. Director, major individual unitholder, etc.

Not applicable for the 33rd period and 34th period.

(Notes on Investment and Rental Properties)

The Investment Corporation has rental housing and healthcare facilities in Tokyo and other areas for the purpose of earning rental revenues. The carrying amounts, net increase (decrease) during the period and fair value of such rental residential properties were as follows:

(Unit: thousand yen)

			33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2022)
Rental residential properties	Carrying amount (Note 2)	Balance at the beginning of the period	334,191,152	334,165,804
		Net increase (decrease) during the period (Note 3) (Note 4)	(25,347)	16,689,924
		Balance at the end of the period	334,165,804	350,855,729
	Fair value at the end of the period (Note 5)	425,262,000	451,560,000	

(Note 1) For a summary of the rental residential properties, please refer to “3. Reference Information; (1) Information on Price of Assets under Management” later in this document.

(Note 2) The carrying amounts represented the amount after deducting the accumulated depreciation from the acquisition costs (including incidental expenses upon acquisition).

(Note 3) For the 33rd period, major increase during the period was acquisition of 1 real estate property (¥1,892,048 thousand) and major decrease was depreciation (¥2,509,181 thousand).

(Note 4) For the 34th period, major increase during the period was acquisition of 1 real estate property and trust beneficiary interests in 7 real estate properties (¥18,833,295 thousand) and major decrease was depreciation (¥2,592,778 thousand).

(Note 5) Fair value at the end of the period was based on the appraisal value or investigation value by external real-property appraisers.

In addition, profit or loss on operations of rental properties was as described in “Notes to Statement of Income.”

(Notes on Segment and Related Information)

[Segment information]

Since the business of the Investment Corporation represents “real estate leasing business” only, there are no reporting segments. Therefore, segment disclosures are omitted.

[Related information]

33rd period (from April 1, 2022 to September 30, 2022)

1. Information about products and services

Since the proportion of operating revenue from external customers for each product and service exceeds 90% of operating revenue on the Statement of Income, product and service disclosures are omitted.

2. Information about geographical areas

(1) Operating revenue

Since the proportion of operating revenue from external customers in Japan exceeds 90% of operating revenue on the Statement of Income, geographic area disclosures are omitted.

(2) Property, plant and equipment

Since the proportion of property, plant and equipment located in Japan exceeds 90% of property, plant and equipment on the Balance Sheet, property, plant and equipment disclosures are omitted.

3. Information about major customers

(Unit: thousand yen)

Name of the customer	Operating revenue	Related segment
Good Time Living Co. Ltd.	1,267,926	Real estate investment business

34th period (from October 1, 2022 to March 31, 2023)

1. Information about products and services

Since the proportion of operating revenue from external customers for each product and service exceeds 90% of operating revenue on the Statement of Income, product and service disclosures are omitted.

2. Information about geographical areas

(1) Operating revenue

Since the proportion of operating revenue from external customers in Japan exceeds 90% of operating revenue on the Statement of Income, geographic area disclosures are omitted.

(2) Property, plant and equipment

Since the proportion of property, plant and equipment located in Japan exceeds 90% of property, plant and equipment on the Balance Sheet, property, plant and equipment disclosures are omitted.

3. Information about major customers

(Unit: thousand yen)

Name of the customer	Operating revenue	Related segment
Good Time Living Co. Ltd.	1,270,062	Real estate investment business

(Notes on Per Unit Information)

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Net assets per unit	¥74,932	¥75,826
Earnings per unit	¥2,110	¥2,136

Earnings per unit are calculated by dividing profit by the daily weighted average number of investment units.

Diluted earnings per unit are not stated because there were no diluted investment units.

(Note) The basis for calculating earnings per unit was as follows:

	33rd period (from April 1, 2022 to September 30, 2022)	34th period (from October 1, 2022 to March 31, 2023)
Profit (thousand yen)	4,652,818	4,828,583
Amount not attributable to common unitholders (thousand yen)	—	—
Profit attributable to common investment units (thousand yen)	4,652,818	4,828,583
Average number of investment units during the period (units)	2,204,890	2,260,040

(Notes on Significant Subsequent Events)

1. Acquisition of assets

The Investment Corporation acquired the assets for which purchase and sale agreements were concluded on March 22, 2023, as described below.

