

Translation of Japanese Original

**FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED MARCH 31, 2016 (REIT)**  
**(October 1, 2015 to March 31, 2016)**

May 19, 2016

Kenedix Retail REIT Corporation (“KRR”) is listed on the Tokyo Stock Exchange with the securities code number 3453.

(URL <http://www.krr-reit.com/en/>)

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Planned submission of semiannual securities report: June 29, 2016  
 Planned start of distribution payments: June 14, 2016  
 Preparing presentation material: Yes  
 Hold a financial brief meeting: Yes (for analysts and institutional investors)

(Amounts are rounded down to the nearest million of yen)

**1. PERFORMANCE FOR THE FISCAL PERIOD ENDED MARCH 31, 2016 (October 1, 2015 to March 31, 2016)****(1) Business Results**

(Percentages show period-on-period changes)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal period ended								
March 31, 2016	5,541	8.6	2,826	14.7	2,428	25.2	2,427	25.6
September 30, 2015	5,103	-	2,463	-	1,939	-	1,933	-

	Net Income per Unit	Return on Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	%	%	%
Fiscal period ended				
March 31, 2016	6,846	3.5	1.9	43.8
September 30, 2015	11,515	3.3	2.0	38.0

- Note 1: Although the accounting period for KRR's fiscal period ended September 30, 2015 includes 363 days from October 3, 2014 to September 30, 2015, its substantial asset management period covers only 233 days from February 10, 2015 to September 30, 2015.
- Note 2: Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the period. Net income per unit for the fiscal period ended September 30, 2015 was ¥7,434, if calculated based on the day-weighted average number of investment units outstanding during the period assuming the beginning date of the fiscal period is February 10, 2015, the day that the asset management actually commenced (260,034 units).
- Note 3: Return on net assets and ordinary income to total assets for the fiscal period ended September 30, 2015 are calculated using the average amount of net assets and total assets as of February 10, 2015, the day that the asset management actually started, and as of September 30, 2015.
- Note 4: The purpose of the percentages of operating revenues, operating income, ordinary income and net income is to show changes from the previous period. However, no applicable figures are shown for the period ended September 30, 2015, as the reporting period was the first fiscal period.

**(2) Distribution**

	Distributions per Unit (Excluding Excess of Earnings)	Total Distributions (Excluding Excess of Earnings)	Distributions in Excess of Earnings per Unit	Total Distributions in Excess of Earnings	Payout Ratio	Distribution Ratio to Net Assets
	Yen	Millions of Yen	Yen	Millions of Yen	%	%
Fiscal period ended						
March 31, 2016	6,834	2,427	12	4	100.0	3.0
September 30, 2015	7,414	1,933	0	0	100.0	3.5

- Note 1: Total distributions in excess of earnings for the period ended March 31, 2016 account for the distributions in regard to the allowance for temporary adjustment.
- Note 2: Due to the issuance of new investment units, the payout ratio is calculated as following method (rounded to the nearest tenth).  
 Payout Ratio = Total Distributions (Excluding Excess of Earnings) / Net Income × 100

**(3) Financial Position**

	Total Assets	Net Assets	Net Assets to Total Assets	Net Asset Value per Unit
	Millions of Yen	Millions of Yen	%	Yen
As of				
March 31, 2016	150,009	80,034	53.4	225,291
September 30, 2015	108,382	59,790	55.2	229,301

**(4) Cash Flows**

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal period ended				
March 31, 2016	4,570	(38,295)	36,829	11,255
September 30, 2015	1,152	(88,993)	95,991	8,150

This is an English-language translation of the original Japanese announcement on our website released on May 19, 2016. However, no assurance or warranties are given with respect to the accuracy or completeness of this English-language translation. The Japanese original shall prevail in the case of discrepancies between this translation and the Japanese original.

## 2. EARNINGS FORECASTS FOR THE FISCAL PERIODS ENDING SEPTEMBER 30, 2016 (April 1, 2016 to September 30, 2016) AND MARCH 31, 2017 (October 1, 2016 to March 31, 2017)

(Percentages show period-on-period changes)

	Operating Revenues (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)		Distributions per Unit (Excluding Excess of Earnings)	Distributions in Excess of Earnings per Unit	Distributions per Unit (Including Excess of Earnings)
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	Yen	Yen
Fiscal period ending September 30, 2016	6,392	15.4	2,943	4.1	2,475	1.9	2,472	1.8	5,852	13	5,865
March 31, 2017	6,365	(0.4)	2,957	0.5	2,488	0.5	2,485	0.5	5,884	13	5,897

Reference: Forecasted net income per unit (Forecasted net income / Forecasted average number of investment units during period)

For the fiscal period ending September 30, 2016: ¥5,958 For the fiscal period ending March 31, 2017: ¥5,990

Note: Distributions per unit are calculated based on the number of investment units issued and outstanding totaled 422,250 as of today.

### \*OTHER

#### (1) Changes in Accounting Policies/Changes in Accounting Estimate/Retrospective Restatement

- (a) Changes in accounting policies accompanying revisions to accounting standards: None
- (b) Changes in accounting policies other than (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None

#### (2) Number of Investment Units Issued and Outstanding (including treasury investment units)

- (a) Number of investment units issued and outstanding at the end of the period (including treasury investment units)

As of March 31, 2016: 355,250 units

As of September 30, 2015: 260,750 units

- (b) Number of treasury investment units at the end of the period

As of March 31, 2016: 0 units

As of September 30, 2015: 0 units

(Note) Please refer to "Per Unit Information" on page 25 for the number of investment units used as the basis for calculating net income per unit.

#### \* Status of audit procedures

As of the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

#### \* Remarks on appropriate use of forecasts of performance and other special notes

Forward-looking statements presented in this financial report, including forecasts of performance, are based on information currently available to KRR and on certain assumptions KRR deems to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of numerous factors. The above-mentioned forecasts are based on "Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending September 30, 2016 and March 31, 2017" on page 10 for calculation, and our judgment as of May 19, 2016. Actual operating revenues, operating income, ordinary income, net income, distributions per unit and distributions in excess of earnings per unit may vary according to changes in market conditions. These forecasts do not guarantee the distribution amount.

## 1. KRR and Related Corporations

As there have been no significant changes from the “Management structure of KRR” described in the Securities Registration Statement (submitted on December 24, 2015; prepared in Japanese only), the disclosure is omitted.

## 2. Investment Policies and Status of Asset Management

### (1) Investment Policies

As there have been no significant changes from policies described in “Investment Policy,” “Investment Properties” and “Distribution Policy” in the Securities Registration Statement (submitted on December 24, 2015; prepared in Japanese only), the disclosure is omitted.

### (2) Status of Asset Management

#### (Overview of the Period ended March 31, 2016)

##### i) Transition of KRR

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the period ended March 31, 2016 was 355,250 units.

KRR seeks to invest primarily in neighborhood, community and other shopping centers that cater to the day-to-day needs of local area customers and have stable demand from retailers and customers, in order to provide stable investment returns over the long term. Sponsored by Kenedix, Inc., a leading, independent real estate asset management company, KRR entrusts its asset management and investment operations to Kenedix Real Estate Fund Management, Inc. (“KFM”), with the following strategies.

- Note: For our management purposes and ease of classification, we define neighborhood, community and other shopping centers for daily needs as retail properties that generally have the following characteristics:
- Retail trade area of approximately a one to ten kilometer radius (and generally, a three to five kilometer radius), with customers predominantly from local areas surrounding the retail property
  - Operational capacity to accommodate certain daily local retail needs and strong customer traffic on both weekdays and weekends
  - Composed of various specialty stores to meet a range of day-to-day needs such as groceries, clothing and other daily goods and services

##### ii) Investment Environment

There were signs of an economic rebound in Japan with recoveries in corporate earnings under Abenomics. However, real GDP growth (2nd preliminary estimate) in the fourth quarter of 2015 was negative 0.3%, a return to the negative zone following a positive figure in the previous quarter due to weak consumer spending and decline in exports resulting mainly from economic slowdown in developing countries.

As for Japan’s retail market, disparities among the retail market are seen as general merchandize stores (GMS) are reported to be struggling, but supermarkets and drugstores are performing well.

In the financial environment, Nikkei 225 Index fell sharply entering into 2016 due to global market events such as economic slowdown in China and fall in price of oil leading to unstable effects, including appreciation of yen. On the other hand, interest rates have been declining following the introduction of negative interest rate policy by the Bank of Japan in January 2016. As funds flowed into the J-REIT market after the policy change, especially from foreign investors, the TSE REIT Index rallied to the 1,900 level in March 2016. In the real estate market, J-REITs continue to purchase a substantial number of properties because of monetary easing and brisk equity raising activities by J-REITs.

### iii) Management Performance

#### (A) Acquisition of Assets

KRR acquired and started the operations of the following trust beneficiary interests in real estate (13 properties acquired on October 2, 2015 with total acquisition price of 37,920 million yen and one property acquired on January 21, 2016 with acquisition price 1,505 million yen). In addition, KRR completed an additional acquisition of a new building through a property expansion within Roseo Mito (acquisition price of 371 million yen) on November 26, 2015. As a result, the portfolio at the end of the period under review (March 31, 2016) consists 33 properties with the total acquisition price of 131,639 million yen.

The below is property portfolio of KRR as of September 30, 2015.

Property number	Property Type (Note 1)	Property name	Location (City or Ward, Prefecture)	Acquisition Price (million yen) (Note 2)	Acquisition Date
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	4,815	October 2, 2015
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	3,169	October 2, 2015
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	3,000	October 2, 2015
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	1,700	October 2, 2015
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	1,442	October 2, 2015
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	760	October 2, 2015
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	6,555	October 2, 2015
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	6,450	October 2, 2015
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	October 2, 2015
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	487	October 2, 2015
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	1,505	January 21, 2016
R-1	NSC	Roseo Mito (Note 3)	Mito, Ibaraki	371	November 26, 2015
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	October 2, 2015
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	October 2, 2015
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	October 2, 2015
Total				39,796	

Note 1: Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store).

We categorize these properties generally into five separate groups as follows.

Type of Neighborhood, community and other shopping centers for daily needs	Features	Trade area
NSC (Neighborhood Shopping Centers)	Shopping centers with a supermarket as an anchor or coretenant and several specialty store tenants	three to five kilometer
SM (Supermarkets)	Stand-alone stores that primarily provide groceries, with a retail trade area	three kilometer
CSC (Community Shopping Centers)	Larger shopping centers than NSC, which have a supermarket as an anchor or core tenant in addition to specialty store tenants	five to ten kilometer
Urban Station-Front Shopping Centers	Shopping centers that are located in the immediate vicinity of an urban public transportation station, which take advantage of stable foot traffic	three to ten kilometer
SS (Specialty Stores)	Single- or multiple-tenant shopping centers that specialize in a single type of merchandise or service, such as drug stores, convenience stores, health clubs or electronic appliance stores	one to ten kilometer

Note 2: "Acquisition price" represents the purchase price of each trust beneficiary interest specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen).

Note 3: KRR acquired the secondhand shop building through a new building construction (property expansion). Acquisition price represents the payment price (excluding expenses and taxes and rounded down to the nearest million yen) on the construction contract and construction design/supervision outsourcing contracts related to construction of the building.

#### (B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (March 31, 2016). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property management that better

reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction. KRR invests primarily in neighborhood and community shopping centers that cater to the day-to-day needs of customers. The portfolio is diversified in terms of properties, tenants and other characteristics with a goal to generate consistent long-term cash flows. At the same time, a portion of the rent includes sales-linked rent to explore the upside potential for rental income. By using these measures, we aim to pursue a portfolio that achieves both stability and growth.

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.6%. Furthermore, the portfolio is diversified in terms of tenants as there are 389 end-tenants in our retail properties.

**(C) Financing**

When financing to acquire properties, KRR seeks to achieve the proper balance between financial stability and the efficiency of the cost of the funds with the objectives to achieve stable medium- to long-term returns and consistent growth of assets under management.

**(Equity Finance)**

In the fiscal period under review, KRR sold a total of 88,750 newly issued units offered in Japan and overseas, and raised 18,547 million yen. In addition, 5,750 units were issued through third-party allotment on October 21, 2015, raising 1,201 million yen that was used to prepay a portion of borrowing for acquisition of properties. Due to these activities, unitholders’ capital increased to 77,606 million yen as of March 31, 2016.

**(Debt Finance)**

During the fiscal period under review, KRR borrowed for the acquisition of properties and used the proceeds from the issuance of newly issued units through third-party allotment for the early repayment of debt. Consequently, debt totaled 57,500 million yen at the end of the fiscal period under review (March 31, 2016).

When undertaking borrowings, we combine a number of loans, spreading out repayment dates, considering the interest rate trends and other financial environment. We use swaps to fix the interest payments to hedge against the risk of a rise in interest rates.

The below are borrowings at the end of the fiscal period.

Series	Lender	Amount (in thousands of yen)	Interest rate	Drawdown date	Repayment date (Note 1)	Repayment method	Remarks
4-A	Sumitomo Mitsui Banking Corporation	2,050,000	JBA 1-month Japanese Yen TIBOR+0.50%	October 2, 2015	October 2, 2016	Full on maturity	Unsecured/ Unguaranteed
4-B	Sumitomo Mitsui Banking Corporation	3,450,000	0.54510% (Note 2)	October 2, 2015	March 31, 2019	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Resona Bank, Ltd.						
	The Musashino Bank, Ltd.						
4-C	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	0.98675% (Note 2)	October 2, 2015	March 31, 2023	Full on maturity	Unsecured/ Unguaranteed
	Resona Bank, Ltd.						
	The Musashino Bank, Ltd.						
4-D	Development Bank of Japan Inc.	1500,000	1.01262% (Note 3)	October 2, 2015	March 31, 2023	Full on maturity	Unsecured/ Unguaranteed
4-E	Sumitomo Mitsui Banking Corporation	7,000,000	1.11010% (Note 2)	October 2, 2015	March 31, 2024	Full on maturity	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Mizuho Trust & Banking Co., Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
Resona Bank, Ltd.							
4-F	Sumitomo Mitsui Banking Corporation	1,900,000	1.24300% (Note 2)	October 2, 2015	April 16, 2025	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
4-G (Note 4)	Sumitomo Mitsui Banking Corporation	3,650,000	JBA 1-month Japanese Yen +0.50%	October 2, 2015	October 2, 2016	Full on maturity	Unsecured/ Unguaranteed
5-1	Sumitomo Mitsui Banking Corporation	450,000	JBA 1-month Japanese Yen TIBOR+0.45%	February 10, 2016	February 10, 2017	Full on maturity	Unsecured/ Unguaranteed
5-2	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000					
5-3	Mizuho Bank, Ltd.	400,000					
5-4	Resona Bank, Ltd.	250,000					
5-5	Aozora Bank, Ltd.	250,000					
5-6	Sumitomo Mitsui Trust Bank, Ltd.	200,000					

- Note 1: The repayment date will be the following business day in case such date falls on a day that is not a business day or the preceding business day in case such date falls in the next calendar month.
- Note 2: These borrowings are floating interest rates. However, we have entered into interest rate swap agreements to hedge the risks of interest rate volatility. These rates are the interest rates including the effect of the swaps (i.e., fixed interest rates).
- Note 3: These borrowings are fixed rates.
- Note 4: As for Series 4-G, the balance as of March 31, 2016 was 2,450,000 thousand yen as a portion of the debt was prepaid on October 30, 2015. The repayment of Series 4-G was funded by net proceeds from the sale of new investment units through a third-party allotment with a October 21, 2015 payment date.

