

KENEDIX

Retail REIT Corporation



Focused Investment in Shopping Centers for Daily Needs

Semi-annual Report for the 13th Period
(From April 1, 2021 to September 30, 2021)



Kenedix Retail REIT Corporation

<https://www.krr-reit.com/en/>

The 13th fiscal period ended September 30, 2021

Distribution per unit	Forecast DPU for the 14th fiscal period	Forecast DPU for the 15th fiscal period
JPY 7,328	JPY 7,010	JPY 6,550
Total assets (by acquisition price) / Number of properties		JPY 245.2 _{bn} / 66
Number of tenants	528	Occupancy rate at the end of period
		99.6%

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I would like to take this opportunity to express my sincere gratitude to our shareholders for your continued support to Kenedix Retail REIT Corporation (“KRR”).

Thanks to your support, KRR has reported its results of operations for the 13th fiscal period (from April 1, 2021 to September 30, 2021). During the 13th fiscal period, we faced another challenging period amid the COVID-19 pandemic and the government’s third and fourth state of emergency declaration.

Of the six months in the 13th fiscal period, the state of emergency declaration lasted for four and a half months in total.

Despite these circumstances, shopping centers for daily needs with grocery supermarkets as core tenants have continued to act as vital retail infrastructure providing fundamental functions to maintain day-to-day life of consumers. Therefore, impact of the pandemic remained limited for KRR in the 13th fiscal period.

In March 2020 at the early period of the COVID-19 outbreak, the investment unit price of KRR recorded its historical low. However, the market gradually recognized the stability of the portfolio focused on shopping centers for daily life even amid the pandemic. As a result, the investment unit price of KRR recovered to its pre-COVID level at the beginning of this year. Taking advantage of this recovery, KRR conducted the fifth public offering at the beginning of the 13th fiscal period, and acquired four additional properties, including assets acquired in conjunction with asset reshuffle. As a result, KRR's portfolio totaled 245,274 million yen for 66 properties at the end of the 13th fiscal period. Gain on sale of properties including Hankyu Oasis HiraKatadeguchi was also recorded, resulting in operating revenue of 9,576 million yen, operating income of 4,881 million yen, and ordinary income of 4,262 million yen in the 13th fiscal period. Distribution per unit was 7,328 yen, 233 yen higher than that of the previous fiscal period. Due to the acquisition of a new retail facility in Fukuoka at the beginning of the 14th fiscal period, the asset size grew to 249,657 million yen with 66 properties, considering the disposition of a property at the same period.

On the ESG (Environmental, Social, and Governance) front, in GRESB Real Estate Assessment, which measures ESG considerations in the real estate sector, KRR received a “4 Stars” rating (out of five stars) for the third consecutive year in 2021. Furthermore, in addition to the initiatives by each REIT managed by the Asset Manager to date, the Sustainability Office and the Sustainability Committee were newly established to promote ESG initiatives, including initiatives to climate change risks, throughout the Asset Manager. As a part of these efforts, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October.

There have been signs of economic reopening due to a sharp decline in the COVID cases in Japan since September. However, the business environment remains uncertain. We dedicate ourselves to promote the operation of retail and logistics facilities in order to respond to the confidence and expectations of investors even under the current environment.

We respectfully look forward to your continued support.

Moyuru Watanabe

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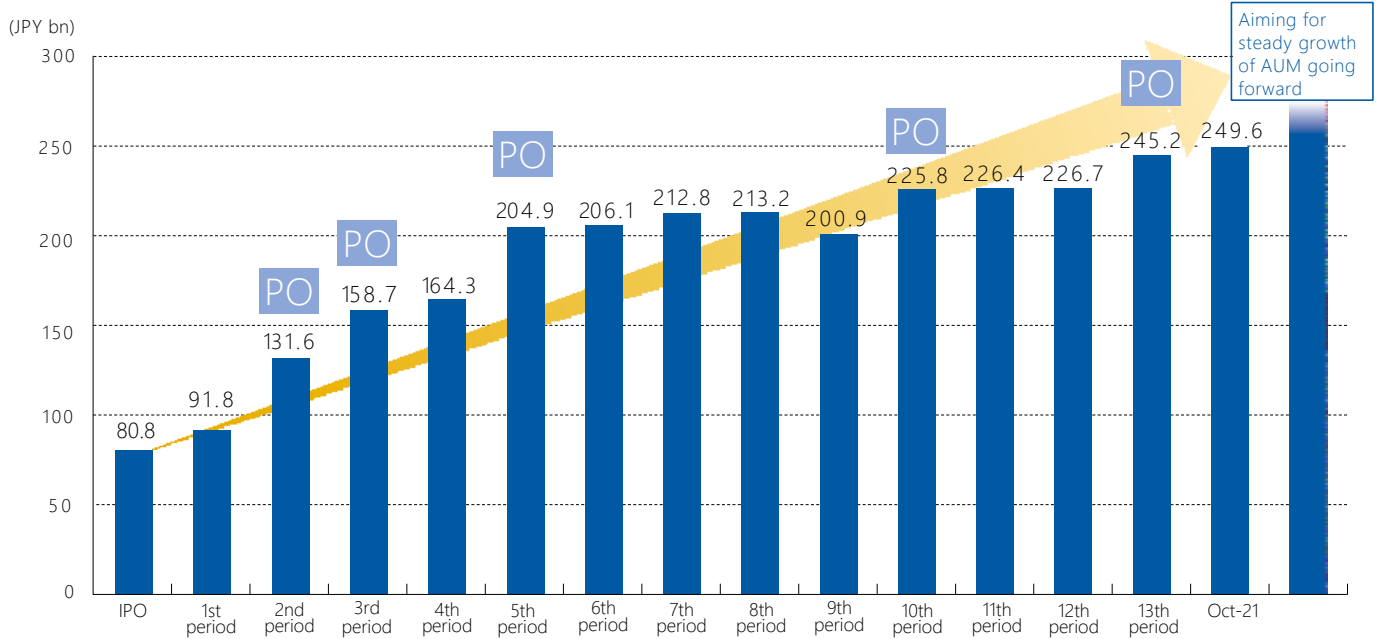
Executive Director, Kenedix Retail REIT Corporation
Director & COO, Head of Retail REIT Department,
Kenedix Real Estate Fund Management, Inc.