Property name	Asset type	Property type	Location	Acquisition price (thousand yen) (Note 1)	Appraisal value (thousand yen) (Note 2)	Acquisition date	Counterparty
Gran Casa Kinshicho	Real estate	Rental housing	Sumida-ku, Tokyo	850,000	886,000	April 3, 2023	(Note 3)
Total	—	—	—	850,000	886,000	—	—

(Note 1) The amount (the trade price of the real estate recorded in the real estate purchase and sale contract) that does not include the expenses required for the acquisition of the real estate (intermediation fees, taxes and public dues, etc.) is stated.

(Note 2) The date of the appraisal value is February 1, 2023.

(Note 3) The counterparty is Ookanda Kensetsu Co., Ltd.

(Omission of Disclosure)

Disclosure of notes on lease transactions, notes on financial instruments, notes on securities, notes on derivative transactions, notes on tax-effect accounting, notes on share of loss (profit) of entities accounted for using equity method, etc., notes on retirement benefits, notes on asset retirement obligations, notes on revenue recognition, and notes on accounting estimates is omitted because the need for disclosure in financial reports is considered to be immaterial.

(9) Changes in Total Number of Investment Units Issued and Outstanding

The table below shows the changes in the total number of investment units issued and outstanding and unitholders' capital in the five years up to the end of the fiscal period under review.

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (yen)		Notes
		Change	Total	Change	Total	
April 1, 2020	Merger	152,995	1,793,055	—	91,715,714,751	(Note 1)
April 1, 2020	Capital increase through third-party allotment	262,891	2,055,946	25,999,919,900	117,715,634,651	(Note 2)
December 4, 2020	Capital increase through public offering	72,000	2,127,946	6,090,192,000	123,805,826,651	(Note 3)
December 25, 2020	Capital increase through third-party allotment	3,600	2,131,546	304,509,600	124,110,336,251	(Note 4)
October 1, 2021	Capital increase through public offering	70,476	2,202,022	7,745,030,496	131,855,366,747	(Note 5)
October 20, 2021	Capital increase through third-party allotment	2,868	2,204,890	315,181,728	132,170,548,475	(Note 6)
October 3, 2022	Capital increase through public offering	53,333	2,258,223	5,900,336,456	138,070,884,931	(Note 7)
October 19, 2022	Capital increase through third-party allotment	2,667	2,260,890	295,055,544	138,365,940,475	(Note 8)

- (Note 1) The Investment Corporation executed an absorption-type merger whereby the Investment Corporation is the surviving corporation and NHI is the absorbed corporation based on Article 147 of the Act on Investment Trusts and Investment Corporations. Upon the merger, 2.05 investment units of the Investment Corporation were allotted and delivered per investment unit of NHI to all investment units of NHI. The number of investment units issued and outstanding of NHI at the time of the merger was 74,632 units.
- (Note 2) The Investment Corporation issued new investment units through third-party allotment at an issue value of ¥98,900 per unit for the purpose of acquiring new properties.
- (Note 3) The Investment Corporation issued new investment units through public offering at an issue price of ¥87,457 (issue value of ¥84,586) per unit for the purpose of acquiring new properties.
- (Note 4) The Investment Corporation issued new investment units through third-party allotment at an issue value of ¥84,586 per unit for the purpose of acquiring new properties.
- (Note 5) The Investment Corporation issued new investment units through public offering at an issue price of ¥113,626 (issue value of ¥109,896) per unit for the purpose of acquiring new properties.
- (Note 6) The Investment Corporation issued new investment units through third-party allocation at an issue value of ¥109,896 per unit for the purpose of repaying part of borrowings and partly using to acquire specified assets in the future.
- (Note 7) The Investment Corporation issued new investment units through public offering at an issue price of ¥114,387 (issue value of ¥110,632) per unit for the purpose of acquiring new properties.
- (Note 8) The Investment Corporation issued new investment units through third-party allotment at an issue value of ¥110,632 per unit for the purpose of repaying part of borrowings and partly using to acquire specified assets in the future.