As a result, the average remaining years to maturity is 5.1 years, the weighted average interest rate is 0.88%, the long-term debt ratio is 88.7% and the LTV ratio (note), is 42.7%.

Note: The LTV ratio, or loan-to-value ratio, is the ratio of the total amount of borrowings, corporate bonds and tenant leasehold and security deposits (net of amounts reserved for return of tenant leasehold and security deposits), to the total assets minus amounts reserved for return of tenant leasehold and security deposits.

**(Credit ratings)**

The status of the credit ratings as of March 31, 2016 is as follows.

Credit Rating Agency	Details of the Ratings	
Japan Credit Rating Agency, Ltd. (JCR)	Long-Term Issuer Rating	A (Outlook: Stable)

**iv) Results of Operations**

For this period, revenue was 5,541 million yen, operating income was 2,826 million yen, ordinary income was 2,428 million yen and net income was 2,427 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 2,427,778,500 yen for the fiscal period, which is an integral multiple of 355,250, the total number of investment units outstanding and does not exceed the unappropriated retained earnings of the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments). Consequently, the distribution per unit (including the distributions in excess of earnings) was 6,834 yen.

Furthermore, in accordance with the policy for “Distribution of Money in Excess of Profits” as stated in the KRR Articles of Incorporation, KRR made a distribution in excess of earnings for the 4,263,000 yen allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations). This resulted in a distribution in excess of earnings per unit of 12 yen.

Consequently, the distribution per unit for the fiscal period, including this excess distribution, was 6,846 yen (of which the distribution in excess of earnings per unit was 12 yen).

**(Outlook)**

**i) Outlook for Asset Management**

The Japanese economy is expected to continue to recover at a moderate pace. However, we should pay attention to uncertainties about the overseas economy regarding the economic slowdown in China, fall in the price of oil, the direction of U.S. financial policies, etc. We also need to pay attention to changes in domestic economic environment, such as appreciation of yen, stock market decline and effects of the negative interest rate policy.

As for Japan’s retail sector environment, disparities among the retail market are seen as general merchandize stores (GMS) are reported to be struggling, but supermarkets and drugstores are performing well, and we anticipate that this trend to continue.

In the real estate trading market, we anticipate the high level of transaction volume to continue because of the strong appetite of J-REIT and other investors to acquire properties. The Bank of Japan’s aggressive monetary easing measures will help provide continuous supply of adequate funds in the real estate market. However, investors should also keep in mind the risk of rise in interest rates in the future and impact of oversea economic events.

From a medium to long-term perspective, to generate a steady stream of rental revenue, consistently increase our assets and establish a suitable financial position, KRR will continue to manage assets based on the following policies.

**(A) Investment Strategy for New Properties and Disposition Policy**

We receive a variety of support from many sources in order to achieve the steady growth of our assets and increase the value of our assets. One source is the Kenedix Group, including Kenedix, Inc., the parent company of KFM (note). We also receive support from our Alliance Companies: Sumitomo Mitsui Finance and Leasing Co., Ltd., Nippon Commercial Development Co., Ltd., and P&D Consulting Co., Ltd. We are implementing a growth strategy that takes full advantage of the external growth opportunities created by the large and diverse acquisition pipeline made possible by the support of these companies.

When acquiring properties, we make decisions based on all applicable factors with emphasis on four parameters: the retail property's attractiveness, its location, the property's profitability and the tenant mix. By using this selection process results, we invest in retail properties with a competitive edge, and good prospects for consistent rental revenue and growth in asset value. We also invest in land ownership interests underlying retail properties. While many of the land-only properties are selected from the "JINUSHI BUSINESS" portfolio held by Nippon Commercial Development, we make these investments after examining the terms of the land leasing agreement, the characteristics of the tenant, the asset value of the land, and the proportion of land-only properties in our portfolio. We may also consider making an equity investment in a tokumei kumiai (silent partnership) for warehousing properties, provided that we are given an opportunity to acquire them in the future.

Regarding disposition of a portfolio property, we make decisions based primarily on the significance of these properties in the context of the portfolio. This is assessed by comprehensive evaluation of the outlook for future profitability and asset value determined based on its current profitability and market trends.

Note: The Kenedix Group consists of Kenedix, Inc. and its subsidiaries and affiliates.

## **(B) Management Strategy for Existing Properties**

KRR is committed to building a portfolio that can pursue both stability and growth. We believe that implementing integrated asset and property management services makes it possible to properly manage retail properties and pursue internal growth. Furthermore, this integrated management framework facilitates activities to enliven local communities where our properties are located, enabling us to aim for medium to long-term growth in asset value.

To accomplish these goals, KFM oversees properties owned by KRR while placing priority on the following themes.

- "One-stop" asset management and property management services
- Continuously implementing a retail property management cycle through our in-house property management services
- Pursuit of internal growth through management of retail properties
- Directing investments and management policies to enliven local communities in the medium to long-term

### "One-stop" asset management and property management services

KRR plans to use the integrated asset management and property management services of KFM for strengthening relationships with tenants and making the portfolio more profitable.

### Continuously implementing a retail property management cycle through our in-house property management services

KFM provides property management services for all of KRR's properties. We do this for the purposes of performing retail property management that better reflects the needs of the tenants as well as accumulating know-how and improving tenant satisfaction. Specifically, we use direct contact with tenant companies at our properties in order to strengthen tenant relationships and make properties more profitable. To this end, we perform periodic monitoring of market conditions so that we can identify the needs of tenants and the customers visiting their sites. This process makes it possible to find issues that stand in the way of achieving greater satisfaction for tenants and their customers. Once we have discovered points that require attention, we take actions that take full advantage of the resources and knowledge regarding retail properties within the Kenedix Group. Solutions include measures such as the effectively utilizing capital expenditures, optimizing tenant mix, realizing growth in asset value by pursuing property expansions, and cutting costs, to improve tenant satisfaction and acquire more know-how.

### Pursuit of internal growth through management of retail properties

KRR seeks to use the proper management of retail properties to achieve the goals of consistent revenue, higher profitability and growth in asset value.

#### i. Effectively utilize capital expenditure

We will use proper and well-timed capital expenditures to increase the satisfaction of tenants and make our properties more competitive.

#### ii. Optimize tenant mix

We will constantly work on attracting new tenants that are highly appealing to shoppers and replace tenants with others, optimizing tenant composition, in order to seek stable revenue and higher profitability by attracting more customers.

#### iii. Realize growth in asset value by pursuing property expansions

We will use the extensive knowledge involving retail properties of the Kenedix Group and our Alliance Companies to utilize the underutilized space (note) at properties and expand properties. These measures will take into account the competitive position of each property, the effect on our financial position and other factors. By increasing space that can be leased, we would like to increase revenue and asset value.

Note: The underutilized space is defined as the area that is calculated by multiplying the floor space ratio, or the ratio of total area of the building to the site area, which is prescribed in Article 52 of the Building Standards Act and applied to each retail property in accordance with the Building Standards Act, City Planning Act and other laws and regulations, by the land area that is allowed to be used as a retail property site, and subtracting from this figure the actual gross floor area of the

building.

Directing investments and management policies to enliven local communities in the medium to long-term

At our retail properties, we seek tenants that provide services, hold community involved events and use other measures to help enliven the local communities where our properties are located. We believe these activities will contribute to the medium to long-term growth in the asset value of these properties.

**(C) Financing**

We will establish a suitable financial foundation by examining numerous financing methods and selecting the optimum ones. These decisions will reflect interest rates and other elements of the financial environment. Our goal is to select financing methods that result in the optimum balance between financial stability and the financing cost.

**(D) Disclosure of Information**

Our policy concerning disclosure activities is to use extensive investor relations activities to distribute a broad range of information to investors and other related parties as well as to announce information as soon and as accurately as we can. We use TDnet (Timely Disclosure network) and press releases to meet the timely-disclosure requirements of the Tokyo Stock Exchange. In addition, we proactively post information on our website (<http://www.krr-reit.com/en/>).

**(E) Conflicts of Interest**

In addition to managing the assets of KRR, KFM provides asset management services to other investment corporations and real estate funds. KFM uses a “preferential right for acquisition opportunities” system for the property acquisition process. KFM has a pipeline committee, which includes a compliance officer, and operates in accordance with rules. This system is structured to prevent improper allocation of acquisition opportunities as well as conflicts of interest among the REIT and funds managed by KFM. Through these measures, KFM is taking suitable actions regarding conflicts of interest.

**(F) Important Subsequent Events**

KRR passed resolutions at the Board of Directors Meeting held on March 31, 2016 and April 13, 2016, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on April 20, 2016 and May 18, 2016, respectively. KRR plans to use the net proceeds through third-party allotment for the repayment of the loans payable of 800,000 thousand yen.

As a result, unitholders' capital totaled 94,256,390,300 yen and total number of investment units issued and outstanding increased to 422,450 as of May 18, 2016.

Issuance of new investment units through public offerings

Total number of units issued:	64,000 units (Domestic 31,744 units, International 32,256 units)
Issue price (offer price):	256,717 yen per unit
Total amount of issue price (total offer price):	16,429,888,000 yen
Paid-in amount (issue amount):	247,764 yen per unit
Total paid-in amount (total issue amount):	15,856,896,000 yen
Payment date:	April 20, 2016

Issuance of new investment units through third-party allotment

Total number of units issued:	3,200 units
Paid-in amount (issue amount):	247,764 yen per unit
Total paid-in amount (total issue amount):	792,844,800 yen
Payment date:	May 18, 2016
Allottee:	SMBC Nikko Securities Inc.



**(Reference Material)****(A) Acquisition of Assets**

KRR acquired 7 assets (acquisition price of 27,127 million yen).

“Acquisition price” represents the amount specified in the sale and purchase agreement for the trust beneficiary interests, exclusive of the various expenses (acquisition expenses, property tax, city planning tax, consumption tax, etc.) required in the acquisition of the following assets.

Property number	Property type	Property name	Location	Seller	Acquisition price (million yen)	Appraisal value (million yen)	Acquisition date
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Mitsubishi Jisho Residence Co., Ltd.	3,360	3,780	April 21, 2016
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Individual	1,724	1,880	April 20, 2016
T-17	SM	Life Kameido	Koto-ku, Tokyo	G.K. KRF60.	1,450	1,500	April 21, 2016
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Sumitomo Mitsui Finance and Leasing Co., Ltd.	3,723	3,730	April 21, 2016
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	JRP6 G.K.	7,140	7,220	April 21, 2016
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	G.K. FOX Investment	5,720	5,740	April 21, 2016
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Kondo Cotton Spinning Co., Ltd.	4,010	4,230	April 22, 2016
Total			-	-	27,127	28,080	-

**(B) Asset under construction**

A new building with 394.38 m<sup>2</sup> gross floor area (hereinafter the “restaurant building”) is planned to be constructed on the underutilized site of Unicus Ina, a property owned by KRR. KRR expects the total construction cost for the restaurant building to be 107 million yen and plans to complete the construction by mid-January 2017.

**(C) Financing**

KRR borrowed funds for the acquisition on April 21, 2016 and April 22, 2016.

Series	Lender	Amount (in thousands of yen)	Interest rate	Drawdown date	Repayment date (Note 1)	Repayment method	Remarks
6-A-1	Sumitomo Mitsui Banking Corporation	4,140,000	JBA 1-month Japanese Yen TIBOR+0.45%	April 21, 2016	April 21, 2017	Full on maturity	Unsecured/ Unguaranteed
6-A-2	Mizuho Bank, Ltd.	360,000	JBA 1-month Japanese Yen TIBOR+0.45%	April 21, 2016	April 21, 2017	Full on maturity	Unsecured/ Unguaranteed
6-B-1	Mizuho Bank, Ltd.	710,000	0.36800%	April 21, 2016	September 30, 2019	Full on maturity	Unsecured/ Unguaranteed
6-B-2	Sumitomo Mitsui Trust Bank, Ltd.	620,000	0.36800%	April 21, 2016	September 30, 2019	Full on maturity	Unsecured/ Unguaranteed
6-C	Sumitomo Mitsui Trust Bank, Ltd.	450,000	0.80300% (Note2)	April 21, 2016	September 30, 2024	Full on maturity	Unsecured/ Unguaranteed
6-D	Development Bank of Japan Inc.	890,000	0.76031% (Note3)	April 21, 2016	September 30, 2024	Full on maturity	Unsecured/ Unguaranteed
6-E	Sumitomo Mitsui Banking Corporation	2670,000	0.93200% (Note2)	April 21, 2016	April 21, 2026	Full on maturity	Unsecured/ Unguaranteed
6-F	Sumitomo Mitsui Banking Corporation	800,000	JBA 1-month Japanese Yen TIBOR+0.45%	April 21, 2016	April 21, 2017	Full on maturity	Unsecured/ Unguaranteed
7-A	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	JBA 1-month Japanese Yen TIBOR+0.45%	April 22, 2016	April 21, 2017	Full on maturity	Unsecured/ Unguaranteed
7-B	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	0.88800%	April 22, 2016	October 31, 2025	Full on maturity	Unsecured/ Unguaranteed

Note 1: The repayment date will be the following business day in case such date falls on a day that is not a business day or the preceding business day in case such date falls in the next calendar month.

Note 2: These borrowings are floating interest rates. However, we have entered into interest rate swap agreements to hedge the risks of interest rate volatility. These rates are the interest rates including the effect of the swaps (i.e., fixed interest rates).

Note 3: These borrowings are fixed interest rates.

Note 4: As for Series 6-F, it will be prepaid in full on May 31, 2016, and there will be no balance before its repayment date. The repayment of Series 6-F was funded by net proceeds from the sale of new investment units through a third-party allotment with a May 18, 2016 payment date.

**ii) Earnings Forecasts**

For the fiscal period ending September 30, 2016 (From April 1, 2016 to September 30, 2016) and the fiscal period ending March 31, 2017 (From October 1, 2016 to March 31, 2017), the earnings forecasts are estimated as set forth below.

## Fiscal period ending September 30, 2016

Operating revenues	¥6,392 million
Operating Income	¥2,943 million
Ordinary income	¥2,475 million
Net Income	¥2,472 million
Distributions per unit	¥5,865
Of the above, distributions in excess of earnings	¥13

## Fiscal period ending March 31, 2017

Operating revenues	¥6,365 million
Operating Income	¥2,957 million
Ordinary income	¥2,488 million
Net Income	¥2,485 million
Distributions per unit	¥5,897
Of the above, distributions in excess of earnings	¥13

Please refer to “Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending September 30, 2016 and March 31, 2017” set forth below for information on current assumptions for the forecasts of operating results.

After the end of the second fiscal period, KRR issued new units, made new borrowings and acquired properties. Accordingly, KRR has updated the “Forecasts of Financial Results and Distributions for the Fiscal Periods Ended March 31, 2016 and Ending September 30, 2016, and the Forecast of Financial Results and Distributions for the Fiscal Period Ending March 31, 2017” released on March 31, 2016, but there are no changes in the forecast figures.

Note: The above forecasts are based on certain assumptions for calculation, and our judgment as of today. Actual operating revenues, operating income, ordinary income, net income, distributions per unit and distributions in excess of earnings per unit may vary due to changes in market conditions. These forecasts do not guarantee the distribution amount.