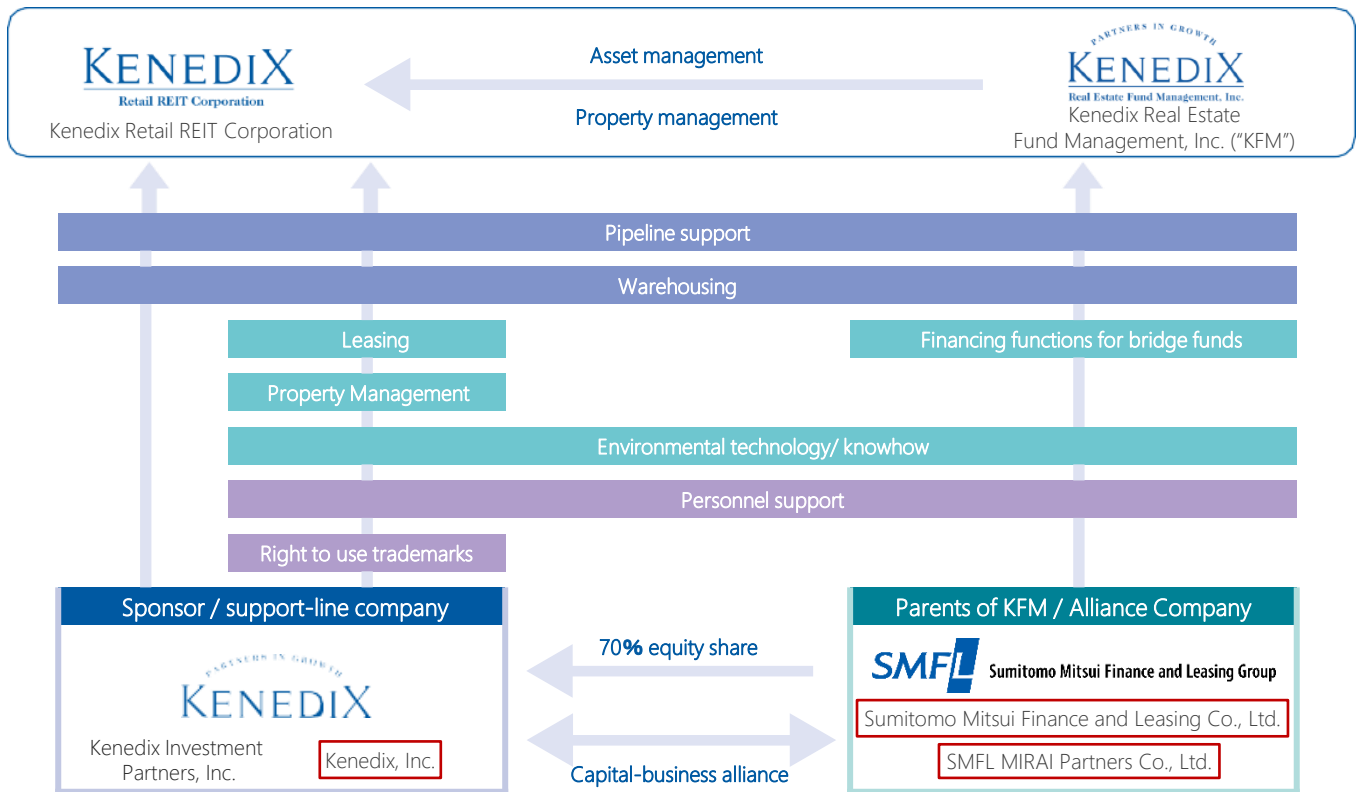
1 Steady AUM growth

Since IPO in 2015, KRR achieved steady growth in AUM through five public offerings. AUM size that was 80.8 billion yen at IPO has expanded 3 times.



2 Strong support from the Kenedix Group and Alliance Companies

KRR aims to achieve sustainable growth acquiring properties by utilizing the pipelines of its Sponsor and Alliance Companies. In January 2021, Sumitomo Mitsui Finance and Leasing Group became the parent company of the Sponsor, Kenedix, Inc. through a TOB.



Kenedix, Inc. : KFM's parent companies

Note: Alliance companies include Nippon Commercial Development Co., Ltd. and P&D Consulting Co., Ltd. in addition to Sumitomo Mitsui Finance and Leasing Group.

3 Assets acquired in the 13th fiscal period

T-31 Kitera Town Chofu

An NSC with Life, a grocery supermarket, as the core tenant and a retail trade area of over 40,000 people within a 1km radius



Location	Chofu, Tokyo	Appraisal value	JPY 11,400 mm
Acquisition price	JPY 10,500 mm	Appraisal NOI yield	5.2%

O-12 Merado Daikai

An NSC with Kansai Super Market, a grocery supermarket, as the core tenant and a retail trade area of over 50,000 people within a 1km radius



Location	Kobe, Hyogo	Appraisal value	JPY 5,780 mm
Acquisition price	JPY 5,440 mm	Appraisal NOI yield	5.3%

T-25 Apita Terrace Yokohama Tsunashima (49% quasi-co-ownership interest)

An NSC that meets diverse needs of a growing next-generation smart city with a concentrated population