3. Reference Information

(1) Information on Price of Assets under Management

① Composition of Assets of the Investment Corporation

The status of assets under management of the Investment Corporation as of the end of the fiscal period is shown in the table below. Assets under management of both real estate and the real estate in trust of real estate trust beneficiary interests (hereinafter “trust beneficiary interests”) are for leasing to tenants. They are buildings—rental housing or healthcare facilities—and the sites of the buildings.

Asset type	Property type	Area classification	34th period (as of March 31, 2023)	
			Total amount held (million yen) (Note 3)	Ratio to total assets (%) (Note 4)
Real estate	Rental housing	23 wards of Tokyo	83,034	22.7
		Three major metropolitan areas (Note 1)	53,233	14.5
		Other major cities (Note 1)	18,062	4.9
	Healthcare facilities	Three major metropolitan areas (Note 2)	—	—
		Core city areas (Note 2)	—	—
		Other (Note 2)	—	—
Subtotal		154,329	42.1	
Trust beneficiary interest	Rental housing	23 wards of Tokyo	25,203	6.9
		Three major metropolitan areas (Note 1)	47,574	13.0
		Other major cities (Note 1)	13,527	3.7
	Healthcare facilities	Three major metropolitan areas (Note 2)	100,635	27.5
		Core city areas (Note 2)	9,585	2.6
		Other (Note 2)	—	—
Subtotal		196,525	53.6	
Deposits and other assets			15,709	4.3
Total assets			366,565	100.0

	34th period (as of March 31, 2023)	
	Amount (million yen)	Ratio to total assets (%) (Note 4)
Total liabilities (Note 5)	195,128	53.2
Total net assets (Note 5)	171,436	46.8
Total assets	366,565	100.0

(Note 1) In the “Area classification” column for rental housing, “Three major metropolitan areas” refers to the Kanto metropolitan area excluding the 23 wards of Tokyo, the Chukyo metropolitan area and the Kinki metropolitan area. “Other major cities” refers to Sapporo, Sendai, Niigata, Shizuoka/Hamamatsu, Okayama, Hiroshima, Kitakyushu/Fukuoka and Kumamoto metropolitan areas, and core cities with a population of 300,000 or more. These classifications apply to the “Area classification” column in the table below as well.

(Note 2) In the “Area classification” column for healthcare facilities, “Three major metropolitan areas” refers to the greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama prefectures), the Chukyo area (Aichi, Mie and Gifu prefectures) and the Kinki area (Osaka, Kyoto, Hyogo, Nara and Shiga prefectures). “Core city areas” refers to cities (outside the three major metropolitan areas) with a population of 200,000 or more. “Other” refers to cities (outside the three major metropolitan areas and the core city areas) with a population under 200,000. These classifications apply to the “Area classification” column in the table below as well.

(Note 3) The total amount held is the amount recorded on the balance sheet as of the closing date (for real estate and trust beneficiary interest, book value after impairment and depreciation). The amount of real estate or trust beneficiary interests includes the amount of intangible assets.

(Note 4) The ratio to total assets is the ratio of the amount recorded on the balance sheet for trust beneficiary interests, real estate or deposits and other assets to total assets. (The ratio is rounded off to the first decimal place.)

(Note 5) Total liabilities and total net assets are the amount recorded on the balance sheet as of the closing date.

② Investment Real Estate Properties, Trust Beneficiary Interests in Real Estate, Etc.

The following is a breakdown of real estate and trust beneficiary interests in real estate held by the Investment Corporation as of the end of the fiscal period.