**Assumptions for the Earnings Forecasts for the Fiscal Periods Ending September 30, 2016 and March 31, 2017**

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>The 3rd fiscal period: April 1, 2016 to September 30, 2016 (183 days)</li> <li>The 4th fiscal period: October 1, 2016 to March 31, 2017 (182 days)</li> </ul>
Property portfolio	<ul style="list-style-type: none"> <li>It is assumed that there will be no changes (any acquisition of new properties or any sale of existing properties, etc.) in property portfolio of 40 assets, which are 33 existing assets (the “existing assets”) and 7 assets acquired on April 20, 2016, April 21, 2016 and April 22, 2016 (the “assets acquired in the third fiscal period”), by the end of the fiscal period ending March 31, 2017.</li> <li>The actual property portfolio may change due to the acquisition of new properties other than assets acquired in the third fiscal period or the disposal of owned properties, etc.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Operating revenues of the existing assets are based on leasing agreements as of March 31, 2016, trend of tenants, real estate market trends and other factors.</li> <li>Operating revenues of the assets acquired in the third fiscal period are based on its operating revenues calculated by the information provided by the sellers, leasing agreements as of March 31, 2016, trend of tenants, real estate market trends and other factors.</li> <li>Operating revenues are based on the assumption that there will be no rent in arrears or non-payments by the tenant.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>Property-related operating expenses other than depreciation are calculated based on historic data, etc. and these costs reflect fluctuations in the costs, including leasing costs based on the leasing agreements.</li> <li>Depreciation expenses of 711 million yen, and 715 million yen are assumed for the fiscal periods ending September 30, 2016 and March 31, 2017 respectively, using the straight-line depreciation method.</li> <li>When a property is sold, the purchaser of the property typically reimburses the seller, pursuant to the purchase agreement, for the pro rata portion of the property-related taxes that relates to the period from the acquisition date to the end of the calendar year in which the acquisition occurs. As is customary for property transactions in Japan and in accordance with Japanese GAAP, KRR intends to capitalize the portions of the real estate taxes on the properties to be acquired. For the existing 32 properties as of January 1, 2016, property-related taxes are not expensed in the fiscal period ended March 31, 2016 because the amount to be expensed for such costs may not be decided by March 31, 2016. 483 million yen of property related tax is expected to be expensed during the fiscal periods ending September 30, 2016 and March 31, 2017.</li> </ul> <p>Such costs for Life Nishi-Tengachaya and the properties acquired in the third fiscal period are not expensed</p>

Item	Assumptions
	<p>for the fiscal period ending September 30, 2016 because KRR did not own these properties as of January 1, 2016. In addition, such costs for these properties are not going to be expensed during the fiscal period ending March 31, 2017 because the amount to be expensed for such costs may not be decided until after March 31, 2017.</p> <ul style="list-style-type: none"> <li>• With respect to building repair expenses, the amount assumed to be necessary for each property is based on the repair plan of KFM for each fiscal period. However, repair expenses may be substantially different from the expected amount due to certain unexpected factors.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• The offering-related costs will be amortized using the straight-line method over 3 years. Together with the amortization of initial start-up costs, the related costs are assumed to be 79 million yen and 79 million yen for the fiscal periods ending September 30, 2016, and March 31, 2017, respectively.</li> <li>• For interest expenses and other debt-related costs, 383 million yen and 384 million yen are expected for the fiscal periods ending September 30, 2016, and March 21, 2017, respectively.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>• As of today, We have outstanding balance of 70,100 million yen in borrowings.</li> <li>• The LTV ratio is expected to be 42.5% and 42.5% at the end of the period ending September 30, 2016 and March 31, 2017, respectively. (rounded to the nearest tenth)</li> <li>• The LTV ratio has been calculated according to the following formula:  <math display="block">\text{LTV ratio} = (\text{Borrowings} + \text{Corporate bonds} + \text{Tenant leasehold and security deposits} - \text{Amounts reserved for return of tenant leasehold and security deposits}) / (\text{Total assets} - \text{Amounts reserved for return of tenant leasehold and security deposits})</math> </li> </ul>
Investment units	<ul style="list-style-type: none"> <li>• The forecasts are based on our assumption of 422,450 units issued as of today. It is assumed that there will be no changes in the number of investment units due to the new issuance of units until the end of the fiscal period ending March 31, 2017.</li> </ul>
Distributions per unit (excluding excess of earnings per unit)	<ul style="list-style-type: none"> <li>• Distributions per unit (excluding excess of earnings per unit) are calculated in accordance with the distribution policy outlined in our Articles of Incorporation.</li> <li>• Actual distributions per unit (excluding excess of earnings per unit) may fluctuate due to various factors including movements in investment assets, fluctuations in rental revenues caused by tenant replacements, or unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• We expects to record Allowance for Temporary Adjustment (ATA) to adjust the temporary differences between treatment of certain transactions under Japanese GAAP and Japanese tax laws in relation to Sunny Noma, which results from the depreciation of fixed term land lease right for business purposes, the expensed interest from asset retirement obligations and depreciation of buildings, during the relevant period (30 years starting from March 16, 2007).</li> <li>• KRR has a policy to distribute the amount of increase in ATA, in excess of its earnings. Distributions in excess of earnings are expected to be 13 yen per unit and 13 yen per unit in the periods ending September 30, 2016 and March 31, 2017, respectively.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Forecasts are based on the assumption that there will be no amendments to the law, taxation system, accounting standards, public listing regulations, requirements of the Investment Trusts Association, Japan, etc. that may affect the aforementioned forecast figures.</li> <li>• Forecasts are based on the assumption that there will be no unexpected. Significant changes in general economic trends and real estate market trends or other conditions.</li> </ul>

### iii) Risk Factors

There are no significant changes to the “Investment Risks” in described in the Securities Registration Statement (submitted on December 24, 2015; prepared in Japanese only), the disclosure is omitted.

### 3. Financial Statements

#### (1) Balance Sheets

	(in thousands of yen)	
	First Fiscal Period (As of September 30, 2015)	Second Fiscal Period (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	3,950,551	3,882,955
Cash and deposits in trust	7,829,874	10,341,252
Operating accounts receivable	163,767	192,030
Prepaid expenses	16,763	33,750
Consumption taxes receivable	2,071,748	510,522
Other	10,783	-
Total current assets	14,043,489	14,960,512
Non-current assets		
Property, plant and equipment		
Construction in progress	96,745	-
Buildings in trust	25,766,439	33,894,083
Accumulated depreciation	(518,285)	(1,043,077)
Buildings in trust, net	*1 25,248,154	32,851,006
Structures in trust	1,118,727	1,584,525
Accumulated depreciation	(35,074)	(68,990)
Structures in trust, net	*1 1,083,653	1,515,535
Machinery and equipment in trust	29,194	29,194
Accumulated depreciation	(869)	(1,720)
Machinery and equipment in trust, net	28,324	27,473
Tools, furniture and fixtures in trust	26,211	47,611
Accumulated depreciation	(1,231)	(3,413)
Tools, furniture and fixtures in trust, net	24,979	44,198
Land in trust	*1 66,910,436	99,044,234
Construction in progress in trust	12,025	5,583
Total property, plant and equipment, net	93,404,319	133,488,032
Intangible assets		
Leasehold right in trust	171,078	528,555
Other	2,445	2,164
Total intangible assets	173,523	530,719
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	5,320	36,015
Long-term prepaid expenses	418,520	583,023
Long-term deposits	124,960	124,960
Total investments and other assets	558,800	753,998
Total non-current assets	94,136,642	134,772,750
Deferred assets		
Organization costs	40,501	35,435
Investment unit issuance costs	161,506	240,764
Total deferred assets	202,008	276,199
Total assets	108,382,141	150,009,463

(in thousands of yen)

	First Fiscal Period (As of September 30, 2015)	Second Fiscal Period (As of March 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	330,055	606,400
Short-term loans payable	2,000,000	6,500,000
Accounts payable-other	257,854	285,470
Accrued expenses	3,412	6,520
Income taxes payable	6,321	932
Advances received	518,706	748,176
Deposits received	359,954	136,468
Total current liabilities	3,476,305	8,283,968
<b>Non-current liabilities</b>		
Long-term loans payable	36,350,000	51,000,000
Tenant leasehold and security deposits	20,000	-
Tenant leasehold and security deposits in trust	*1 8,722,663	10,633,432
Asset retirement obligations	22,901	23,045
Other	-	34,382
Total non-current liabilities	45,115,565	61,690,859
Total liabilities	48,591,870	69,974,828
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	57,857,000	77,606,649
<b>Surplus</b>		
Unappropriated retained earnings	1,933,270	2,427,985
Total surplus	1,933,270	2,427,985
Total unitholders' equity	59,790,270	80,034,634
Total net assets	*2 59,790,270	80,034,634
Total liabilities and net assets	108,382,141	150,009,463

**(2) Statements of Income and Retained Earnings**

		(in thousands of yen)	
		First Fiscal Period (From October 3, 2014 to September 30, 2015)	Second Fiscal Period (From October 1, 2015 to March 31, 2016)
Operating revenues			
Rent revenue-real estate	*1	4,128,035	4,656,391
Other lease business revenue	*1	975,033	884,665
Total operating revenues		<u>5,103,069</u>	<u>5,541,057</u>
Operating expenses			
Expenses related to rent business	*1	2,246,179	2,235,833
Asset management fees		313,577	405,144
Asset custody fees		5,761	4,658
Administrative service fees		20,258	16,454
Directors' compensation		8,931	4,500
Other operating expenses		45,112	48,444
Total operating expenses		<u>2,639,820</u>	<u>2,715,035</u>
Operating income		<u>2,463,248</u>	<u>2,826,021</u>
Non-operating income			
Interest income		1,071	937
Interest on refund		-	715
Total non-operating income		<u>1,071</u>	<u>1,652</u>
Non-operating expenses			
Interest expenses		208,576	275,159
Financing-related expenses		262,279	59,213
Amortization of organization costs		10,049	5,066
Amortization of investment unit issuance costs		43,605	59,244
Total non-operating expenses		<u>524,510</u>	<u>398,683</u>
Ordinary income		<u>1,939,809</u>	<u>2,428,991</u>
Income before income taxes		<u>1,939,809</u>	<u>2,428,991</u>
Income taxes			
Current		6,539	1,075
Total income taxes		<u>6,539</u>	<u>1,075</u>
Net income		<u>1,933,270</u>	<u>2,427,915</u>
Retained earnings brought forward		-	70
Unappropriated retained earnings		<u>1,933,270</u>	<u>2,427,985</u>

**(3) Statements of Changes in Net Assets**

First Fiscal Period (From October 3, 2014 to September 30, 2015)

(in thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	-	-	-	-	-
Changes of items during the period					
Issuance of new investment units	57,857,000			57,857,000	57,857,000
Net income		1,933,270	1,933,270	1,933,270	1,933,270
Total changes of items during the period	57,857,000	1,933,270	1,933,270	59,790,270	59,790,270
Balance at the end of the period	*1 57,857,000	1,933,270	1,933,270	59,790,270	59,790,270

Second Fiscal Period (From October 1, 2015 to March 31, 2016)

(in thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	57,857,000	1,933,270	1,933,270	59,790,270	59,790,270
Changes of items during the period					
Issuance of new investment units	19,749,649			19,749,649	19,749,649
Dividends from Surplus		(1,933,200)	(1,933,200)	(1,933,200)	(1,933,200)
Net income		2,427,915	2,427,915	2,427,915	2,427,915
Total changes of items during the period	19,749,649	494,714	494,714	20,244,364	20,244,364
Balance at the end of the period	*1 77,606,649	2,427,985	2,427,985	80,034,634	80,034,634

## (4) Statements of Cash Distributions

(yen)

	First Fiscal Period (From October 3, 2014 to September 30, 2015)	Second Fiscal Period (From October 1, 2015 to March 31, 2016)
I. Retained earnings at the end of period	1,933,270,617	2,427,985,431
II. Distributions in excess of earnings	-	4,263,000
Of which, allowance for temporary difference adjustments	-	4,263,000
III. Total distributions	1,933,200,500	2,432,041,500
Distributions per unit	7,414	6,846
Of which, distributions of earnings	1,933,200,500	2,427,778,500
Of which, distributions of earnings per unit	7,414	6,834
Of which, allowance for temporary difference adjustments	-	4,263,000
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	-	12
IV. Retained earnings brought forward to the next period	70,117	206,931
Method of calculating distribution amount	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥1,933,200,500 which is the maximum integral multiple of 260,750 units issued and outstanding as the distribution of earnings. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the first fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥2,427,778,500 which is the maximum integral multiple of 355,250 units issued and outstanding as the distribution of earnings. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation.</p> <p>Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings for the ¥4,263,000 allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations).</p>



## (5) Statements of Cash Flows

	(in thousands of yen)	
	First Fiscal Period (From October 3, 2014 to September 30, 2015)	Second Fiscal Period (From October 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	1,939,809	2,428,991
Depreciation and amortization	561,321	566,142
Amortization of organization costs	10,049	5,066
Amortization of investment unit issuance costs	43,605	59,244
Interest income	(1,071)	(937)
Interest expenses	208,576	275,159
Decrease (increase) in operating accounts receivable	(163,767)	(28,262)
Decrease (increase) in consumption taxes refund receivable	(2,071,748)	1,561,226
Decrease (increase) in prepaid expenses	(16,763)	(16,987)
Increase (decrease) in operating accounts payable	304,096	94,580
Increase (decrease) in accounts payable-other	257,854	25,738
Increase (decrease) in advances received	518,706	229,469
Increase (decrease) in deposits received	359,954	(223,486)
Decrease (increase) in long-term prepaid expenses	(418,520)	(164,503)
Decrease (increase) in long-term deposits	(124,960)	-
Payments of organization costs	(50,551)	-
Other	-	36,767
Subtotal	1,356,591	4,848,210
Interest income received	1,071	937
Interest expenses paid	(205,164)	(272,051)
Income taxes paid	(217)	(6,464)
Net cash provided by (used in) operating activities	1,152,280	4,570,631
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(96,745)	-
Purchase of property, plant and equipment in trust	(93,814,364)	(40,463,688)
Purchase of intangible assets	(2,809)	-
Purchase of intangible assets in trust	(176,383)	(361,455)
Payments for lease and guarantee deposits	(10,000)	-
Payments for lease and guarantee deposits in trust	(5,320)	(30,695)
Proceeds of tenant leasehold and security deposits	20,000	-
Repayments of tenant leasehold and security deposits in trust	(393,751)	(286,205)
Proceeds from tenant leasehold and security deposits in trust	9,116,415	2,185,372
Payments of restricted bank deposits in trust	(3,917,992)	-
Proceeds from restricted bank deposits in trust	287,569	661,625
Net cash provided by (used in) investing activities	(88,993,382)	(38,295,047)
Net cash provided by (used in) financing activities		
Proceeds in short-term loans payable	10,222,500	7,700,000
Payments in short-term loans payable	(8,222,500)	(3,200,000)
Proceeds from long-term loans payable	36,350,000	14,650,000
Proceeds from issuance of investment units	57,651,888	19,611,147
Dividends paid	-	(1,931,323)
Other	(10,783)	-
Net cash provided by (used in) financing activities	95,991,104	36,829,824
Net increase (decrease) in cash and cash equivalents	8,150,002	3,105,407
Cash and cash equivalents at the beginning of the period	-	8,150,002
Cash and cash equivalents at the end of the period	*1 8,150,002	11,255,410