Location	Yokohama, Kanagawa	Appraisal value	JPY 5,930 mm
Acquisition price	JPY 5,667 mm	Appraisal NOI yield	4.7%

T-32 Unicus Urawamisono (Land)

The underlying land for a community-based NSC developed in "Misono Wing City" in Saitama, a new town with growing population



Location	Saitama, Saitama	Appraisal value	JPY 817 mm
Acquisition price	JPY 732 mm	Appraisal NOI yield	4.6%

4 Assets acquired in the 14th fiscal period

F-4 Kitera Town Fukuoka Nagahama

An NSC that opened in February 2021 in an area with high population growth, neighboring Tenjin area in Fukuoka



Location	Fukuoka, Fukuoka
Acquisition price	JPY 6,000 mm
Appraisal value	JPY 6,100 mm
Appraisal NOI yield	4.7%

5 Assets disposed of in the 12th, 13th and 14th fiscal period

T-4 Daikanyama Address Dixsept

Urban Station-Front SC



Location	Shibuya ward, Tokyo	Disposition price	JPY 6,644 mm
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O-7 Hankyu Oasis HiraKatadeguchi

SM



Location	Hirakata, Osaka	Disposition price	JPY 1,500 mm
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T-5 Unicus Ina (20% quasi-co-ownership interest)

NSC



Location	Kitaadachi-gun, Saitama	Disposition price	JPY 1,048 mm
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Note: 40% of the quasi-co-ownership interest was disposed of in the 12th fiscal period, 30% in the 13th fiscal period and 30% in the 14th fiscal period.



1 Certifications on Environmental Initiatives

Awarded GRESB "Green Star" Rating for six consecutive year

Participated in the GRESB Real Estate Assessment consecutively since its first participation in 2016. Earned four star (out of five star) GRESB Rating in 2021 for three consecutive years. Furthermore, awarded a "Green Star" designation for six consecutive years by achieving high performance both in "Management Component" that evaluates policies and organizational structure for ESG promotion, and "Performance Component" that assesses environmental performance and tenant engagement of properties owned.



The number of certified properties and certified floor area (m²) (as of November 16, 2021)

The number of certified properties	Certified floor area	Ratio (Note)	Target ratio
18	471,976.59m ²	58.6%	60%

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties).

DBJ Green Building Certification

The following 12 properties have been awarded the DBJ Green Building Certification for their environmental initiatives as of November 16, 2021.

Properties with outstanding environmental & social awareness (★★★★)

O-1 Blumer Maitamon

Properties with excellent environmental & social awareness (★★★)

- T-2 MONA Shin-Urayasu
- T-7 Unicus Yoshikawa
- O-5 Carino Esaka
- R-10 Sun Street Hamakita
- T-3 Passaggio Nishiarai
- T-20 Kawamachi Yahagi Mall
- R-1 Roseo Mito
- T-5 Unicus Ina
- O-4 Blumer HAT Kobe
- R-4 Ashico Town Ashikaga

Properties with high environmental & social awareness (★★)

T-19 Yumemachi Narashinodai Mall

Certification for CASBEE for Real Estate

CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives; the evaluation of the environmental quality and performance of buildings themselves and the external environmental load of buildings. As of November 16, 2021, KRR has acquired CASBEE real estate evaluation certification for the following six properties.



Certification rank: S rank

- T-25 Apita Terrace Yokohama Tsunashima
- N-4 Homecenter Kohnan Sunadabashi
- T-31 Kitera Town Chofu
- N-6 Resora Obu Shopping Terrace

Certification rank: A rank

- R-11 Costco Wholesale Sapporo Warehouse
- L-3 Musashi Ranzan Distribution Center

Earned Certification for Building-Housing Energy-efficiency Labeling System (BELS)

"Certification for Building-Housing Energy-efficiency Labeling System (BELS)" is a third-party certification system that grades housing and buildings in accordance with an obligation to make an effort to indicate energy saving performance stipulated in the Act on the Improvement of Energy Consumption Performance of Buildings, based on the Building Energy Index (BEI) values calculated from primary energy consumption volume based on nationally-stipulated performance standards for building energy consumption.

KRR has acquired BELS for the following property.

Certification rank
★★★★★

Apita Terrace Yokohama
Tsunashima



この部分のエネルギー消費量 **53%**削減
2020年12月25日交付 国土交通省告示に基づく第三者認証

2 Environmental initiatives

Organizational changes to further promote ESG initiatives

Sustainability Office	Sustainability Committee	Support for TCFD Recommendations
KFM newly created Sustainability Office, which deals matters relating to sustainability and ESG	KFM newly created Sustainability Committee, which is chaired by the President of KFM, for the purpose of enhancing approaches to sustainability and ESG	KFM has expressed support for the recommendations of TCFD and joined the TCFD consortium

Solar panel installation

We installed solar panels at Unicus Ina, Kawamachi Yahagi Mall and Apita Terrace Yokohama Tsunashima to decrease CO₂ emissions.



Unicus Ina
Power generation capacity:
334.53 kW



Kawamachi Yahagi Mall
Power generation capacity:
302.40 kW



Apita Terrace Yokohama Tsunashima
Power generation capacity:
25.26 kW

Power generation results (Note)

Unicus Ina: 316,135kWh	Kawamachi Yahagi Mall: 327,474kWh	Apita Terrace Yokohama Tsunashima: 27,878kWh
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Note: The figures of Power generation results are for the period October 2020 to September 2021.

3 Social initiatives

Collaboration with local communities

We entered into agreements with Yoshikawa City, Ina Town, and Konosu City can be used as a temporary shelter at times of emergency.



Supporting UNICEF

KRR supports the activity of UNICEF (United Nations Children's Fund) by providing common areas of its properties for their fund-raising campaign.