(a) Summary, Price and Investment Ratio of Investment Assets

Property type	Area classification	Property name	Acquisition price (million yen) (Note 1)	Investment ratio (%) (Note 2)	Carrying amount (million yen)	Appraisal value at the end of the period (million yen) (Note 3)
Rental housing	23 wards of Tokyo	willDo Kiyosumi	5,024	1.4	4,483	7,950
		Turkey's Denenchofu No.2	281	0.1	261	330
		Joy Oyamadai	624	0.2	682	782
		willDo Otsuka	725	0.2	711	877
		Toshin Shoto Mansion	912	0.3	952	1,160
		Harmony Kamikitazawa	400	0.1	390	440
		College Square Kitakkebukuro	727	0.2	605	796
		College Square TobuNerima	892	0.2	777	964
		College Square Akatsuka	734	0.2	610	829
		College Square Waseda II	215	0.1	181	338
		College Square Myogadani	1,060	0.3	965	1,520
		College Square Shinkoiwa	724	0.2	634	783
		College Square Kiba	639	0.2	530	878
		College Square Kinshicho	490	0.1	434	648
		College Square Waseda	316	0.1	290	435
		Lexington Square ShinjukuGyoen	1,010	0.3	1,005	1,410
		Prospect NihombashiHoncho	808	0.2	742	1,400
		Maison de Ville Takanawa Gyoranzaka	1,480	0.4	1,458	2,110
		Roppongi Rise House	912	0.3	856	1,450
		TK Flats Shibuya	4,770	1.3	4,376	7,200
		Maison de Ville NakaMeguro	1,050	0.3	1,015	1,830
		Prospect KALON Minowa	1,620	0.4	1,358	2,650
		Prospect Shinonomebashi	3,040	0.8	2,692	4,850
		Prospect Monzennakacho	1,080	0.3	977	1,580
		Prospect Ogikubo	701	0.2	613	1,000
		Exceria Ikebukuro West II	852	0.2	810	1,200
		Prospect OmoriKaigan	1,480	0.4	1,383	2,360
		Gala Place Shinjuku Gyoen	2,170	0.6	2,083	3,710
		Joyce Court	3,010	0.8	2,877	4,750
		Gran Casa Asakusa	1,216	0.3	1,129	2,300
		Gran Casa Roppongi	1,480	0.4	751	1,040
		Gran Casa MinamiAoyama	3,750	1.0	2,257	2,260
		Storia Jingumae	3,160	0.9	3,163	2,810
		Gran Casa Shinjuku Gyoen	2,525	0.7	2,461	4,300
		Lietocourt Yotsuya	1,716	0.5	1,704	2,780
		Lietocourt Motoakasaka	1,095	0.3	1,093	1,870
		Gran Casa Ginza East	2,000	0.6	2,001	2,910
		Gran Casa Minowa	850	0.2	832	1,110
		Gran Casa Honkomagome	1,500	0.4	1,579	1,870
		Gran Casa Nihonbashi Hamacho	930	0.3	991	1,040
		Gran Casa Magome I	602	0.2	645	653
		Gran Casa OmoriKaigan	1,119	0.3	1,198	1,130
		Gran Casa Uenoikenohata	1,420	0.4	1,479	1,600
		Gran Casa Sumiyoshi	1,140	0.3	1,224	1,270
		Gran Casa Uenoiriya	1,225	0.3	1,318	1,360
		Gran Casa Monzennakacho	780	0.2	823	902
		Gran Casa Magome II	700	0.2	732	776
		Gran Casa Itabashi EAST	955	0.3	996	1,020
Gran Casa Kuramae	1,505	0.4	1,638	1,610		
Gran Casa Kiyosumishirakawa	1,775	0.5	1,889	1,940		
Gran Casa Hikifune	2,760	0.8	2,975	2,900		
Gran Casa Oji	1,150	0.3	1,226	1,210		
Gran Casa Ryogoku East	1,120	0.3	1,212	1,200		
Gran Casa Tabata	825	0.2	907	917		
Profit Link Takenotsuka	636	0.2	618	750		
Dream Heights	358	0.1	373	528		
Green Hills Asukayama	587	0.2	552	742		
Oji Heights	347	0.1	333	505		