**(6) Notes on Assumption of Going Concern**

Not applicable

**(7) Summary of Significant Accounting Policies**

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is applied. Useful lives of the assets ranging are as follows: Buildings: 2 to 70 years Structures: 8 to 59 years Machinery and equipment: 10 to 25 years Tools, furniture and fixtures: 4 to 10 years</p> <p>(2) Intangible assets (including trust assets) The straight-line method is applied.</p> <p>(3) Long-term prepaid expenses The straight-line method is applied.</p>
<p>2. Accounting for deferred assets</p>	<p>(1) Organization costs Organization costs are amortized over a period of 5 years under the straight-line method.</p> <p>(2) Investment unit issuance costs Investment unit issuance costs are amortized over a period of 3 years under the straight-line method.</p>
<p>3. Accounting for revenues and expenses</p>	<p>Accounting for property-related taxes Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities. When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥600,480 thousand and ¥73,320 thousand as of September 30, 2015 and March 31, 2016, respectively.</p>
<p>4. Method of hedge accounting</p>	<p>(1) Hedge accounting method Deferral hedge accounting is applied. However, the special treatment is applied for the interest-rate swap agreements that meet the criteria for special treatment.</p> <p>(2) Hedging instruments and hedged items Hedge instruments Interest-rate swap transactions Hedged items Interest payments on debts</p> <p>(3) Hedging policy KRR enters into derivative transactions based on its risk management policies with the objective of hedging risks provided in its Articles of Incorporation.</p> <p>(4) Method of assessing the effectiveness of hedging The assessment of hedge effectiveness is omitted since the interest rate swaps satisfy the requirements for special treatment.</p>
<p>5. Scope of cash and cash equivalents on statements of cash flows</p>	<p>Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.</p>
<p>6. Other significant accounting policies for the preparation of financial statements</p>	<p>(1) Accounting method for trust beneficiary interests in real estate and other assets The assets and liabilities as well as revenues and expenses of financial assets held in the form of trust beneficiary interests in real estate and other assets are recorded in full in KRR's balance sheet and statement of income and retained earnings. Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet. 1. Cash and deposits in trust 2. 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 3. Leasehold right in trust 4. Lease and guarantee deposits in trust 5. Tenant leasehold and security deposits in trust</p> <p>(2) Accounting method for consumption taxes Consumption taxes are separately recorded. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.</p>

**(8) Notes to Financial Statements**

(Notes to Balance Sheets)

\* 1. Assets pledged as collateral and relevant secured liabilities:

(in thousands of yen)		
Assets pledged as collateral	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Buildings in trust	2,475,636	2,797,203
Structures in trust	48,748	55,538
Land in trust	6,595,863	7,811,297
Total	9,120,248	10,664,039
Secured liabilities	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Tenant leasehold and security deposits in trust	3,630,423	3,691,291
Total	3,630,423	3,691,291

\* 2. Minimum net assets prescribed in Article 67-4 of the Investment Trust Act

(in thousands of yen)		
First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016	
50,000	50,000	

(Notes to Statements of Income and Retained Earnings)

\* 1. Breakdown of real estate rental revenues and expenses

(in thousands of yen)			
	First Fiscal Period From October 3, 2014 to September 30, 2015	Second Fiscal Period From October 1, 2015 to March 31, 2016	
A. Rental and other operating revenues:			
Rent revenue-real estate:			
Rental revenues	3,643,804	3,761,328	
Rental revenues from limited proprietary rights of land	220,680	598,355	
Common area charges	263,549	296,707	
Subtotal	4,128,035	4,656,391	
Other lease business revenue:			
Parking space rental revenues	126,629	162,060	
Utility charge reimbursement	500,044	453,733	
Miscellaneous	348,360	268,871	
Subtotal	975,033	884,665	
Total rental and other operating revenues	5,103,069	5,541,057	
B. Property-related expenses:			
Expenses related to rent business:			
Property management fees and facility management fees	655,263	637,809	
Utilities	548,099	495,520	
Taxes	1,280	216	
Repairs and maintenance	144,732	201,226	
Insurance	9,662	10,531	
Trust fees	12,214	14,499	
Depreciation	560,957	565,861	
Others	313,968	310,168	
Total property-related expenses	2,246,179	2,235,833	
C. Net operating income from real estate rental business (A-B)	2,856,889	3,305,224	

(Notes to Statements of Changes in Net Assets)

\* 1. Total number of authorized investment units and total number of investment units issued and outstanding

	First Fiscal Period From October 3, 2014 to September 30, 2015	Second Fiscal Period From October 1, 2015 to March 31, 2016
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	260,750 units	355,250 units

(Notes to Statements of Cash Flows)

\* 1. Reconciliation of balance sheet items to cash and cash equivalents at the end of period in the cash flows statements

(in thousands of yen)

	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Cash and deposits	3,950,551	3,882,955
Cash and deposits in trust	7,829,874	10,341,252
Restricted bank deposits in trust (Note)	(3,630,423)	(2,968,798)
Cash and cash equivalents	8,150,002	11,255,410

Note: Restricted bank deposits in trust are retained for repayment of tenant leasehold and security deposits in trust.

(Notes to Lease Transactions)

Operating lease transactions (Lessee)

Future minimum lease payments

(in thousands of yen)

	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Due within 1 year	10,500	10,500
Due after 1 year	214,798	209,548
Total	225,298	220,048

Operating lease transactions (Lessor)

Future minimum lease income

(in thousands of yen)

	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Due within 1 year	2,080,978	4,184,868
Due after 1 year	17,941,367	37,858,429
Total	20,022,345	42,043,297

(Notes to the Financial Instruments)

1. Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

Bank deposits are for managing KRR's surplus funds and are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited.

Borrowings, which are made primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years and 1 months as of March 31, 2016, the end of the second fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

Tenant leasehold and security deposits are deposits received from tenants, which are exposed to liquidity risks when the tenants vacate the properties.

(3) Risk management for financial instruments

a. Credit risk

While bank deposits are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited, such risk is monitored by deposits in non-interest bearing ordinary savings accounts or with financial institutions with credit ratings above a certain level. In utilizing derivatives, KRR aims to mitigate counterparty risk such as by transacting with financial institutions with favorable ratings.

b. Market risk

While borrowings with floating rates are exposed to interest rate volatility risk, such risk is monitored by adjusting the rate of the balance of borrowings with floating rates against the total borrowings according to the financial environment, interest rate forecasts by continuous monitoring, etc. and by using derivatives, etc. A risk management policy is established with regard to the execution and management of derivatives and such transactions are conducted based on this policy.

c. Liquidity risk

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

Though tenant leasehold and security deposits are subject to liquidity risk, in principle, KRR reduces such risk by retaining funds that would enable KRR to return necessary amounts to tenants.

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

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

2. Estimated fair value of financial instruments

The carrying value of financial instruments on balance sheet and estimated fair value are shown in the following table. Items whose fair values are recognized to be extremely difficult to grasp are not included in the following table (Note 2).

First Fiscal Period

As of September 30, 2015

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	3,950,551	3,950,551	-
(2) Cash and deposits in trust	7,829,874	7,829,874	-
Total	11,780,426	11,780,426	-
(1) Short-term loans payable	2,000,000	2,000,000	-
(2) Long-term loans payable	36,350,000	35,739,489	(610,510)
(3) Tenant leasehold and security deposits in trust	3,344,264	3,376,087	31,823
Total	41,694,264	41,115,576	(578,687)
Derivative transactions	-	-	-

Second Fiscal Period

As of March 31, 2016

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	3,882,955	3,882,955	-
(2) Cash and deposits in trust	10,341,252	10,341,252	-
Total	14,224,208	14,224,208	-
(1) Short-term loans payable	6,500,000	6,500,000	-
(2) Long-term loans payable	51,000,000	51,377,832	377,832
(3) Tenant leasehold and security deposits in trust	3,509,658	3,546,858	37,200
Total	61,009,658	61,424,691	415,033
Derivative transactions	-	-	-

Note1: Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions

Assets

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

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

Liabilities

(1) Short-term loans payable

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

(2) Long-term loans payable

Among these items, the fair value of loans payable with fixed interest rates is calculated based on the present value, which is the total amount of principal and interest discounted by the

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

(3) Tenant leasehold and security deposits in trust

The fair value is determined based on the present value of contractual cash flows discounted at the discount rate into which the period to the repayment date and the credit risk are reflected.

Derivative transactions

Please refer to “Notes to Derivative Transactions”.

Note2: Financial instruments whose fair values are difficult to determine

(in thousands of yen)

Classification	First Fiscal Period As of September 30, 2015
Tenant leasehold and security deposits	20,000
Tenant leasehold and security deposits in trust	5,378,399
Total	5,398,399

Because no quoted market price is available and it is extremely difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

(in thousands of yen)

Classification	Second Fiscal Period As of March 31, 2016
Tenant leasehold and security deposits in trust	7,123,774
Total	7,123,774

Because no quoted market price is available and it is extremely difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

Note 3: Redemption of monetary claims scheduled to be due after the balance sheet date

First Fiscal Period

As of September 30, 2015

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	3,950,551	-	-	-	-	-
Cash and deposits in trust	7,829,874	-	-	-	-	-
Total	11,780,426	-	-	-	-	-

Second Fiscal Period

As of March 31, 2016

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	3,882,955	-	-	-	-	-
Cash and deposits in trust	10,341,252	-	-	-	-	-
Total	14,224,208	-	-	-	-	-

Note 4: Redemption of long-term loans payable and other interest-bearing debt scheduled to be due after the balance sheet date

First Fiscal Period

As of September 30, 2015

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	2,000,000	-	-	-	-	-
Long-term loans payable	-	-	3,850,000	2,200,000	7,000,000	23,300,000
Tenant leasehold and security deposits in trust	421,435	421,435	421,435	421,435	421,435	842,870
Total	2,421,435	421,435	4,271,435	2,621,435	7,421,435	24,142,870

Second Fiscal Period  
As of March 31, 2016

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	6,500,000	-	-	-	-	-
Long-term loans payable	-	3,850,000	5,650,000	7,000,000	7,000,000	27,500,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	763,938
Total	6,935,430	4,285,430	6,085,430	7,435,430	7,435,430	28,263,938

(Notes to Derivative Transactions)

(1) Transactions not subject to hedge accounting

First Fiscal Period (As of September 30, 2015) and Second Fiscal Period (As of March 31, 2016): Not applicable

(2) Transactions subject to hedge accounting

First Fiscal Period

As of September 30, 2015

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	31,750,000	31,750,000	*	-

\*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to "Notes to Financial Instruments (Note1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions Liabilities (2) Long-term loans payable".)

Second Fiscal Period

As of March 31, 2016

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	44,900,000	*	-

\*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to "Notes to Financial Instruments (Note1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions Liabilities (2) Long-term loans payable".)

(Notes to the Related-Party Transactions)

1. Parent Company, major corporate unitholders and other

First Fiscal Period (From October 3, 2014 to September 30, 2015) and Second Fiscal Period (From October 1, 2015 to March 31, 2016): Not applicable

2. Affiliated companies and other

First Fiscal Period (From October 3, 2014 to September 30, 2015) and Second Fiscal Period (From October 1, 2015 to March 31, 2016): Not applicable

3. Fellow subsidiary companies and other

First Fiscal Period (From October 3, 2014 to September 30, 2015) and Second Fiscal Period (From October 1, 2015 to March 31, 2016): Not applicable

4. Directors, major individual unitholders and other

First Fiscal Period (From October 3, 2014 to September 30, 2015) and Second Fiscal Period (From October 1, 2015 to March 31, 2016): Not applicable

(Notes to the Tax-Effect Accounting)

1. The significant components of deferred tax assets and liabilities:

(in thousands of yen)

	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Deferred tax assets:		
Enterprise tax payable	360	22
Amortization of leasehold right in trust	1,713	2,932
Depreciation	391	1,055
Asset retirement obligations	7,399	7,280
Subtotal deferred tax assets	9,866	11,290
Valuation allowance	(9,866)	(11,290)
Total deferred tax assets	-	-

## 2. The significant differences between the statutory tax rate and the effective tax rate:

	(unit: %)	
	First Fiscal Period As of September 30, 2015	Second Fiscal Period As of March 31, 2016
Statutory tax rate	37.11	32.31
Deductible cash distributions	(36.98)	(32.35)
Others	0.21	0.08
Effective tax rate	0.34	0.04

## (Notes to Asset Retirement Obligations)

Asset retirement obligations reported on balance sheet

## 1. Summary of the asset retirement obligations

KRR has booked asset retirement obligations as it has original state restoration obligations in the fixed-term business-purpose land leasehold agreement accompanying regarding Sunny Noma acquired on February 10, 2015.

## 2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated based on a discount rate of 1.256% after the useful life has been estimated to be 22 years and two months based on the time period from the date of acquisition to the expiration of the agreement.

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

	(in thousands of yen)	
	First Fiscal Period From October 3, 2014 to September 30, 2015	Second Fiscal Period From October 1, 2015 to March 31, 2016
Balance at the beginning of the period	-	22,901
Increase due to acquisition of properties	22,711	-
Accretion adjustment	190	143
Balance at the end of the period	22,901	23,045

## (Notes to the Segment Information)

## (Segment information)

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

## (Related information)

First Fiscal Period (From October 3, 2014 to September 30, 2015)

## 1. Information about each product and service

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

## 2. Information about each geographic area

## (1) Net sales

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

## (2) Property, plant and equipment

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

## 3. Information about each major customer

Disclosure is omitted because no net sales to a single external customer account for more than 10% of the operating revenue on the statement of income and retained earnings.

Second Fiscal Period (From October 1, 2015 to March 31, 2016)

## 1. Information about each product and service

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

## 2. Information about each geographic area

## (1) Net sales

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

## (2) Property, plant and equipment

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

## 3. Information about each major customer

Disclosure is omitted because no net sales to a single external customer account for more than 10% of the operating revenue on the statement of income and retained earnings.



(Notes to Investment and Rental Properties)

KRR owns retail properties for rental purposes mainly in the four major metropolitan areas and other regional areas of Japan.

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

(in thousands of yen)

	First Fiscal Period From October 3, 2014 to September 30, 2015	Second Fiscal Period From October 1, 2015 to March 31, 2016
Book value		
Balance at the beginning of the period	-	93,575,397
Changes during the period	93,575,397	40,441,190
Balance at the end of the period	93,575,397	134,016,587
Fair value at the end of the period	95,706,000	138,674,000

Note 1: Book value is acquisition cost less accumulated depreciation.

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the first fiscal period, principal increases was the acquisitions of real estate trust beneficiary interests in 19 properties totaling ¥93,873,555 thousand and the principal decrease was depreciation amounting to ¥560,766 thousand and during the second fiscal period, principal increases were the acquisition of real estate trust beneficiary interests in 14 properties totaling ¥40,195,716 thousand, the additional acquisition of real estate trust beneficiary interest amounting to ¥383,790 thousand and the principal decrease was depreciation amounting to ¥565,717 thousand.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers.

The profit or loss for the period under review concerning investment and rental properties is indicated under “Notes to Statements of Income and Retained Earnings.”

(Notes to Per Unit Information)

	First Fiscal Period From October 3, 2014 to September 30, 2015	Second Fiscal Period From October 1, 2015 to March 31, 2016
Net asset value per unit	¥229,301	¥225,291
Net income per unit	¥11,515 (¥7,434)	¥6,846

Note1: Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the period. The figure in brackets in first fiscal period shows net income per unit based on the day-weighted average number of investment units outstanding during the period (260,034 units) assuming the beginning date of the fiscal period is February 10, 2015, the day that the asset management actually started. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

Note2: The basis for calculating net income per unit is as follows:

	First Fiscal Period From October 3, 2014 to September 30, 2015	Second Fiscal Period From October 1, 2015 to March 31, 2016
Net income (in thousands of yen)	1,933,270	2,427,915
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	1,933,270	2,427,915
Weighted average number of units during the period (units)	167,878	354,622

(Notes to Significant Subsequent Events)

Issuance of new investment units

KRR passed resolutions at the Board of Directors Meeting held on March 31, 2016 and April 13, 2016, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on April 20, 2016 and May 18, 2016, respectively. KRR plans to use the net proceeds through third-party allotment for the repayment of the loans payable of 800,000 thousand yen.