SDGs children enlightening event

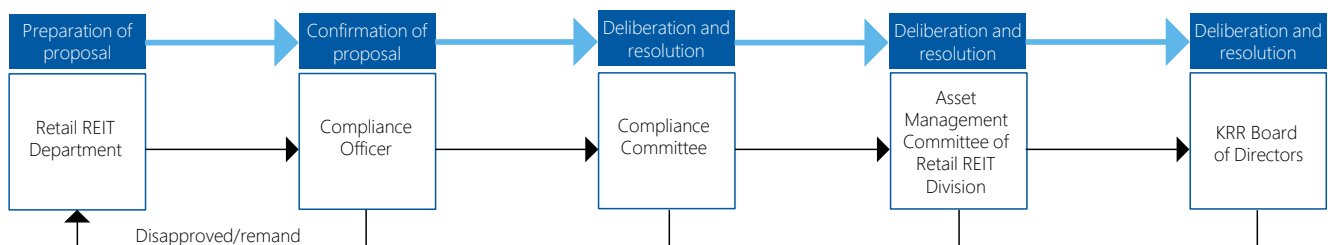
KRR holding an event featuring essence of SDGs such as reduction of waste materials and importance of diversity



4 Governance structure

Decision-making process for acquisition of properties from a related party

When one of the parties involved in the purchase of a property or other transaction is a related-party, the following independent decision-making procedures are applied.



Note: Transactions within the scope of insignificance criteria are excluded from the decision-making process above.



T-20 | NSC

Kawamachi Yahagi Mall

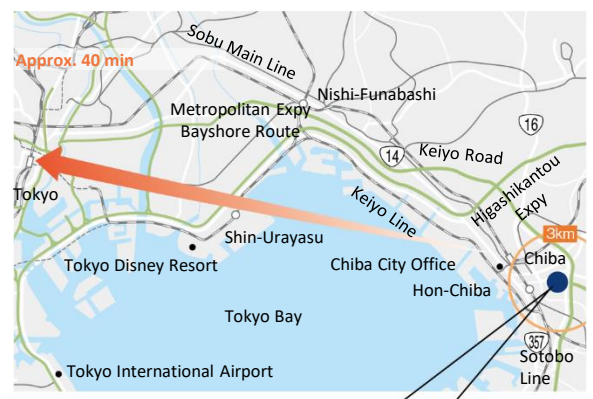
Shipping center for daily needs in Chiba that promotes environmental and social considerations

The Kawamachi Yahagi Mall is a neighborhood shopping center (NSC) located approximately 3km east of Chiba Station, the center of Chiba. It is a shopping center that opened in April 2017 near Chiba Higashi JCT, which provides access to National Road No. 16 (Tokyo Loop Road) linking the Tokyo metropolitan area in a loop. Given the convenience described above, the shopping center deploys flat parking spaces that can accommodate 326 vehicles for a large number of customers by cars from areas including nearby residents.

Based on the 2015 census, the population of the commercial area is approximately 16,000 people in a 1-km radius, 62,000 people in a 2-km radius, and 159,000 people in a 3-km radius. Compared to 2010, the population in 2015 was 106% in a 1-km radius, 104% in a 2-km radius, and 104% in a 3-km radius. Population growth is particularly evident in the vicinity of this facility. In addition, because a prefectural park is located on the south side of this facility, the area has become popular for family households.

This facility consists of three buildings: the main building occupied by ten tenants with a grocery supermarket as its core tenant, the UNIQLO building, and the health club building. The grocery supermarket is Landrome, which is highly supported by local community, with Chiba and Ibaraki as its main market. In addition to specialty stores such as a drugstore, a dollar shop, and an apparel store, there are service-oriented tenants such as a health club, a barbershop, a massage shop, and a mobile phone shop. This tenant structure is convenient for a wide range of households, including child-rearing families. The shopping center attract customers day and night, weekdays and weekends. There are also children attending lessons of the health club in the evening, while their parents shop for dinner. In addition, even amid the COVID-19 pandemic, sales of the entire facility have been stable, and current year sales have exceeded those of both the previous year and two years ago.

On the environmental front, the facility acquired DBJ Green Building Certification in June 2019 as a “property with excellent environmental & social awareness” (Rank ★★★) through energy and resource-saving initiatives, such as installation of LED lighting and water-saving toilets in the facility. In addition, we installed solar panels on the roof of the main building in July 2020, in order to further promote environmental initiatives. All generated electricity is used within the facility, and about 20% of the annual power consumption is provided by the generated electricity. In addition, in support of Chiba’s social initiatives in which parents with infants can shop without worry, the nursing room of this facility is registered as a “Baby Station” and posted on the Chiba website. We will continue to focus on the operation of shopping centers for daily needs, and will work to promote further environmental and social considerations in the operation of facilities.



Acquisition price	JPY 3,097 mm	Gross floor area	5,716.18m ²
Location	Chiba, Chiba	Core tenant	Landrome Japan, Ltd.
Land area	180,010.00m ²		



KRR implements flexible financial strategies, aiming to produce stable profits in the medium to long-term and to steadily grow its portfolio.