Property type	Area classification	Property name	Acquisition price (million yen) (Note 1)	Investment ratio (%) (Note 2)	Carrying amount (million yen)	Appraisal value at the end of the period (million yen) (Note 3)
Rental housing	23 wards of Tokyo	Sakagami Royal Heights No. II	360	0.1	337	514
		willDo Todoroki	1,764	0.5	1,737	2,070
		MGA Kanamachi	484	0.1	476	522
		Greenhills Roka	662	0.2	685	783
		Lofty Hirai	324	0.1	301	390
		Colonnade Kasuga	3,115	0.9	3,194	2,860
		The Palms Yoyogi Uehara Cosmo Terrace	1,250	0.3	1,251	1,660
		Sun Terrace Yoyogi Uehara	1,180	0.3	1,192	1,790
		Prospect NihombashiKoamicho	840	0.2	731	1,480
		Park Terrace Ebisu	2,060	0.6	1,966	3,540
		Prospect Shibuya Dogenzaka	1,590	0.4	1,547	2,740
		Prospect Glarsa Hiroo	3,560	1.0	3,115	5,830
		Prospect Hatsudai	518	0.1	483	774
		Prospect NishiSugamo	1,110	0.3	1,020	1,760
		Prospect Machiya	484	0.1	379	742
		Prospect KiyosumiTeien	2,630	0.7	2,375	4,510
		Prospect Morishita	1,260	0.3	1,097	1,870
		Prospect OnshiKoen	1,110	0.3	953	1,920
		BELNOS 34	1,700	0.5	1,734	2,950
		SK Residence	805	0.2	764	1,300
		Angel Heim Nishi-Rokugo No. 2	1,012	0.3	942	1,600
		Glana Ueno	1,100	0.3	1,025	1,940
		Lietocourt Asakusabashi	1,615	0.4	1,557	2,690
		Gran Casa ShinKoiwa	1,510	0.4	1,490	1,690
		Gran Casa Ryogoku Ichibankan	1,420	0.4	1,430	1,550
		Gran Casa Ryogoku Nibankan	770	0.2	782	854
		Gran Casa Bunkyo Sengoku	1,480	0.4	1,523	1,690
		Gran Casa Minamisenju	1,159	0.3	1,262	1,270
		willDo Yokohama Minami	233	0.1	185	295
		willDo Kanayama masaki	490	0.1	376	621
		willDo Ichioka	722	0.2	592	740
	willDo Ebie	350	0.1	300	381	
	willDo ImafukuNishi	413	0.1	329	439	
	VISTA Supreme	563	0.2	472	554	
	willDo Chiyoda	633	0.2	482	652	
	willDo Taiko dori	1,120	0.3	974	1,450	
	willDo Kanayama	370	0.1	289	432	
	willDo Kanayama sawashita	375	0.1	290	452	
	willDo Tsukamoto	730	0.2	613	894	
	willDo Tanimachi	1,040	0.3	918	1,110	
	willDo Namba w II	486	0.1	399	506	
	willDo Namba w I	690	0.2	547	703	
	willDo Kachigawa	503	0.1	380	739	
	Stagea Kogane	600	0.2	467	661	
	willDo Hamasaki dori	2,280	0.6	1,860	2,320	
	willDo Minamimorimachi	493	0.1	444	543	
	willDo Minami Urawa	396	0.1	344	504	
	willDo Matsuyamachi	810	0.2	687	1,080	
	willDo Higashibetsuin	703	0.2	543	816	
	willDo ShinOsaka	861	0.2	721	1,130	
	College Square Higashikurume	523	0.1	398	628	
	willDo Matsubara	549	0.2	435	657	
	willDo Sannomiya East	731	0.2	556	900	
	willDo Kujo	537	0.1	496	685	
willDo Daikancho	655	0.2	521	679		
willDo Takabata	494	0.1	378	590		
Prospect MusashiShinjo	1,050	0.3	890	1,370		
Fragrance Kawasaki	548	0.2	453	825		
Prospect ChuoRinkan	524	0.1	414	717		
Prospect Nakanoshima	734	0.2	649	1,050		
Prospect Toyonaka Hattori	366	0.1	287	480		
Prospect Shimogamo	281	0.1	245	309		
Prospect Kawaramachi Gojo	583	0.2	494	724		
	Three major metropolitan areas					