As a result, unitholders' capital totaled 94,256,390,300 yen and total number of investment units issued and outstanding increased to 422,450 as of May 18, 2016.

Issuance of new investment units through public offerings

Total number of units issued	64,000 units (Domestic 31,744 units, International 32,256 units)
Issue price (offer price)	256,717 yen per unit
Total amount of issue price (total offer price)	16,429,888,000 yen
Paid-in amount (issue amount)	247,764 yen per unit
Total paid-in amount (total issue amount)	15,856,896,000 yen
Payment date	April 20, 2016

Issuance of new investment units through third-party allotment

Total number of units issued	3,200 units
Paid-in amount (issue amount)	247,764 yen per unit
Total paid-in amount (total issue amount)	792,844,800 yen
Payment date	May 18, 2016
Allottee	SMBC Nikko Securities Inc.

(Notes to Allowance for Temporary Difference Adjustments Additions and Reversals)

Second Fiscal Period (From October 1, 2015 to March 31, 2016)

For the Statements of Cash Distributions, KRR allocated an addition of 4,263 thousand yen to the allowance for temporary difference adjustments concerning the amortization of leasehold right in trust and the amount in excess of depreciation with regard to leasehold rights of Sunny Noma. KRR plans to reverse a corresponding amount when Sunny Noma is disposed.

(Omission of Disclosure)

Notes to Securities, Equity-Method Income and Retained Earnings, and Retirement Payment are omitted as immaterial to disclose.

**(9) Movements in Investment Units Issued and Outstanding**

Movements in the number of investment units issued and outstanding and unitholders' capital since its corporation are summarized in the following table.

Date	Type of issue	Total Number of Units Issued and Outstanding (units)		Unitholders' Capital (in million yen)		Notes
		Increase	Balance	Increase	Balance	
October 3, 2014	Private placement for incorporation	750	750	150	150	(Note 1)
February 9, 2015	Public offering	254,250	255,000	56,430	56,580	(Note 2)
March 11, 2015	Capital increase through third-party allocation	5,750	260,750	1,276	57,857	(Note 3)
October 1, 2015	Public offering	88,750	349,500	18,547	76,404	(Note 4)
October 21, 2015	Capital increase through third-party allocation	5,750	355,250	1,201	77,606	(Note 5)

Note 1: Issued at issue price of 200,000 yen per unit for incorporation.

Note 2: Issued at issue price of 230,000 yen per unit (issue amount of 221,950 yen per unit) for acquisition of new properties.

Note 3: Issued at issue amount of 221,950 yen per unit for repayment of borrowings.

Note 4: Issued at issue price of 216,543 yen per unit (issue amount of 208,991 yen per unit) for acquisition of new properties.

Note 5: Issued at issue amount of 208,991 yen per unit for repayment of borrowings.

**4. Resignation/Appointment of the Directors**

(1) Resignation/Appointment of the Director of the Investment Corporation

Not applicable

(2) Resignation/Appointment of the Director of the Asset Management Company

Not applicable

## 5. Reference Information

### (1) Component of Assets

Type of Specified Asset	Property type	Areas (Note 1)	First fiscal period as of September 30, 2015		Second fiscal period as of March 31, 2016	
			Total Amount Held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)	Total Amount Held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)
Trust Beneficiary Interest in Real Estate	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan area	49,405	45.6	64,434	43.0
		Greater Osaka area	24,898	23.0	41,499	27.7
		Greater Nagoya area	5,458	5.0	5,444	3.6
		Fukuoka area	1,527	1.4	1,513	1.0
	Ordinance-designated cities, core cities and other areas	12,188	11.2	21,125	14.1	
	Other retail properties	-	-	-	-	
Total of Trust Beneficiary Interests in Real Estate			93,478	86.2	134,016	89.3
Bank Deposits and Other Assets			14,903	13.8	15,992	10.7
Total Assets			108,382	100.0	150,009	100.0

	First fiscal period as of September 30, 2015		Second fiscal period as of March 31, 2016	
	Amount (Millions of Yen)	Ratio (%) (Note 3)	Amount (Millions of Yen)	Ratio (%) (Note 3)
Total Liabilities (Note 4)	48,591	44.8	69,974	46.6
Total Net Assets (Note 4)	59,790	55.2	80,034	53.4
Total Assets	108,382	100.0	150,009	100.0

Note 1: "Areas" are categorized to the Tokyo metropolitan area, the Greater Osaka area, the Greater Nagoya area, the Fukuoka area and Ordinance-designated cities, core cities and other areas. References to "Tokyo metropolitan area" are to the area that consists of Tokyo, Kanagawa, Saitama and Chiba prefectures. References to the "Greater Osaka area" are to the area that consists of Osaka, Kyoto, Hyogo, Nara and Shiga prefectures. References to the "Greater Nagoya area" are to the area that consists of Aichi, Gifu and Mie prefectures. References to the "Fukuoka area" are to the area that consists of Fukuoka prefecture. "Ordinance-designated cities, core cities and other areas" refers to cities designated by government ordinance, which have populations of 500,000 persons or more, core cities, which have populations of 200,000 persons or more, and to other areas with a population fewer than 200,000 persons, which we believe will have suitable customer traffic from surrounding areas.

Note 2: "Total Amount Held" is the amount allocated in the balance sheets as of March 31, 2016 (figures are on a net book value basis after deducting depreciation), and is rounded down to the nearest million.

Note 3: "Ratio" is the ratio of the amount allocated in the balance sheets to the total assets rounded to the nearest tenth.

Note 4: "Total Liabilities" and "Total Net Assets" are those on the balance sheets.

## (2) Overview of the Portfolio

## i) Overview of Assets Owned

The following summarizes the real estate or the real estate properties in trust owned by KRR as of March 31, 2016.

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	Acquisition price (in millions) (Note 4)	Share (%) (Note 5)
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	15,026	15,200	14,848	11.3
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,275	8,500	8,063	6.1
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,934	6,280	5,850	4.4
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,441	5,620	5,390	4.1
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,381	4,420	4,379	3.3
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	4,018	4,300	4,000	3.0
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,642	3,770	3,600	2.7
T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,591	2,720	2,586	2.0
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,260	4,815	3.7
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,390	3,169	2.4
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,010	3,000	2.3
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,740	1,700	1.3
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,460	1,442	1.1
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Trust beneficiary interest in real estate	788	799	760	0.6
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,494	8,780	8,389	6.4
O-2	SM	Central Square Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	2,870	2,685	2.0
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,168	2,410	2,140	1.6
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,585	11,600	11,000	8.4
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,612	6,590	6,555	5.0
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,502	6,920	6,450	4.9
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,333	1,310	1,280	1.0
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	500	487	0.4
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,577	1,620	1,505	1.1
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,500	2,311	1.8
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,184	2,230	2,174	1.7
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	945	889	0.7
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,513	1,520	1,497	1.1
R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	10,112	10,700	10,046	7.6
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,493	1,570	1,469	1.1
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	908	909	898	0.7
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,398	5,060	4,180	3.2

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	Acquisition price (in millions) (Note 4)	Share (%) (Note 5)
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,352	3,310	3,252	2.5
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	859	861	830	0.6
Total					134,016	138,674	131,639	100.0

- Note 1: Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store). For the details of each type of retail properties, please refer “Section 2. Investment Policies and Status of Asset Management, (2) Status of Asset Management (Overview of the Period), iii) Management Performance, (A) Acquisition of Assets”.
- Note 2: “Location” indicates the residential address. For those without a residential address, the building or land address on the registry (one of the addresses for those that have multiple addresses) is shown.
- Note 3: “Evaluation value” shows the appraisal value stated on the real estate appraisal report created by the real estate appraisers of Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute and The Tanizawa Sōgō Appraisal Co., Ltd. in accordance with the methods and standards for asset valuation as stipulated in the KRR Articles of Incorporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.
- Note 4: “Acquisition price” indicates the transfer price of the property to be acquired designated in each sale and purchase agreement (excluding the acquisition expenses, property taxes, city planning taxes and consumption taxes, and rounded down to the nearest million yen). In addition, for Roseo Mito, acquisition price includes 371 million yen (excluding expenses and taxes and rounded down to the nearest million yen) on the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the secondhand shop building (property expansion).
- Note 5: “Share” represents the percentage of the acquisition price for each property in the total acquisition price, rounded to the nearest tenth.

## ii) Overview of tenants as of March 31, 2016

The following summarizes leasable area, occupancy rate, number of tenants, annual rent, and amount of security deposits

Property number	Property name	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual rent (thousands) (Note 5)	Amount of security deposits (millions) (Note 6)
T-1	Fululu Garden Yachiyo	77,057.56	76,563.55	99.4	48	1,070,142	3,800
T-2	MONA Shin-Urayasu	9,568.31	9,191.77	96.1	1(72)	601,774	615
T-3	Passaggio Nishiarai	10,546.25	10,366.25	98.3	1(40)	401,601	233
T-4	Daikanyama Address Dixsept	5,056.39	4,991.03	98.7	1(27)	361,818	354
T-5	Unicus Ina	13,044.37	13,044.37	100.0	1	263,472	136
T-6	Yorktown Kita-Kaname	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
T-7	Unicus Yoshikawa	10,620.04	10,537.19	99.2	1(10)	256,285	200
T-8	Sports Club Renaissance Fujimidai	3,120.87	3,120.87	100.0	1	- (Note 7)	- (Note 7)
T-9	Super Viva Home Iwatsuki (Land)	67,325.95	67,325.95	100.0	1	- (Note 7)	- (Note 7)
T-10	K's Denki Shonan-Fujisawa (Land)	15,578.58	15,578.58	100.0	1	- (Note 7)	141
T-11	Unicus Kamisato (Land)	67,854.47	67,854.47	100.0	1	145,011	70
T-12	Unicus Konosu (Land)	19,329.00	19,329.00	100.0	1	83,014	39
T-13	Inageya Yokohama Minamihonjuku (Land)	4,405.41	4,405.41	100.0	1	- (Note 7)	- (Note 7)
T-14	Gourmet City Chiba-Chuo	3,488.77	3,488.77	100.0	1	- (Note 7)	- (Note 7)
O-1	Blumer Maitamon	30,037.11	29,888.11	99.5	48	690,772	420
O-2	Central Square Takadono (Land)	4,437.07	4,437.07	100.0	1	- (Note 7)	- (Note 7)
O-3	Piago Kahma Home Center Omihachiman	14,313.00	14,313.00	100.0	2	- (Note 7)	- (Note 7)
O-4	Blumer HAT Kobe	24,185.02	23,871.33	98.7	1(40)	647,248	827
O-5	Carino Esaka	7,540.58	7,474.92	99.1	1(30)	296,611	238
O-6	COMBOX Komyoike	25,530.44 (Note 8)	25,530.44	100.0	1	452,523 (Note 9)	471 (Note 10)
O-7	Hankyu Oasis Hirakatadeguchi	2,960.38	2,960.38	100.0	1	- (Note 7)	- (Note 7)
O-8	Welcia Kishiwadakamori (Land)	3,033.45	3,033.45	100.0	1	- (Note 7)	- (Note 7)
O-9	Life Nishi-Tengachaya	2,679.52	2,679.52	100.0	1	89,740	276
N-1	Kahma Home Center Nakagawa Tomita (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
N-2	Valor Ichinomiya-Nishi	9,447.48	9,447.48	100.0	1	- (Note 7)	- (Note 7)
N-3	K's Denki Nakagawa Tomita (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
F-1	Sunny Noma	2,814.67	2,814.67	100.0	1	- (Note 7)	- (Note 7)
R-1	Roseo Mito	48,296.15	48,296.15	100.0	1(23)	693,849	461
R-2	K's Denki Aomori Honten	10,083.41	10,083.41	100.0	1	- (Note 7)	174
R-3	Super Sports Xebio Aomori-Chuo	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
R-4	Ashico Town Ashikaga	65,616.31	65,019.74	99.1	1(26)	383,911	324
R-5	Yorktown Shinden-Higashi	12,768.77	12,768.77	100.0	2	- (Note 7)	- (Note 7)
R-6	Kasumi Technopark Sakura	2,047.65	2,047.65	100.0	1	- (Note 7)	24
	Total	609,026.59	606,702.91	99.6	389	8,785,490	10,633

Note 1: "Leasable area" is equivalent to gross floor area of space that we consider to be available for lease in each property, rounded to the nearest tenth. For land-only properties, leasable area is equivalent to land area as described in the property registry.

Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of March 31, 2016. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases (the master lease in which rent received by the lessor is in principle the same amount as the rent received by the master lessee from end-tenants), the leased area based on the lease agreements between the master lessee and the end-tenants as of March 31, 2016 is shown. As for sublease type master leases (the master lease in which a fixed amount of rent is received from the master lessee), the leased area to the master lessee is shown.

Note 3: The occupancy rate is calculated by dividing leased area by leasable area as of March 31, 2016, rounded to the nearest tenth. The "Total" of "Occupancy rate" represents the average occupancy rate of all properties in the initial portfolio.

- Note 4: Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of March 31, 2016. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. The "Total" of "Number of tenants" shows the total number of tenants. As for pass-through type master leases, the number of end-tenants is used for calculation. As for sublease type master leases, the number of master lessee is used for calculation.
- Note 5: "Annualized fixed rent" is generally calculated by multiplying the monthly fixed rent and common area charges under a leasing contract with tenants at portfolio properties as of March 31, 2016 (excluding warehouses in the case of building lease agreements) by twelve and rounding down to the nearest thousand yen. For master leases, where the master lease company sub-leases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by twelve, rounded down to the nearest thousand yen.
- Note 6: "Tenant leasehold and security deposits" indicates the outstanding balance of any tenant leasehold and security deposit from the relevant end-tenant(s) set forth in lease agreement(s) effective as of March 31, 2016 (excluding warehouses in the case of building lease agreements), rounded down to the nearest million yen.
- Note 7: We have not obtained consent from the tenant(s) to release this information.
- Note 8: The total area that we own exclusively as a compartmentalized ownership interest (retail space) is shown.
- Note 9: Calculated by multiplying the monthly rent and common area charges for March 2016 under the leasing contract by twelve and also taking into consideration the ownership ratio (93.20%) under the compartmentalized ownership agreement.
- Note 10: Calculated by multiplying the tenant leasehold and security deposits for the whole building as of March 2016 by the ownership ratio (93.20%).



iii) Overview of the appraisal reports

The following show the summaries of the appraisal reports is the appraisal value of the acquired properties described in each real estate appraisal report prepared by real estate appraisers, including Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute, and The Tanizawa Sōgō Appraisal Co., Ltd. as requested by KRR, based on an important notice concerning real estate appraisal in the context of the Act on Investment Trusts and Investment Corporations, Act on Real Estate Appraisal (Act No. 152 of 1963, including subsequent revisions) and real estate appraisal standards. The appraisal value is the judgment and opinion of the appraiser at a fixed point in time, with no guarantees as to the validity or accuracy of the report, nor to the possibility of transactions at the appraised value. There are no special relations of interest between Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute, and The Tanizawa Sōgō Appraisal Co., Ltd. and KRR or KFM.