1 Financial highlights

	12th FP	13th FP	Oct. 2021
Long-term debt ratio	100.0%	100.0%	100.0%
Fixed interest debt ratio	96.8%	97.7%	97.0%
Weighted average debt maturity	4.4 years	4.4 years	4.4 years
LTV	44.8%	44.1%	44.7%
Number of lenders	12	14	18
Average interest rate	1.00%	0.98%	0.97%

2 Improvement in borrowing terms

	11th FP and 12th FP	13th FP and 14th FP
Average borrowing period	5.7 years	5.9 years
Average interest rate	0.77%	0.67%

3 Credit rating (as of October 31, 2021)

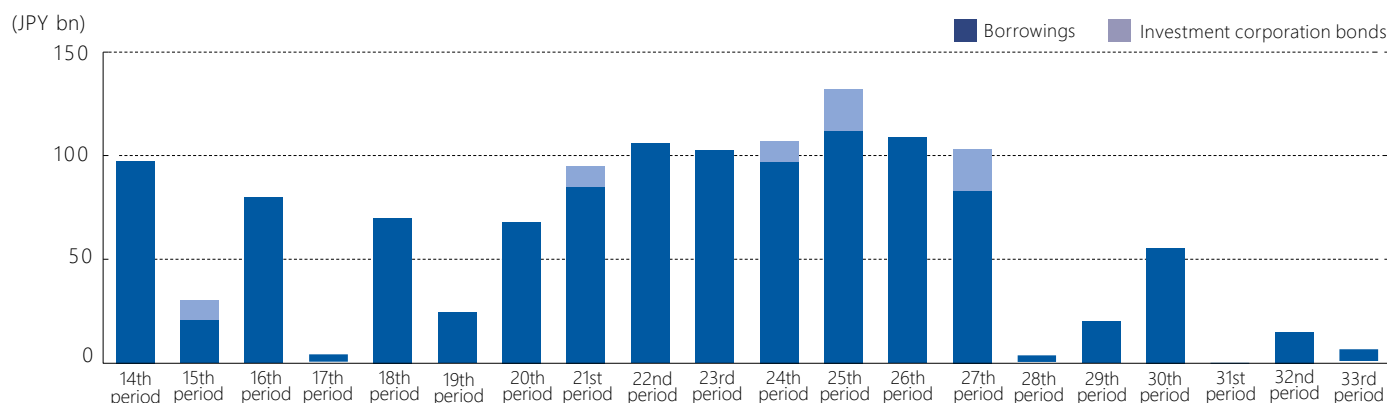
Credit rating (JCR)	Rating Outlook improved from "Stable" to "Positive" (January 2021)
A+ (Positive)	

4 Debt maturity schedule (as of October 31, 2021)

KRR believes that diversified debt maturity schedule will contribute to a stable financing standing.

Debt outstanding JPY 123,300 mm

(excluding interest-bearing tenant leasehold and security deposits)