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Property type	Area classification	Property name	Acquisition price (million yen) (Note 1)	Investment ratio (%) (Note 2)	Carrying amount (million yen)	Appraisal value at the end of the period (million yen) (Note 3)
Rental housing	Three major metropolitan areas	Gransys Esaka	1,260	0.3	1,160	1,840
		Serenite Koshien	2,550	0.7	2,282	3,390
		Pregio Miyakojima	1,610	0.4	1,493	2,140
		Serenite ShinOsaka Nibankan	3,510	1.0	3,315	4,390
		Gran Casa UmedaKita	2,050	0.6	1,952	2,650
		Serenite Honmachi Grande	4,286	1.2	3,943	6,500
		Gransys Tenmabashi	4,050	1.1	3,934	5,610
		DayGran Tsurumi	1,030	0.3	1,024	1,360
		Sakura Hills Riverside WEST	1,920	0.5	1,817	2,520
		Sakura Hills Riverside EAST	1,030	0.3	980	1,310
		Sakura Hills Meicki NORTH	750	0.2	728	1,000
		Runai Nippombashi anhel0	1,400	0.4	1,373	1,900
		HS Umeda EAST	2,151	0.6	2,092	2,920
		Serenite Umeda EST	1,057	0.3	1,027	1,430
		Serenite Yuhigaoka EST	811	0.2	791	1,080
		Serenite Umeda Reflet	1,148	0.3	1,175	1,420
		Gran Casa Urayasu	886	0.2	931	940
		Gran Casa Chiyoda	959	0.3	986	1,010
		Gran Casa Nambamotomachi	5,820	1.6	6,184	6,640
		Gran Casa Ryokuchi-koen	2,600	0.7	2,681	2,930
		Gran Casa Shin-Osaka SOUTH	4,310	1.2	4,614	4,730
		Serenite Nippombashi Prier	2,606	0.7	2,733	2,870
		Gran Casa Tennoji EAST	846	0.2	909	868
		Serenite Namba Plie	2,739	0.8	2,897	2,820
		Sereno Omiya	1,554	0.4	1,621	2,090
		Suzuran-kan	441	0.1	417	688
		Bonheur Tokiwa	752	0.2	772	942
		Libest NishiChiba	2,152	0.6	1,822	2,810
		willDo Temmacho	627	0.2	521	844
		willDo NishiAkashi	635	0.2	537	919
		Libest Higashi Nakayama	1,371	0.4	1,163	1,900
		Stellato City Sakurayama	735	0.2	601	881
		La Vita Nippombashi	1,860	0.5	1,540	2,340
	willDo Kurokawa	677	0.2	500	709	
	Deim Hashimoto	748	0.2	858	1,130	
	Prospect Kawasaki	1,520	0.4	1,280	2,760	
	Prospect UrawaTokiwa	717	0.2	681	1,070	
	Gran Casa Daikancho	1,082	0.3	1,159	1,710	
	Gran Casa Gokiso	932	0.3	1,027	1,600	
	Crown Heim NishiTanabe	405	0.1	408	593	
	The Residence Honmoku Yokohama Bayside	5,550	1.5	4,885	8,210	
	Lietocourt Marunouchi	3,756	1.0	3,516	5,570	
	Gran Casa Kamimaezu	2,050	0.6	1,846	2,830	
	Sakura Hills Fujimi	2,750	0.8	2,567	3,450	
	Gran Casa Kitaurawa	2,490	0.7	2,521	2,630	
	Gran Casa Fujisawa	1,000	0.3	1,078	1,160	
	Other major cities	Satella Kita 34jo	1,133	0.3	981	1,330
		willDo Nakasu	2,460	0.7	2,185	3,160
		willDo Kamisugi 3chome	506	0.1	418	590
		willDo Okayamaeki Nishiguchi	1,220	0.3	894	1,450
		willDo Okayamadaiku	1,040	0.3	846	1,290
		Sky Hills N15	712	0.2	754	1,060
		Sky Hills Sakaecho4	832	0.2	838	990
Dormy Chitose		476	0.1	480	509	
Sky Hills Takadai I		448	0.1	437	513	
West Park Hasekura		1,240	0.3	1,092	2,030	
Alpha Tower Sapporo Minami4jo		1,185	0.3	1,101	1,580	
Renaissance 21 Hakata		1,500	0.4	1,418	2,200	
Cresidence Sapporo Minami4jo		1,140	0.3	1,051	1,500	
Granpark Tenjin		4,698	1.3	4,484	7,390	
Forest Hill SendaiAoba		2,750	0.8	2,566	2,920	
Gran Casa Sendai Itsutsubashi		2,100	0.6	1,977	2,260	
Gran Casa NagayamaKoen Dori		1,002	0.3	1,101	1,190	