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Estimated value							Appraisal NOI yield (%) (Note 2)
					Cost method (in millions)	Cash flow-based method					Appraisal NOI (in millions) (Note 1)	
						Direct capitalization method		DCF method				
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)		
T-1	Fululu Garden Yachiyo	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	15,200	21,100	15,300	4.7	15,100	4.5	4.9	760	5.1
T-2	MONASHin-Urayasu	Japan Real Estate Institute	Mar. 31, 2016	8,500	6,820	8,550	5.3	8,440	5.0	5.5	495	6.1
T-3	Passaggio Nishiarai	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	6,280	8,890	6,420	4.4	6,220	4.2	4.6	288	4.9
T-4	DaikanyamaAddress Dixsept	Japan Real Estate Institute	Mar. 31, 2016	5,620	4,680	5,710	3.8	5,520	3.6	4.0	219	4.1
T-5	Unicus Ina	Japan Real Estate Institute	Mar. 31, 2016	4,420	4,020	4,450	5.2	4,380	4.9	5.4	235	5.4
T-6	Yorktown Kita-Kaname	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	4,300	2,620	4,350	5.0	4,280	4.8	5.2	215	5.4
T-7	Unicus Yoshikawa	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	3,770	4,820	3,840	4.8	3,740	4.6	5.0	184	5.1
T-8	Sports Club Renaissance Fujimidai	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	2,720	1,710	2,760	4.7	2,700	4.5	4.9	128	5.0
T-9	Super Viva Home Iwatsuki (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	5,260	-	-	-	5,260	(year 1-17) 4.7 (year 18-36.7) 4.8	-	207	4.3
T-10	K's Denki Shonan-Fujisawa (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	3,390	-	-	-	3,390	(year 1-12) 4.6 (year 13-31.6) 4.7	-	159	5.0
T-11	Unicus Kamisato (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	3,010	-	-	-	3,010	(year 1-15) 4.7 (year 16-30) 4.8 (year 31-39.5) 4.9	-	138	4.6
T-12	Unicus Konosu (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	1,740	-	-	-	1,740	(year 1-15) 4.6 (year 16-30) 4.7 (year 31-39.5) 4.8	-	77	4.6
T-13	Inageya Yokohama Minamihonjuku (Land)	Japan Real Estate Institute	Mar. 31, 2016	1,460	-	-	-	1,460	4.0	4.6	64	4.5
T-14	Gourmet City Chiba-Chuo	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	799	1,080	795	5.2	800	5.0	5.4	43	5.8
O-1	Blumer Maitamon	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	8,780	9,200	8,770	5.5	8,790	5.6	5.7	487	5.8
O-2	Central Square Takadono (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	2,870	-	-	-	2,870	(year 1-9) 4.4 (year 10-19) 4.5 (year 20-39.3) 4.6	-	128	4.8
O-3	Piagio Kahma Home Center Omihachiman	Japan Real Estate Institute	Mar. 31, 2016	2,410	2,350	2,440	6.4	2,370	6.1	6.6	151	7.1
O-4	Blumer HAT Kobe	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	11,600	14,500	11,700	4.9	11,500	4.7	5.1	569	5.2
O-5	Carino Esaka	Japan Real Estate Institute	Mar. 31, 2016	6,590	6,480	6,630	4.8	6,540	4.5	5.0	339	5.2
O-6	COMBOX Komyoike	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	6,920	7,800	7,070	5.2	6,850	4.9	5.4	388	6.0
O-7	Hankyu Oasis Hirakatadeguchi	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	1,310	905	1,320	5.6	1,310	5.4	5.8	75	5.9
O-8	Welcia Kishiwadakamori (Land)	Japan Real Estate Institute	Mar. 31, 2016	500	-	-	-	500	4.0	4.6	21	4.5
O-9	Life Nishi-Tengachaya	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	1,620	1,610	1,650	4.9	1,610	5.0	5.1	79	5.3

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Cost method (in millions)	Estimated value					Appraisal NOI (in millions) (Note 1)	Appraisal NOI yield (%) (Note 2)
						Cash flow-based method						
						Direct capitalization method		DCF method				
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)		
N-1	Kahma Home Center Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	2,500	-	-	-	2,500	(year 1-17) 4.8 (year 18-37.2) 4.9	-	120	5.2
N-2	Valor Ichinomiya-Nishi	Japan Real Estate Institute	Mar. 31, 2016	2,230	1,880	2,240	5.3	2,220	5.0	5.5	128	5.9
N-3	K's Denki Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2016	945	-	-	-	945	(year 1-17) 4.8 (year 18-37.2) 4.9	-	46	5.2
F-1	Sunny Noma	Japan Real Estate Institute	Mar. 31, 2016	1,520	1,230	1,550	5.1	1,480	4.9	5.5	80	5.4
R-1	Roseo Mito	Japan Real Estate Institute	Mar. 31, 2016	10,700	9,530	10,700	5.5	10,600	5.2	5.7	595	5.9
R-2	K's Denki Aomori Honten	Japan Real Estate Institute	Mar. 31, 2016	1,570	1,700	1,580	5.8	1,560	5.5	6.0	95	6.5
R-3	Super Sports Xebio Aomori-Chuo	Japan Real Estate Institute	Mar. 31, 2016	909	867	913	5.8	904	5.5	6.0	57	6.4
R-4	Ashico Town Ashikaga	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	5,060	8,350	5,080	5.4 (Building) 5.0 (Land) (Note 3)	5,050	5.2 (Building) 5.0 (Land)	5.6 (Building)	270	6.5
R-5	Yorktown Shinden-Higashi	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	3,310	5,090	3,320	5.6	3,310	5.4	5.8	195	6.0
R-6	Kasumi Technopark Sakura	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2016	861	763	869	5.2	857	5.0	5.4	46	5.6
Total/Average				138,674	127,995	118,007	-	137,806	-	-	7,099	5.4

- Note 1: "Appraisal NOI" is the Net Operating Income calculated by subtracting the amount of operating expenses from the operating revenues described in relevant appraisal reports, and it is the income before depreciation and differs from NCF (Net Cash Flow) which is calculated by adding investment gains from such as deposits and subtracting capex from NOI. The above appraisal NOI is calculated using the direct capitalization method. However, where the direct capitalization method is not applicable, appraisal NOI indicates the net operating income for the first year based on the DCF method. The amounts are rounded down to the nearest one million yen.
- Note 2: "Appraisal NOI yield" indicates the value calculated using the following formula and rounded to the nearest tenth. The "Total/average" of "Appraisal NOI yield" indicates the average appraisal NOI yield which is a weighted average of appraisal NOI yields of the acquired properties (rounded to the nearest tenth).  
Appraisal NOI of each property / Acquisition price for each property.
- Note 3: Inwood method discount rate is shown for discount rate of land-only properties.

iv) Overview of building condition investigation reports

KRR has obtained engineering reports, containing the diagnosis of building deteriorations, short- and long-term repair and maintenance plans, the assessment of legal compliance with the Building Standard Act and other laws and regulations, the investigation of hazardous substances in a building and soil environment for the acquired properties and the to-be acquired properties. These reports represent judgement and opinion of the appraisers for a fixed point of time, with no guarantees as to the validity or accuracy of the report.

Property Number	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note1)	Required over the next 12 years (thousand yen) (Note1)
T-1	Fululu Garden Yachiyo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	980,970	0
T-2	MONA Shin-Urayasu	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	921,734	16,696
T-3	Passaggio Nishiara	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	125,949	0
T-4	Daikanyama Address Dixsept	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	145,352	0
T-5	Unicus Ina	HI International Consultant Co., Ltd.	Aug. 2014	118,760	1,110
T-6	Yorktown Kita-Kaname	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	13,213	1,775
T-7	Unicus Yoshikawa	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	59,132	0
T-8	Sports Club Renaissance Fujimidai	HI International Consultant Co., Ltd.	Sep. 2014	23,780	400
T-9	Super Viva Home Iwatsuki (Land)	(Note2)	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	(Note2)	-	-	-
T-11	Unicus Kamisato (Land)	(Note2)	-	-	-
T-12	Unicus Konosu (Land)	(Note2)	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	(Note2)	-	-	-
T-14	Gourmet City Chiba-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	24,669	131
O-1	Blumer Maitamo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	211,954	0
O-2	Central Square Takadono (Land)	(Note2)	-	-	-
O-3	Piagio Kahma Home Center Omihachiman	HI International Consultant Co., Ltd.	Aug. 2014	56,850	180
O-4	Blumer HAT Kobe	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2015	326,565	3,959
O-5	Carino Esaka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	424,506	6,443
O-6	COMBOX Komyoike	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	355,643	0
O-7	Hankyu Oasis Hirakatadeguchi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	57,175	0
O-8	Welcia Kishiwadakamori (Land)	(Note2)	-	-	-
O-9	Life Nishi-Tengachaya	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Sep. 2015	15,464	2,225
N-1	Kahma Home Center Nakagawa Tomita(Land)	(Note2)	-	-	-
N-2	Valor Ichinomiya-Nishi	HI International Consultant Co., Ltd.	Aug. 2014	177,790	2,690
N-3	K's Denki Nakagawa Tomita (Land)	(Note2)	-	-	-
F-1	Sunny Noma	HI International Consultant Co., Ltd.	Aug. 2014	41,960	420

Property Number	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note1)	Required over the next 12 years (thousand yen) (Note1)
R-1	Roseo Mito	HI International Consultant Co., Ltd.	Aug. 2014 (Secondhand Shop building: Oct. 2015)	238,790	550
R-2	K's Denki Aomori Honten	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	142,764	0
R-3	Super Sports Xebio Aomori-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	103,012	0
R-4	Ashico Town Ashikaga	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	327,264	0
R-5	Yorktown Shinden-Higashi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Jul. 2015	176,945	4,163
R-6	Kasumi Technopark Sakura	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	18,155	0
Total				5,088,396	40,742

Note 1: Of the "Repairs, maintenance and renovation expenses," "Required over the next 12 years" indicates the total expenses required during the next 12 years from the date of the investigation report and "Required within one year" indicates the total expenses required within 1 year from the date of the investigation report. All figures are truncated to thousands of yen as in the investigation reports.

Note 2: Since these are land-only properties, KRR did not obtain the engineering report but obtained history survey report on the land use from Field Partners.

v) Overview of seismic PML evaluation report

The following summary is based on the Portfolio Earthquake PML Evaluation Report created by the Sampo Risk Management & Health Care Inc. (Note 1) as of January 2016. However, KRR does not guarantee the accuracy of evaluations in the report. The report only represents judgement and opinion of the appraiser for a fixed point of time, with no guarantees as to the validity or accuracy of the report. There is no special interest between the Sampo Risk Management & Health Care Inc. and KRR or KFM.

Property number	Property name	PML value in seismic review (%) (Note 2)
T-1	Fululu Garden Yachiyo	Specialty store building 10.24 Ito-Yokado building 8.96
T-2	MONA Shin-Urayasu	Retail building 5.98 Parking lot building 5.97
T-3	Passaggio Nishiarai	3.13
T-4	Daikanyama Address Dixsept	11.11
T-5	Unicus Ina	4.51
T-6	Yorktown Kita-Kaname	8.72
T-7	Unicus Yoshikawa	3.26
T-8	Sports Club Renaissance Fujimidai	7.09
T-9	Super Viva Home Iwatsuki (Land)	-
T-10	K's Denki Shonan-Fujisawa (Land)	-
T-11	Unicus Kamisato (Land)	-
T-12	Unicus Konosu (Land)	-
T-13	Inageya Yokohama Minamihonjuku (Land)	-
T-14	Gourmet City Chiba-Chuo	1.82
O-1	Blumer Maitamon	1.52
O-2	Central Square Takadono (Land)	-
O-3	Piagio Kahma Home Center Omihachiman	Piagio building 3.95 Kahma Home Center building 5.22
O-4	Blumer HAT Kobe	4.69
O-5	Carino Esaka	3.17
O-6	COMBOX Komyoike	5.04
O-7	Hankyu Oasis HiraKatadeguchi	4.11
O-8	Welcia Kishiwadadakamori (Land)	-
O-9	Life Nishi-Tengachaya	6.32
N-1	Kahma Home Center Nakagawa Tomita (Land)	-
N-2	Valor Ichinomiya-Nishi	10.18
N-3	K's Denki Nakagawa Tomita (Land)	-
F-1	Sunny Noma	1.95
R-1	Roseo Mito	Coffee shop building 7.41 Mall building 6.70 Sports facility building 9.69 Hardware store building 9.68 Secondhand shop building 7.85
R-2	K's Denki Aomori Honten	K's denki building 1.61 TSUTAYA/Hard-off building 1.51
R-3	Super Sports Xebio Aomori-Chuo	1.52
R-4	Ashico Town Ashikaga	Shopping mall building 2.16 Extensions 1.91 Cinema building 2.28 Road-side building 2.59
R-5	Yorktown Shinden-Higashi	3.43
R-6	Kasumi Technopark Sakura	6.40
Portfolio PML value (Note 3)		2.54

Note 1: Sampo Japan Nipponkoa Risk Management Inc. merged with Healthcare Frontier Japan Inc. and Sampo Japan Nipponkoa Healthcare Services Inc. and changed its name to Sampo Risk Management & Health Care Inc. effective as of April 1, 2016.

Note 2: PML is rounded to the nearest hundredth.

Note 3: "Portfolio PML value" is the portfolio PML value of 24 properties that excludes Super Viva Home Iwatsuki (Land), K's Denki Shonan-Fujisawa (Land), Unicus Kamisato (Land), Unicus Konosu (Land), Inageya Yokohama Minamihonjuku (Land), Central Square Takadono (Land), Welcia Kishiwadadakamori (Land), Kahma Home Center Nakagawa Tomita (Land), and K's Denki Nakagawa Tomita (Land) and is based on the Portfolio Earthquake PML Evaluation Report created by Sampo Risk Management & Health Care Inc. as of January 2016.