Total acquisition price

JPY 245,274mm

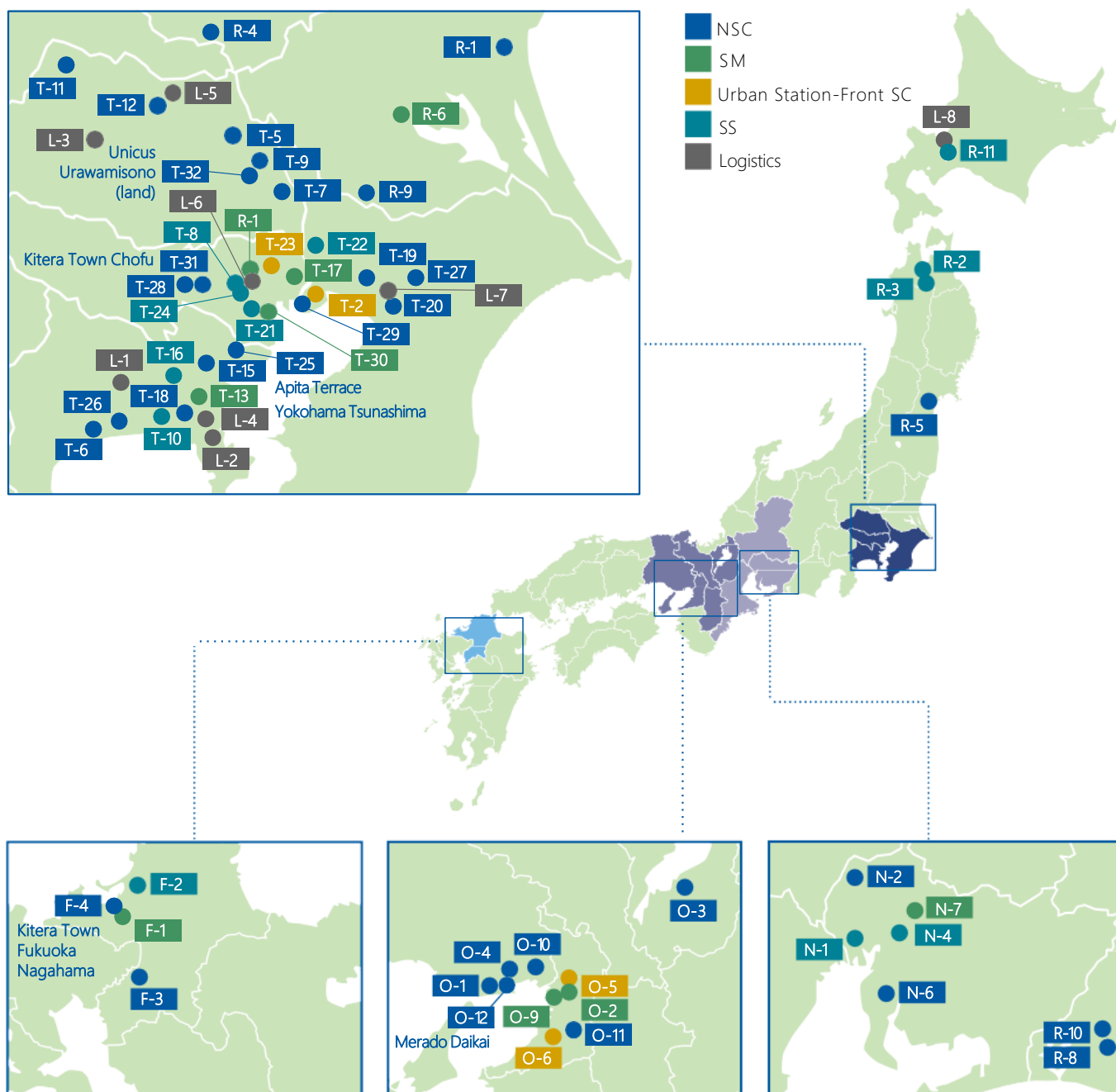
Weighted average occupancy rate

99.6%

Number of tenants

528

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mm)	Occupancy rate (%) (Note 1)	Number of tenants (Note 2)
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	93.9	52
T-3	Passaggio Nishiara	Adachi ward, Tokyo	5,850	98.2	41
T-4	Daikanyama Address Dixsept (30% quasi-co-ownership)	Shibuya ward, Tokyo	1,617	93.8	24
T-5	Unicus Ina (80% quasi-co-ownership)	Kitaadachi-gun, Saitama	3,576	100.0	1
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	100.0	1
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	100.0	10
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	100.0	1
T-9	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	4,815	100.0	1
T-10	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	3,169	100.0	1
T-11	Unicus Kamisato (Land)	Kodama-gun, Saitama	3,000	100.0	1
T-12	Unicus Konosu (Land)	Konosu, Saitama	1,700	100.0	1
T-13	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	1,442	100.0	1
T-15	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	100.0	1
T-16	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	100.0	2
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	100.0	1
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	100.0	1
T-25	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	11,567	100.0	1
T-26	Kalsa Hiratsuka	Hiratsuka, Kanagawa	5,980	100.0	3
T-27	Monenosato Mall	Yotsukaido, Chiba	2,753	100.0	11
T-28	Chofu Center Building (Retail wing)	Chofu, Tokyo	2,300	100.0	3
T-29	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	2,248	100.0	1
T-30	Comfort Market Nishi-Magome	Ota ward, Tokyo	1,920	100.0	1
T-31	Kitera Town Chofu	Chofu, Tokyo	10,500	96.4	26
T-32	Unicus Urawamisono (Land)	Saitama, Saitama	732	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	98.9	50
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	2,140	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	97.8	39
O-5	Carino Esaka	Suita, Osaka	6,555	98.6	29
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	100.0	1
O-9	Life Nishi-Tengachaya	Osaka, Osaka	1,505	100.0	1
O-10	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	100.0	1
O-11	Habikigaoka Shopping Center	Habikino, Osaka	2,000	100.0	2
O-12	Merado Daikai	Kobe, Hyogo	5,440	100.0	7
N-1	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	100.0	1
N-4	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	7,140	100.0	1
N-6	Resora Obu Shopping Terrace	Obu, Aichi	7,911	98.6	42
N-7	Valor Nakashidami (Land)	Nagoya, Aichi	2,551	100.0	1
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	100.0	1
F-2	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	100.0	1
F-3	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	100.0	4
R-1	Roseo Mito	Mito, Ibaraki	10,046	100.0	23
R-2	K's Denki Aomori Honten	Aomori, Aomori	1,469	100.0	1
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	100.0	1
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	99.2	29
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mm)	Occupancy rate (%) (Note 1)	Number of tenants (Note 2)
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1
R-8	P-1 Plaza Tenno	Hamamatsu, Shizuoka	4,010	100.0	7
R-9	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	4,111	100.0	1
R-10	Sun Street Hamakita (90% quasi-co-ownership)	Hamamatsu, Shizuoka	10,746	98.6	49
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	100.0	1
L-1	Zama Distribution Center	Zama, Kanagawa	1,400	100.0	1
L-2	Oppama Distribution Center	Yokosuka, Kanagawa	1,300	100.0	1
L-3	Musashi Ranzan Distribution Center (90% quasi-co-ownership)	Hiki-gun, Saitama	3,879	100.0	1
L-4	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	918	100.0	2
L-5	Gyoda Distribution Center	Gyoda, Saitama	3,160	100.0	1
L-6	Shinjuku Nihochiai Distribution Center	Shinjuku ward, Tokyo	810	100.0	1
L-7	Chiba-kita Distribution Center	Chiba, Chiba	1,250	100.0	1
L-8	Sapporo Shiroishi Distribution Center	Sapporo, Hokkaido	800	100.0	1
Total			245,274	99.6	528

Note 1: "Occupancy rate" is as of September 30, 2021.

Note 2: "Number of tenants" indicates the number of end-tenants as of September 30, 2021.

Note 3: Please refer to p.3 for the assets acquired in the 14th fiscal period.



T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiari



T-5 Unicus Ina



T-6 Yorktown Kita-Kaname



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-15 Nakamachidai Tokyu Store



T-16 Central Wellness Club Nagatsuta Minamidai



T-17 Life Kameido



T-18 Totsuka-Fukaya Shopping Center (Land)



T-19 Yumemachi Narashinodai Mall



T-20 Kawamachi Yahagi Mall



T-21 Prime Square Jiyugaoka



T-22 Round1 Ichikawa-Onitaka



T-23 Ozeki Tokiwadai



T-24 Konami Sports Club Shibuya



T-25 Apita Terrace Yokohama Tsunashima



T-26 Kalsa Hiratsuka



T-27 Monenosato Mall



T-28 KDX Chofu Building (Retail wing)



T-29 Across Plaza Urayasu Higashino (Land)



T-30 Comfort Market Nishi-Magome



O-1 Blumer Maitamon



O-2 Life Takadono (Land)



O-3 DCM Kahma MEGA Don Quijote UNY Omihachiman



O-5 Carino Esaka



Note: Please refer p. 3 for the assets acquired in the 13th and 14th fiscal periods and the assets disposed of in the 14th fiscal period.