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Rental housing	Other major cities	Gran Casa Minami Ijo	830	0.2	828	1,000	
		willDo Takasago	364	0.1	325	430	
		Palais d'or Maruyama	559	0.2	568	1,150	
		Gran Casa Urasando	1,510	0.4	1,495	2,040	
		Gran Casa Kita3jo	1,265	0.3	1,241	1,780	
		Chijikoukanmae Tower Residence	4,530	1.2	4,498	5,330	
Rental housing subtotal (total of 190 properties)			254,988	70.2	240,634	336,254	
Healthcare facilities	Three major metropolitan areas	Charm Suite Ryokuchi Koen	3,030	0.8	2,947	3,090	
		Sompo Care LAVIERE Sagamihara Chuo	1,780	0.5	1,689	1,820	
		Verger Hirakata	1,560	0.4	1,483	1,590	
		Sawayaka Heart Life Nishikyogoku	1,130	0.3	1,081	1,150	
		Sompo Care LAVIERE Kinugasayama Koen	2,000	0.6	1,910	2,050	
		Super Court JR Nara-Ekimae	1,710	0.5	1,629	1,730	
		La'nassica Arakogawa	1,400	0.4	1,317	1,430	
		Minna-no-ie Chuo-ku En'nami	860	0.2	806	884	
		Mumin Omiya-kita	775	0.2	740	746	
		Sompo no ie Nishitanabeekimae	737	0.2	711	705	
		Irise Komae Bettei	1,319	0.4	1,334	1,430	
		AIP Kachidoki-Ekimae	8,150	2.2	8,335	8,540	
		PLAISANT GRAND MINAMI YUKIGAYA	3,380	0.9	3,456	3,580	
		Aira no mori Higashi-Ofuna	2,271	0.6	2,330	2,550	
		Aira no mori Shakujii-koen	2,070	0.6	2,117	2,320	
		Aira no mori Edogawa-Shinozaki	1,499	0.4	1,535	1,650	
		Senior Forest Yokohama-Tsuzuki	1,202	0.3	1,235	1,290	
		Sompo no ie Toyonaka-Minamisone	825	0.2	855	837	
		Good Time Living Center-Minami, Platesia Center-Minami	11,150	3.1	11,418	11,700	
		Good Time Living Chibaminato-Kaigandori · Platesia Chibaminato	4,516	1.2	4,806	4,810	
		Good Time Living Yokohama-Tsuzuki	4,064	1.1	4,190	4,090	
		Good Time Living Senri-Hinatagaoka	2,800	0.8	2,877	3,080	
		Good Time Living Nakamozu	2,180	0.6	2,239	2,370	
		Good Time Living Kourigaoka	2,120	0.6	2,179	2,350	
		Good Time Living Kameido	1,860	0.5	1,916	2,480	
		Good Time Living Mikage	1,820	0.5	1,880	2,460	
		Good Time Living Amagasaki-Shintoshin	1,585	0.4	1,625	1,810	
		Good Time Living Minami Senri	1,430	0.4	1,481	1,630	
		Good Time Living Kobe-Tarumi	1,370	0.4	1,424	1,490	
		Good Time Living Chibaminato-Ekimaedori	1,320	0.4	1,384	1,590	
		Good Time Living Senboku-Izumigaoka	980	0.3	1,022	1,050	
		Good Time Living Ikeda-Midorigaoka	920	0.3	950	952	
		Good Time Living Nagatsuta-Minamidai	850	0.2	875	822	
		Good Time Living Saitama-Hasuda	659	0.2	699	682	
		Good Time Living Nagareyama-Ichibankan	610	0.2	642	663	
		Good Time Living Nagareyama-Nibankan	563	0.2	678	704	
		Good Time Living Amagasaki-Ekimae	320	0.1	364	405	
		Good Time Living Osaka-Bay	4,700	1.3	4,877	4,810	
		Sunny Life Hiyoshi	2,060	0.6	2,128	2,250	
		Sunny Life Chofu	1,920	0.5	2,055	2,200	
		Charm Premier Kamakurayama	2,550	0.7	2,672	2,650	
		As Heim Tsunashima	1,500	0.4	1,598	1,610	
		Library ShinShibamata	1,405	0.4	1,484	1,510	
		Ishinkan Kamiooka	933	0.3	1,006	1,030	
		Sunny Life Shibaura	6,280	1.7	6,636	6,450	
		Core city areas	Sompo Care LAVIERE Hiroshima Hikarigaoka	1,210	0.3	1,146	1,290
			Sawayaka Kaikyokan	899	0.2	816	956
			Sawayaka Meisuikan	813	0.2	753	863
			Nichii Care Center Fukushima Omori	337	0.1	309	357
Sawayaka Hinodekan	896		0.2	850	913		
Sawayaka Obatake Sanbankan	349		0.1	322	348		
Sawayaka Riverside Kurinoki	306		0.1	285	311		
Silver Heights Hitsujigaoka No.3	1,330		0.4	1,295	1,340		
Alpha Living Okayama Nishigawa Ryokudokoen	789		0.2	744	743		