## vi) Architect, structural engineer, construction company and construction confirmation authority

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
T-1	Fululu Garden Yachiyo	(Ito Yokado Yachiyo) Research Institute of Architecture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architecture, Tokyo Branch	(Ito Yokado Yachiyo) Research Institute of Architecture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architecture, Tokyo Branch	(Ito Yokado Yachiyo) Takenaka Corporation, Higashi-Kanto Branch (Fululu Garden Yachiyo) Takenaka Corporation, Higashi-Kanto Branch	The Building Center of Japan
T-2	MONA Shin-Urayasu	Haseko Corporation, Engineering Division	Haseko Corporation, Engineering Division	Haseko Corporation	Chiba Prefecture
T-3	Passaggio Nishiarai	Yamashita Sekkei Inc.	Yamashita Sekkei Inc.	Nishimatsu Construction Co., Ltd.	Tokyo Prefecture
T-4	Daikanyama Address Dixsept	Nihon Sekkei, Inc.	Nihon Sekkei, Inc.	Kajima Corporation	Tokyo Prefecture
T-5	Unicus Ina	Taisei Corporation, Registered architect office	Taisei Corporation, Registered architect office	Taisei Corporation	Bureau Veritas Japan Co., Ltd.
T-6	Yorktown Kita-Kaname	CB Richard Ellis Asset Services K.K.	Sankyoline Corporation	Asanuma Corporation	K.K. Building Navigation
T-7	Unicus Yoshikawa	Obayashi Corporation	Obayashi Corporation	Obayashi Corporation	Saitama Housing Inspection Center
T-8	Sports Club Renaissance Fujimida	K.K. Axs Engineering	K.K. Axs Engineering	Ichiken Co., Ltd.	Nerima ward
T-9	Super Viva Home Iwatsuki (Land)	-	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	-	-	-	-
T-11	Unicus Kamisato (Land)	-	-	-	-
T-12	Unicus Konosu (Land)	-	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	-	-	-	-
T-14	Gourmet City Chiba-Chuo	Nikken Sekkei Ltd.	Nikken Sekkei Ltd.	Consortium of Taisei Corporation and Shimizu Corporation	The Building Center of Japan
O-1	Blumer Maitamon	Asanuma Corporation	Asanuma Corporation	Daiwa System Co., Ltd.	Bureau Veritas Japan Co., Ltd.
O-2	Central Square Takadono (Land)	-	-	-	-
O-3	Piago Kahma Home Center Omihachiman	(Piago building) Kiuchi Construction Co., Ltd. (Kahama Home Center building) Daiken Tosikaihatsu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahama Home Center building) Daiken Tosikaihatsu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahama Home Center building) Aisawa Construction Co., Ltd. (Note2)	K.K. Organization of Confirmation & Inspection Annex
O-4	Blumer HAT Kobe	Obayashi Corporation	Obayashi Corporation	Obayashi Corporation	Center of International Architectural Standard Co., Ltd.
O-5	Carino Esaka	Tokyu Architects & Engineers Inc. (for new building construction) Tokyu Construction Co., Ltd. (for property expansion)	Tokyu Architects & Engineers Inc.	Tokyu Construction Co., Ltd.	Suita City
O-6	COMBOX Komyoike	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	General Building Research Corporation of Japan
O-7	Hankyu Oasis Hirakatadeguchi	Rui Sekkeishitsu Co., Ltd.	Rui Sekkeishitsu Co., Ltd.	Obara Construction Co., Ltd.	General Building Research Corporation of Japan

Kenedix Retail REIT Corporation (3453)

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
O-8	Welcia Kishiwadakamori (Land)	-	-	-	-
O-9	Life Nishi-Tengachaya	KIA Urban Planning and Architects Institute Co., Ltd.	Fujita Corporation	Nihon Kensetsu Co., Ltd.	Center of International Architectural Standard Co., Ltd.
N-1	Kahma Home Center Nakagawa Tomita (Land)	-	-	-	-
N-2	Valor Ichinomiya-Nishi	Chubu Sekkei Co.,Ltd.	Chubu Sekkei Co.,Ltd.	Tsuchiya Corporation	Ichinomiya City
N-3	K's Denki Nakagawa Tomita (Land)	-	-	-	-
F-1	Sunny Noma	Nakamuta & Suenaga Designing (JV)	Nakamuta & Suenaga Designing (JV)	Nishimatsu Construction Co., Ltd., Kyushu Branch	Fukuoka City
R-1	Roseo Mito	(Coffee shop building) Tetsu Works Architect Office (Mall building) Kurehanishiki Construction Co., Ltd. Change of use: Registered Architect Studio Work House (Sports facility building) Kishi-Sekkei Co., Ltd. (Hardware store building) Nihon Jutaku Corporation, Registered Architect Office (Secondhand shop building) Choeihands Corporation	(Coffee shop building) Tetsu Works Architect Office (Mall building) Sezako Structural Engineering Office (Sports facility building) Individual (Note 3) (Hardware store building) K.K. Dan Structural Engineering Office (Secondhand shop building) Converse Corporation	(Coffee shop building) Kurehanishiki Construction Co., Ltd. (Mall building) Kurehanishiki Construction Co., Ltd. (Sports facility building) Kurehanishiki Construction Co., Ltd. (Hardware store building) Nihon Jutaku Corporation (Secondhand shop building) Choeihands Corporation	(Coffee shop building) (Mall building) (Sports facility building) (Hardware store building) Mito City (Secondhand shop building) Japan ERI Co., Ltd.
R-2	K's Denki Aomori Honten	K.K. Kyoei Planning Design	K.K. Kyoei Planning Design	(K's Denki building) Nihon Kensetsu Co., Ltd., Sendai Branch (TSUTAYA/Hard-off building) Nihon Kensetsu Co., Ltd., Sendai Branch	Aomori City
R-3	Super Sports Xebio Aomori-Chuo	Takenaka Corporation	Individual (Note 3)	Takenaka Corporation	Japan ERI Co., Ltd.
R-4	Ashico Town Ashikaga	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) KKHY Architects & Associates (extensions)	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) Architecture Form Corporation (extensions)	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) Tokyo Biso Kogyo Corporation (extensions)	Bureau Veritas Japan Co., Ltd.
R-5	Yorktown Shinden-Higashi	MTM International Corporation	MTM International Corporation	Kajima Corporation	Japan ERI Co., Ltd.
R-6	Kasumi Technopark Sakura	Office Okano Kenchikusekkei Co., Ltd.	Office Okano Kenchikusekkei Co., Ltd.	Nakano Corporation Co., Ltd.	Ibaraki Prefecture

Note 1: The above company names are names at the time of construction confirmation, completion, or acquiring inspection certificate for respective properties, even in cases of past changes in names.

Note 2: The name of actual construction company is shown, although it was Daiwa System Co., Ltd. at the time of application procedure for building confirmation.

Note 3: Individuals' names are not disclosed because these are personal information.

vii) Overview of portfolio

(A) Distribution by Property Type

Property type	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note)
Neighborhood, community and other shopping centers for daily needs	33	131,639	100.0
NSC (Neighborhood Shopping Centers)	13	62,675	47.6
SM (Super Markets)	7	9,999	7.6
CSC Community shopping Centers)	1	14,848	11.3
Urban Station-Front Shopping Centers	5	32,308	24.5
SS (Specialty Store)	7	11,809	9.0
Other retail properties		-	-
Total	33	131,639	100.0

Note: Percentage of total portfolio acquisition price is rounded to the nearest tenth. Therefore, the sum of the percentage of total acquisition price may differ from the portfolio total.

(B) Distribution by Location

Region	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note)
Four major metropolitan areas	27	110,964	84.3
Tokyo metropolitan area	14	63,602	48.3
Greater Osaka area	9	40,491	30.8
Greater Nagoya area	3	5,374	4.1
Fukuoka area	1	1,497	1.1
Ordinance-designated cities, core cities and other areas	6	20,675	15.7
Total	33	131,639	100.0

Note: Percentage of total portfolio acquisition price is rounded to the nearest tenth. Therefore, the sum of the percentage of total acquisition price may differ from the portfolio total.

(C) Distribution by Property Age

Property age (Note 1)	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (Note 2)
Less than 5 years	1	3,600	3.2
5 years or more but less than 10 years	10	40,093	36.1
10 years or more	13	67,448	60.7
Total	24	111,141	100.0

Note 1: Property age refers to the number of years from the date of the new construction of the property set out in the real estate registry to March 31, 2016. Where multiple buildings exist on the property, the property age is calculated using the average age of those buildings.

Note 2: Percentage of total portfolio acquisition price is rounded to the nearest tenth. Therefore, the sum of the percentage of total portfolio acquisition price may differ from the portfolio total.



## (D) Distribution by Lease Term Remaining

Lease term (remaining period) (Note 1)	Annual fixed rent (in millions) (Note 2)	Ratio (%) (Note 3)
Less than 2 years	1,785	20.3
2 to less than 5 years	1,032	11.8
5 to less than 10 years	2,183	24.9
10 to less than 15 years	2,521	28.7
15 to less than 20 years	622	7.1
20 years or more	640	7.3
Total	8,785	100.0

Note 1: "Lease term (remaining period)" is based on period until the last date of the lease as set forth in the relevant lease agreements as of March 31, 2016 (excluding warehouses for building lease agreements) for each acquired property and to-be acquired property.

Note 2: "Annual fixed rent" for acquired property is calculated by multiplying the monthly fixed rent and common area charges for the month ended March 31, 2016 (excluding warehouses in the case of building lease agreements) by twelve and rounding down to the nearest million yen. For master leases, where the master lease company sub-leases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by 12, rounded down to the nearest million yen.

Note 3: "Ratio" is based on the annual fixed rent, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total period.

## (E) Distribution by lease contract type

Type of lease contract	Ratio (%) (Note)
Fixed-term building lease	65.1
Regular building lease	21.1
Commercial fixed-term land lease	13.8
Other	0.0
Total	100.0

Note: "Ratio" is based on the annual fixed rent as indicated in Note 2 of (D) above, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total figure.

## (F) Rent type (Fixed / Sales-linked rent)

Rent type (Fixed / Sales-linked rent)	Ratio (%) (Note)
Fixed rent	78.3
Fixed + sales-linked rent	15.4
Sales linked fixed	6.3
Total	100.0

Note: "Ratio" is calculated according to the actual rent effective between October 1, 2015 and March 31, 2016, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total figure.

## viii) Capital expenditures

## (A) Planned capital expenditures

The table below shows major capital expenditures for renovations, repairs and other projects that are planned for the third fiscal period ending September 30, 2016. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditures that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Replacement of water generator and rooftop piping	From January 2016 to April 2016	103	-	-
O-1	Blumer Maitamon	Kobe, Hyogo	Common area refurbishment	From April 2016 to September 2016	23	-	-
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Reparement of cooling tower	From April 2016 to September 2016	22	-	-
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Reparement of shutter	From April 2016 to September 2016	22	-	-
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Roof waterproof	From April 2016 to September 2016	18	-	-

## (B) Capital expenditures during the period under review

The table below shows major capital expenditures for renovations, repairs and other projects in the period under review.

The amount of capital expenditures in the period under review was 530 million yen. There were also expenditures of 201 million yen that were recorded as repair expenses. In total we spent 731 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
O-4	Blumer HAT Kobe	Kobe, Hyogo	Renewal	From January 2016 to March 2016	127
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Installation of escalators	From November 2015 to February 2016	117
T-2	MONA Shin-Urayasu	Urayasu, Chiba	PMAC replacement	From June 2015 to January 2016	68
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Cinema building renovation	From December 2015 To February 2016	61
O-1	Blumer Maitamon	Kobe, Hyogo	Floor renewal	From February 2016 To March 2016	43
Other					112
Total					530

## (C) Reserved Amount for Long-Term Repairs, Maintenance and Renovation Plans

Not applicable

## ix) Major portfolio properties

The table below shows the major property owned by KRR as of March 31, 2016. Major properties are defined as those that account for 10% or more of our total rental revenue generated from all assets held by KRR.

Property number	Property name	Number of tenants	Annual rent (Millions of yen) (Note)	Leased area (m <sup>2</sup> )	Leasable area (m <sup>2</sup> )
T-1	Fululu Garden Yachiyo	48	1,070	76,563.55	77,057.56

Note: Annual rent is 12 times the fixed monthly rent (including a common service charge) under a leasing contract with tenants at portfolio properties as of March 31, 2016 (excluding building leasing contracts for warehouses), rounded down to the nearest million yen. For master leases, where the master lease company sub-leases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by 12, rounded down to the nearest million yen.

## (3) Information Concerning Major Tenants

## i) Top End-Tenants in Terms of Rent

The following summarizes top ten tenants (end-tenants or sub-lease type master leasee) as of March 31, 2016

Name of end tenants	Type of business (Note 1)	Property name	Total leased area (m <sup>2</sup> )	Ratio (%) (Note 2)	Annual fixed rent (in thousands of yen) (Note 3)	Tenant leasehold and security deposits (in millions of yen) (Note 4)
Ito-Yokado Co., Ltd. (Note 5)	Retail	Fululu Garden Yachiyo	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
P&D Consulting Co., Ltd	Real estate	A Unicus Ina B Unicus Kamisato (Land) C Unicus Konosu (Land) D Ashico Town Ashikaga	104,392.38	17.1	491,498	246
YorkMart Co., Ltd.	Retail	Yorktown Kita-Kaname	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Life Corporation	Retail	A Unicus Yoshikawa, B Central Square Takadono (Land) C Life Nishi-Tengachaya	9,572.39	1.6	- (Note 5)	- (Note 5)
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
K's Holdings Corporation	Retail	A K's Denki Shonan-Fujisawa (Land) B Ashico Town Ashikaga	28,803.77	4.7	- (Note 5)	- (Note 5)
Edion Corporation	Retail	Blumer Maitamon	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
DCM Kahma Co., Ltd.	Retail	A Piago Kahma Home Center Omihachiman, B Kahma Home Center Nakagawa Tomita (Land)	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Daiwaroyal Co., Ltd.	Real estate	COMBOX Komyoike	25,530.44	4.2	452,523	471
York Benimaru Co., Ltd.	Retail	A Ashico Town Ashikaga B Yorktown Shinden-Higashi	11,509.94	1.9	- (Note 5)	- (Note 5)

Note 1: "Type of business" is based on Japan Standard Industrial Classification.

Note 2: "Ratio" is the ratio of leased area of the tenant to total leasable area of the portfolio as of March 31, 2016, rounded to the nearest tenth.

Note 3: "Annual fixed-rent" for each property is based on monthly contracted rent (including common area charges) as set forth in the relevant lease agreements effective as of March 31, 2016 (excluding warehouses for building lease agreements) for each property or property in trust, truncated to thousands of yen. In a sub-lease-type master lease, the annual rent (excluding consumption taxes) agreed upon in the master lease agreement or the amount obtained by multiplying the monthly rent (excluding consumption taxes) agreed upon in the master lease agreement by 12, rounded down to the nearest thousand yen, is shown.

Note 4: Indicates the outstanding balance of any tenant leasehold and security deposit from the relevant tenant(s) set forth in lease agreement(s) effective as of March 31, 2016, rounded down to the nearest million yen.

Note 5: We have not obtained consent from the tenant to release this information.

ii) Top End-Tenants in Terms of Leased Area

The end-tenants or the sublease type master lessees that cover over 10% of the total leased area of portfolio as of March 31, 2016 are as follows.

Name of end tenants	Type of business	Property name	Total leased area (m <sup>2</sup> )	Annual fixed rent (in thousands of yen)	Tenant leasehold and security deposits (in millions of yen)	Lease term End	Lease renewal
P&D Consulting Co., Ltd	Real estate	A Unicus Ina B Unicus Kamisato (Land) C Unicus Konosu (Land) D Ashico Town Ashikaga	104,392.38	491,498	246	A Sep. 25, 2026 B Oct. 1, 2055 C Oct. 1, 2055 D Mar. 31, 2026	A Not Applicable B Not Applicable C Not Applicable D Not Applicable
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note 1)	- (Note 1)	- (Note 1)	- (Note 1)	- (Note 1)

Note 1: We have not obtained consent from the tenant to release this information.