O-4 Blumer HAT Kobe



O-6 COMBOX Komyoike



O-9 Life Nishi-Tengachaya



O-10 Million Town Tsukaguchi (Land)



O-11 Habikigaoka Shopping Center



N-1 DCM Kahma Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



N-4 Homecenter Kohnan Sunadabashi



N-6 Resora Obu Shopping Terrace



N-7 Valor Nakashidami (Land)



F-1 Sunny Noma



F-2 Round1 Stadium Hakata-Hanmichibashi



F-3 Kurume-Nishi Shopping Center



R-1 Roseo Mito



R-2 K's Denki Aomori Honten



R-3 Super Sports Xebio Aomori-Chuo



R-4 Ashico Town Ashikaga



R-5 Yorktown ShindenHigashi



R-6 Kasumi Technopark Sakura



R-8 P-1 Plaza Tenno



R-9 Seiyu Rakuichi Moriya (Land)



R-10 Sun Street Hamakita



R-11 Costco Wholesale Sapporo Warehouse



L-1 Zama Distribution Center



L-2 Oppama Distribution Center



L-3 Musashi Ranzan Distribution Center



L-4 Yokohama Kamigo Distribution Center



L-5 Gyoda Distribution Center



L-6 Shinjuku Nishiochiai Distribution Center



L-7 Chiba-Kita Distribution Center

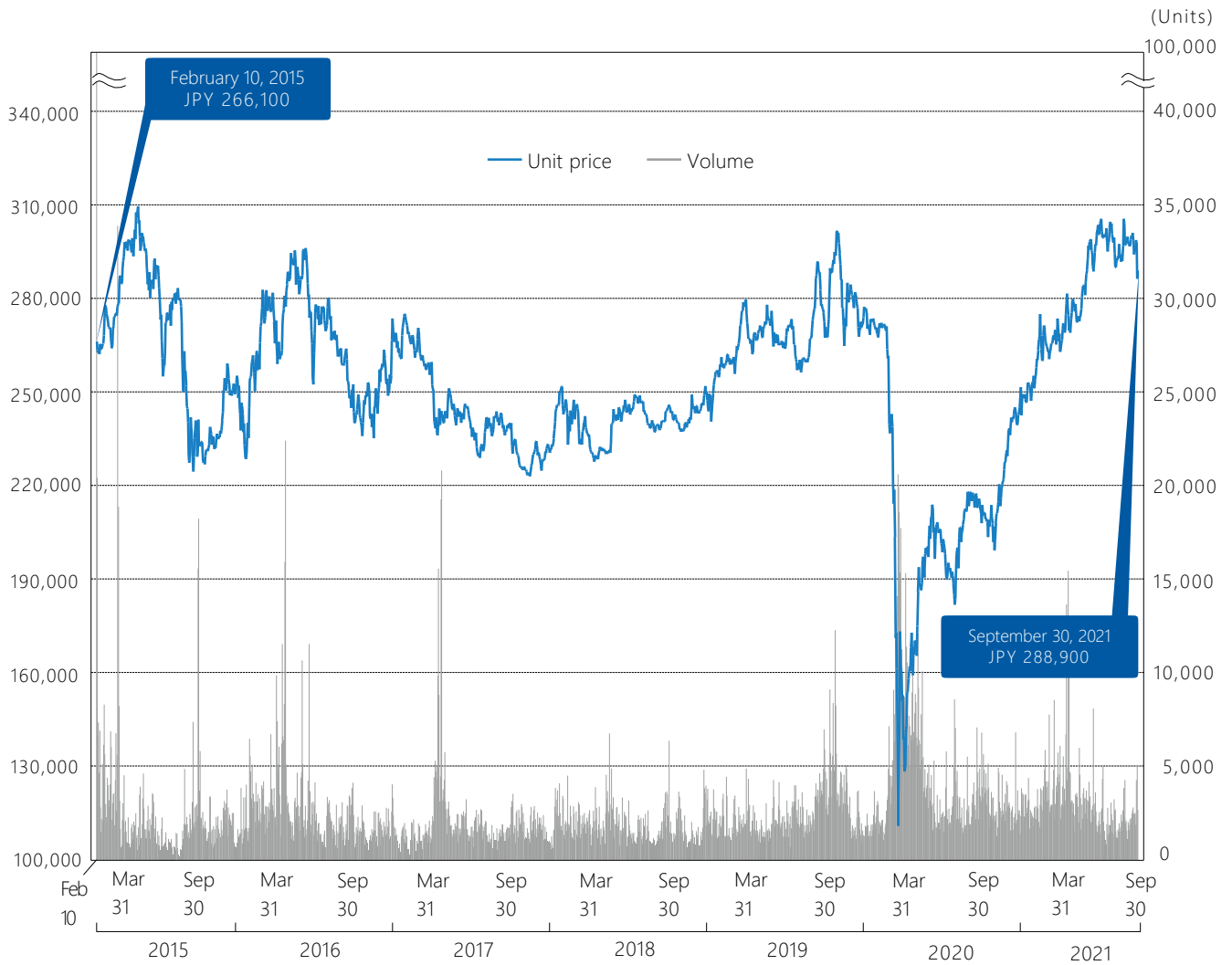


L-8 Sapporo Shiroishi Distribution Center





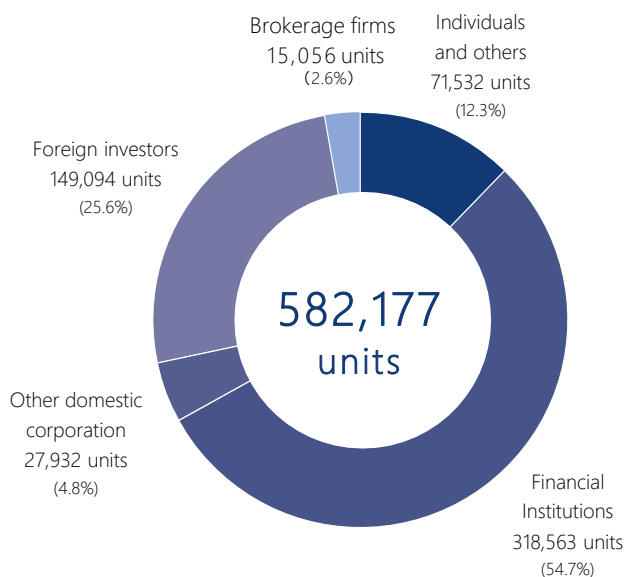
Unit price and trading volume



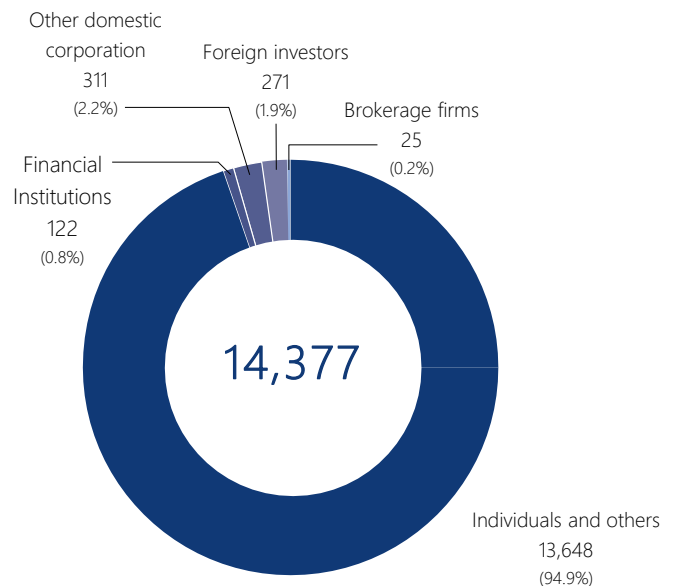
General breakdown of unitholders

As of September 30, 2021

Ownership ratio by investor type



Number of unitholders by investor type



II. ASSET MANAGEMENT REPORT

Overview of Asset Management

(1) Trends in Key Indicators

Fiscal period		9th fiscal period (From April 1, 2019 to September 30, 2019)	10th fiscal period (From October 1, 2019 to March 31, 2020)	11th fiscal period (From April 1, 2020 to September 30, 2020)	12th fiscal period (From October 1, 2020 to March 31, 2021)	13th fiscal period (From April 1, 2021 to September 30, 2021)
Operating revenues	Millions of yen	8,609	8,291	8,398	8,717	9,576
Of which, property-related revenues	Millions of yen	8,367	8,234	8,272	8,263	8,901
Property-related expenses	Millions of yen	4,729	4,189	4,316	4,338	4,694
Of which, property-related expenses	Millions of yen	3,891	3,359	3,479	3,377	3,662
Operating income	Millions of yen	3,879	4,101	4,082	4,379	4,881