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Healthcare facilities	Core city areas	Alpha Living Okayama Korakuen	661	0.2	602	655
		Alpha Living Takamatsu Ekimae	642	0.2	603	632
		Alpha Living Takamatsu Hyakkenmachi	628	0.2	592	608
		Alpha Living Takamatsu Konyamachi	1,225	0.3	1,262	1,250
	Healthcare facilities subtotal (total of 58 properties)		108,249	29.8	110,220	115,306
Total (total of 248 properties)			363,237	100.0	350,855	451,560

(Note 1) The acquisition price is the amount (the sales price of real estate or trust beneficiary interest written in the trust beneficiary interest transfer contract or purchase and sale contract) that does not include expenses incurred in association with acquisition of the real estate or trust beneficiary interest (intermediation fees, taxes, etc.) is stated.

(Note 2) The investment ratio is the ratio of the acquisition price of the real estate or trust beneficiary interest to the total acquisition price of real estate or trust beneficiary interest. (The ratio is rounded off to the first decimal place.)

(Note 3) "Appraisal value at the end of the period" is the appraisal value or investigation value with the closing date as the date of value.

(2) Status of Capital Expenditure

① Capital Expenditure Plan

The major capital expenditure items in association with planned repair work on properties under management as of March 31, 2023, are as below. The amount of payment includes the amount allocated to expenses in accounting procedures.

Property name (Location)	Description of works (purpose)	Period	Amount of payment (million yen)		
			Total cost	Amount paid in the fiscal period under review	Total amount paid
Gran Casa Kita3jo (Sapporo-shi, Hokkaido)	Exterior wall renovation work, etc.	From April 2023 To September 2023	82	2	2
Sun Terrace Yoyogi Uehara (Shibuya-ku, Tokyo)	Exterior wall renovation work, etc.	From April 2023 To September 2023	40	1	1
willDo Chiyoda (Nagoya-shi, Aichi)	Exterior wall renovation work, etc.	From April 2023 To September 2023	36	—	—
Forest Hill SendaiAoba (Sendai-shi, Miyagi)	Equipment replacement in common areas, etc.	From April 2023 To September 2023	21	—	—
Lofty Hirai (Edogawa-ku, Tokyo)	Equipment replacement in common areas, etc.	From April 2023 To September 2023	19	—	—

② Capital Expenditure during the Period under Review

Capital improvement construction expenditures made by the Investment Corporation during the 34th period for portfolio properties are as follows. Construction expenditures during the 34th period amounted to ¥449,588 thousand; construction-related costs amounted to ¥883,975 thousand combined with repair expenses of ¥434,387 thousand during the 34th period.

Property name (Location)	Description of works (purpose)	Period	Amount of payment (thousand yen)
Joyce Court (Ota-ku, Tokyo)	Common area renovation work, etc.	From October 2022 To March 2023	23,025
Good Time Living Amagasaki- Ekimae (Amagasaki-shi, Hyogo)	Common area renovation work, etc.	From October 2022 To March 2023	16,313
Sompo Care LAVIERE Kinugasayama Koen (Yokosuka-shi, Kanagawa)	Exterior wall renovation work, etc.	From October 2022 To March 2023	16,285
Angel Heim Nishi-Rokugo No. 2 (Ota-ku, Tokyo)	Common area renovation work, etc.	From October 2022 To March 2023	14,124
BELNOS 34 (Katsushika-ku, Tokyo)	Interior remodeling work, etc.	From October 2022 To March 2023	13,621
Other properties	Common area renovation work, etc.	From October 2022 To March 2023	366,219
Total			449,588