## 【Reference】

## Earnings Performance for the Individual Properties for the 2nd Fiscal Period (October 1, 2015 to March 31, 2016) : 183 days ※As of March 31, 2016

Location		Tokyo metropolitan area											
Property No.		T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10	T-11	T-12
Property Name		Fululu Garden Yachiyo	MONA Shin-Urayasu	Passaggio Nishiarai	Daikanyama Address Dixsept	Unicus Ina	Yorktown Kita-Kaname	Unicus Yoshikawa	Sports Club Renaissance Fujimidai	Super Viva Home Iwatsuki (Land)	K's Denki Shonan-Fujisawa (Land)	Unicus Kamisato (Land)	Unicus Konosu (Land)
Acquisition Date		February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	October 2, 2015	October 2, 2015	October 2, 2015	October 2, 2015
Price Information	Acquisition price ( In millions of yen )	14,848	8,063	5,850	5,390	4,379	4,000	3,600	2,586	4,815	3,169	3,000	1,700
	Percentage of total portfolio	11.3%	6.1%	4.4%	4.1%	3.3%	3.0%	2.7%	2.0%	3.7%	2.4%	2.3%	1.3%
	Net book value ( In millions of yen )	15,026	8,275	5,934	5,441	4,381	4,018	3,642	2,591	4,890	3,210	3,043	1,726
	Appraisal value at the end of period ( In millions of yen )	15,200	8,500	6,280	5,620	4,420	4,300	3,770	2,720	5,260	3,390	3,010	1,740
	Percentage of total appraisal value	11.0%	6.1%	4.5%	4.1%	3.2%	3.1%	2.7%	2.0%	3.8%	2.4%	2.2%	1.3%
Lease Information	Number of tenants	48	1 (72)	1 (40)	1 (27)	1	1	1 (10)	1	1	1	1	1
	Leasable floor area (㎡)	77,057.56	9,568.31	10,546.25	5,056.39	13,044.37	(Note 1)	10,620.04	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Leased floor area (㎡)	76,563.55	9,191.77	10,366.25	4,991.03	13,044.37		10,537.19	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Occupancy ratio												
	As of March 31, 2016	99.4%	96.1%	98.3%	98.7%	100.0%	100.0%	99.2%	100.0%	100.0%	100.0%	100.0%	100.0%
As of September 30, 2015	99.5%	98.0%	98.3%	93.9%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	
Income and Retained Earnings Information	Operating periods	183days	183days	183days	183days	183days	183days	183days	183days	182days	182days	182days	182days
	①Rental and other operating revenues ( In thousands of yen )	741,920	503,887	309,117	263,572	132,793	(Note 1)	138,554	(Note 1)	(Note 1)	(Note 1)	72,301	41,296
	Rental revenues	632,247	346,747	213,882	183,696	131,736		132,587				72,115	41,284
	Other operating revenues	109,673	157,139	95,234	79,875	1,057		5,967				186	12
	②Property-related expenses ( In thousands of yen )	290,144	248,827	136,431	151,805	10,560		24,967				1,454	1,454
	Property management fees	142,752	83,654	47,042	52,596	1,800		24,198				1,193	1,193
	Taxes	20	121	5	-	-		-				0	0
	Utilities	66,721	57,361	38,207	33,367	-		-				-	-
	Repairs and maintenance	20,146	25,236	13,490	19,705	7,912		89				-	-
	Insurance	1,885	823	550	309	327		249				-	-
	Trust fees and other expenses	58,619	81,630	37,136	45,825	520		430				259	259
③NOI (=①-②) ( In thousands of yen )	451,776	255,059	172,685	111,767	122,233	111,222		113,587				71,568	116,549
④Depreciation ( In thousands of yen )	81,340	41,671	31,751	15,093	29,420	20,335	15,495	15,127	-	-	-	-	
⑤Rental operating income (=③-④) ( In thousands of yen )	370,435	213,388	140,934	96,673	92,812	90,886	98,091	56,440	116,549	82,924	70,847	39,842	
⑥Capital expenditures ( In thousands of yen )	59,788	99,580	996	2,124	-	-	-	-	-	-	-	-	
⑦NCF (=⑤-⑥) ( In thousands of yen )	391,988	155,479	171,689	109,642	122,233	111,222	113,587	71,568	116,549	82,924	70,847	39,842	
Reference	Expense ratio (=②/①)	39.1%	49.4%	44.1%	57.6%	8.0%	5.3%	18.0%	4.3%	1.2%	1.7%	2.0%	3.5%
	Property tax for the year 2015 ( In thousands of yen )	141,857	45,819	70,832	23,587	20,165	13,770	29,435	10,567	27,063	7,981	9,551	6,257
	Assets pledged as collateral	○	-	-	-	-	-	-	-	-	-	-	-

Note 1: We have not obtained consent from the tenant(s) to release this information.

**【Reference】 Earnings Performance for the Individual Properties for the 2nd Fiscal Period (October 1, 2015 to March 31, 2016) : 183 days ※As of March 31, 2016**

Location		Tokyo metropolitan area		Greater Osaka area								
Property No.		T-13	T-14	O-1	O-2	O-3	O-4	O-5	O-6	O-7	O-8	O-9
Property Name		Inageya Yokohama Minamihonjuku (Land)	Gourmet City Chiba-Chuo	Blumer Maitamon	Central Square Takadono (Land)	Piago Kahma Home Center Omihachiman	Blumer HAT Kobe	Carino Esaka	COMBOX Komyoike	Hankyu Oasis Hirakatadeguchi	Welcia Kishiwadakamori (Land)	Life Nishi- Tengachaya
Acquisition Date		October 2, 2015	October 2, 2015	February 10, 2015	February 10, 2015	February 10, 2015	April 16, 2015	October 2, 2015	October 2, 2015	October 2, 2015	October 2, 2015	January 21, 2016
Price Information	Acquisition price ( In millions of yen )	1,442	760	8,389	2,685	2,140	11,000	6,555	6,450	1,280	487	1,505
	Percentage of total portfolio	1.1%	0.6%	6.4%	2.0%	1.6%	8.4%	5.0%	4.9%	1.0%	0.4%	1.1%
	Net book value ( In millions of yen )	1,462	788	8,494	2,727	2,168	11,585	6,612	6,502	1,333	497	1,577
	Appraisal value at the end of period ( In millions of yen )	1,460	799	8,780	2,870	2,410	11,600	6,590	6,920	1,310	500	1,620
	Percentage of total appraisal value	1.1%	0.6%	6.3%	2.1%	1.7%	8.4%	4.8%	5.0%	0.9%	0.4%	1.2%
Lease Information	Number of tenants	1	1	48	1	2	1 (40)	1 (30)	1	1	1	1
	Leasable floor area (㎡)	4,405.41	3,488.77	30,037.11	4,437.07	14,313.00	24,185.02	7,540.58	25,530.44	2,960.38	3,033.45	2,679.52
	Leased floor area (㎡)	4,405.41	3,488.77	29,888.11	4,437.07	14,313.00	23,871.33	7,474.92	25,530.44	2,960.38	3,033.45	2,679.52
	Occupancy ratio											
	As of March 31, 2016	100.0%	100.0%	99.5%	100.0%	100.0%	98.7%	99.1%	100.0%	100.0%	100.0%	100.0%
As of September 30, 2015	-	-	99.5%	100.0%	100.0%	99.5%	-	-	-	-	-	
Income and Retained Earnings Information	Operating periods	182days	182days	183days	183days	183days	183days	182days	182days	182days	182days	71days
	①Rental and other operating revenues ( In thousands of yen )			487,461			491,148	302,490	225,045			17,610
	Rental revenues			368,394			379,213	198,509	225,045			17,610
	Other operating revenues			119,066			111,935	103,980	-			-
	②Property-related expenses ( In thousands of yen )			192,904			182,762	103,616	2,878			893
	Property management fees	(Note 1)	(Note 1)	61,669	(Note 1)	(Note 1)	68,565	40,096	1,790	(Note 1)	(Note 1)	706
	Taxes			18			-	20	0			7
	Utilities			84,392			72,654	56,830	-			-
	Repairs and maintenance			21,409			16,621	3,485	-			-
	Insurance			825			1,030	712	678			22
	Trust fees and other expenses			24,589			23,891	2,471	408			157
③NOI (=①-②) ( In thousands of yen )	34,313	25,271	294,557	67,278	90,471	308,385	198,873	222,166	38,054	11,674	16,716	
④Depreciation ( In thousands of yen )	-	9,718	50,140	-	10,534	49,183	27,756	32,894	5,201	-	2,341	
⑤Rental operating income (=③-④) ( In thousands of yen )	34,313	15,553	244,416	67,278	79,937	259,202	171,116	189,271	32,853	11,674	14,375	
⑥Capital expenditures ( In thousands of yen )	-	-	47,062	-	-	140,865	-	-	-	-	-	
⑦NCF (=⑤-⑥) ( In thousands of yen )	34,313	25,271	247,494	67,278	90,471	167,520	198,873	222,166	38,054	11,674	16,716	
Reference	Expense ratio (=②/①)	4.1%	29.6%	39.6%	2.1%	3.5%	37.2%	34.3%	1.3%	12.1%	11.1%	5.1%
	Property tax for the year 2015 ( In thousands of yen )	5,281	11,447	82,277	6,852	28,359	94,620	49,261 (Note 2)	57,938 (Note 2)	7,892	2,073	6,523
	Assets pledged as collateral	-	-	-	-	○	-	-	-	-	-	○

Note 1: We have not obtained consent from the tenant(s) to release this information.

Note 2: Tax was levied on the entire ownership of the building in fiscal 2015. The amount shown is the amount obtained by multiplying the annual property tax for the entire building by the ownership ratio associated with building.

**【Reference】 Earnings Performance for the Individual Properties for the 2nd Fiscal Period (October 1, 2015 to March 31, 2016) : 183 days ※As of March 31, 2016**

Location		Greater Nagoya area			Fukuoka area	Ordinance-designated cities, core cities and other areas						Total of 33 Properties
Property No.		N-1	N-2	N-3	F-1	R-1	R-2	R-3	R-4	R-5	R-6	
Property Name		Kahma Home Center Nakagawa Tomita (Land)	Valor Ichinomiya-Nishi	K's Denki Nakagawa Tomita (Land)	Sunny Noma	Roseo Mito	K's Denki Aomori Honten	Super Sports Xebio Aomori-Chuo	Ashico Town Ashikaga	Yorktown Shinden-Higashi	Kasumi Technopark	
Acquisition Date		February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	October 2, 2015	October 2, 2015	October 2, 2015	
Price Information	Acquisition price ( In millions of yen )	2,311	2,174	889	1,497	10,046	1,469	898	4,180	3,252	830	131,639
	Percentage of total portfolio	1.8%	1.7%	0.7%	1.1%	7.6%	1.1%	0.7%	3.2%	2.5%	0.6%	100.0%
	Net book value ( In millions of yen )	2,351	2,184	907	1,513	10,112	1,493	908	4,398	3,352	859	134,016
	Appraisal value at the end of period ( In millions of yen )	2,500	2,230	945	1,520	10,700	1,570	909	5,060	3,310	861	138,674
	Percentage of total appraisal value	1.8%	1.6%	0.7%	1.1%	7.7%	1.1%	0.7%	3.6%	2.4%	0.6%	100.0%
Lease Information	Number of tenants	1	1	1	1	1 (23)	1	1	1 (26)	2	1	389
	Leasable floor area (㎡)	(Note 1)	9,447.48	(Note 1)	2,814.67	48,296.15	10,083.41	(Note 1)	65,616.31	12,768.77	2,047.65	609,026.59
	Leased floor area (㎡)		9,447.48		2,814.67	48,296.15	10,083.41		65,019.74	12,768.77	2,047.65	606,702.91
	Occupancy ratio											
	As of March 31, 2016	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.1%	100.0%	100.0%	99.6%
As of September 30, 2015	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	99.6%	
Income and Retained Earnings Information	Operating periods	183days	183days	183days	183days	183days	183days	183days	182days	182days	182days	181days*
	①Rental and other operating revenues ( In thousands of yen )	(Note 1)	(Note 1)	(Note 1)	(Note 1)	371,865	(Note 1)	(Note 1)	260,731	(Note 1)	(Note 1)	5,541,057
	Rental revenues					340,409			198,987			4,656,391
	Other operating revenues					31,456			61,743			884,665
	②Property-related expenses ( In thousands of yen )					56,326			158,689			1,669,971
	Property management fees					19,273			40,329			637,809
	Taxes					10			1			216
	Utilities					25,163			55,043			495,520
	Repairs and maintenance					6,859			50,166			201,226
	Insurance					692			671			10,531
Trust fees and other expenses	4,327					12,477			324,668			
③NOI (=①-②) ( In thousands of yen )	64,954	76,279	24,929	43,438	315,539	53,366	31,631	102,041	106,463	24,612	3,871,085	
④Depreciation ( In thousands of yen )	-	14,526	-	14,251	46,194	6,365	4,894	25,399	13,560	2,661	565,861	
⑤Rental operating income (=③-④) ( In thousands of yen )	64,954	61,752	24,929	29,186	269,344	47,000	26,736	76,642	92,903	21,950	3,305,224	
⑥Capital expenditures ( In thousands of yen )	-	-	-	-	-	-	-	180,171	-	-	530,588	
⑦NCF (=⑤-⑥) ( In thousands of yen )	64,954	61,752	24,929	29,186	269,344	47,000	26,736	76,642	92,903	21,950	3,305,224	
Reference	Expense ratio (=②/①)	2.2%	3.3%	5.6%	16.5%	15.1%	4.3%	6.8%	60.9%	31.1%	12.3%	30.1%
	Property tax for the year 2015 ( In thousands of yen )	9,869	19,552	3,949	7,086	51,787	13,821	6,088	51,022	29,896	3,684	956,180
	Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-	-

Note 1: We have not obtained consent from the tenant(s) to release this information.

\*Total: Cost-weighted average operating period (days)



# Kenedit REIT Corporation (3453)

## (Reference) Borrowings

Borrowings on a financial institution basis as of March 31, 2016 are as follows:

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note2) (Note3) (%)	Payment due date (Note4)	Use	Remarks
Short-Term Payable	Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000	0.430	February 10, 2016	(Note5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	250,000	-	-	250,000				
	Aozora Bank, Ltd.	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	-	2,050,000	-	2,050,000	0.620	October 2, 2016		
	Sumitomo Mitsui Banking Corporation (Note6)	-	3,650,000	1,200,000	2,450,000	0.621	October 2, 2016		
	Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000	0.535	February 10, 2017		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	450,000	-	450,000				
	Mizuho Bank, Ltd.	-	400,000	-	400,000				
	Resona Bank, Ltd.	-	250,000	-	250,000				
	Aozora Bank, Ltd.	-	250,000	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	200,000	-	200,000				
	Sub Total	2,000,000	7,700,000	3,200,000	6,500,000				
Long-Term Payable	Sumitomo Mitsui Banking Corporation	2,300,000	-	-	2,300,000	0.545	February 10, 2018	(Note5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	The Gunma Bank, Ltd.	400,000	-	-	400,000				
	The Musashino Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	Development Bank of Japan Inc. (Note7)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note7)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mitsubishi UFJ Trust and Banking Corporation	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note7)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	-	1,850,000	-	1,850,000	0.545	March 31, 2019		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	550,000	-	550,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000				
	Resona Bank, Ltd.	-	300,000	-	300,000				
	The Musashino Bank, Ltd.	-	250,000	-	250,000				
	Mitsubishi UFJ Trust and Banking Corporation	-	450,000	-	450,000	0.987	March 31, 2023		
	Resona Bank, Ltd.	-	200,000	-	200,000				
The Musashino Bank, Ltd.	-	150,000	-	150,000					
Development Bank of Japan Inc. (Note7)	-	1,500,000	-	1,500,000	1.013	March 31, 2023			
Sumitomo Mitsui Banking Corporation	-	3,000,000	-	3,000,000	1.110	March 31, 2024			
Mizuho Bank, Ltd.	-	1,150,000	-	1,150,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,000,000	-	1,000,000					
Mizuho Trust & Banking Co., Ltd.	-	700,000	-	700,000					
Sumitomo Mitsui Trust Bank, Ltd.	-	650,000	-	650,000					
Resona Bank, Ltd.	-	500,000	-	500,000					
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	1.243	April 16, 2025			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	400,000	-	400,000					
Sub Total	36,350,000	14,650,000	-	51,000,000					
Total	38,350,000	22,350,000	3,200,000	57,500,000					

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

(Thousands of yen)

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term loans payable	3,850,000	5,650,000	7,000,000	7,000,000	27,500,000

Note 2: All debts except for the following Note7 are borrowings at a floating rate.

Note 3: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate swaps are indicated.

Note 4: All the repayment methods of debt financing except for the following Note6 are lump-sum repayments on the due date.

Note 5: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 6: Partial prepayment of 1,200,000 thousand yen was made on October 30, 2015.

Note 7: Borrowings at a fixed rate.