Ordinary income	Millions of yen	3,288	3,499	3,505	3,799	4,262
Net income	Millions of yen	3,287	3,498	3,504	3,798	4,261
Total assets	Millions of yen	236,253	249,246	251,655	251,773	272,622
[Period-on-period changes]	%	(-0.7)	(+5.5)	(+1.0)	(+0.0)	(+8.3)
Total net assets	Millions of yen	116,386	124,450	124,308	124,701	137,052
[Period-on-period changes]	%	(-0.1)	(+6.9)	(-0.1)	(+0.3)	(+9.9)
Unitholders' capital ^(Note 2)	Millions of yen	113,399	121,183	121,183	121,183	133,103
Number of investment units issued and outstanding	Units	507,700	536,177	536,177	536,177	582,177
Net assets per unit	Yen	229,242	232,107	231,842	232,575	235,414
Distributions	Millions of yen	3,292	3,503	3,509	3,804	4,266
Distributions per unit	Yen	6,486	6,535	6,546	7,095	7,328
Of which, distributions of earnings	Yen	6,242	6,525	6,270	7,085	7,274
Of which, distributions in excess of retained earnings	Yen	244	10	276	10	54
Ordinary income to total assets ^(Note 3)	%	1.4	1.4	1.4	1.5	1.6
[Annualized] ^(Note 4)	%	(2.8)	(2.9)	(2.8)	(3.0)	(3.2)
Return on net assets ^(Note 5)	%	2.8	2.9	2.8	3.1	3.3
[Annualized] ^(Note 4)	%	(5.6)	(5.8)	(5.6)	(6.1)	(6.5)
Net assets to total assets ^(Note 6)	%	49.3	49.9	49.4	49.5	50.3
[Period-on-period changes]	%	(+0.3)	(+0.7)	(-0.5)	(+0.1)	(+0.7)
Operating days	Days	183	183	183	182	183
Payout ratio ^(Note 7)	%	96.4	100.0	95.9	100.0	99.4
Number of properties		55	62	62	64	66
Leasable area	m ²	850,456.06	945,177.87	941,020.65	956,496.64	997,493.50
Number of tenants ^(Note 8)		480	496	496	502	528
Occupancy ratio	%	98.9	99.4	99.7	99.8	99.6
Depreciation expense	Millions of yen	1,019	1,024	1,040	1,068	1,166
Capital expenditures	Millions of yen	791	475	544	543	628
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	5,494	5,899	5,833	5,954	6,405
FFO (Funds from operation) ^(Note 10)	Millions of yen	4,093	4,498	4,431	4,426	4,774
FFO per unit ^(Note 11)	Yen	8,063	8,389	8,265	8,254	8,200

Note 1: Figures above are rounded down for monetary amounts and rounded to the nearest tenth for ratios.

Note 2: Distributions in excess of earnings for the allowance for temporary difference adjustments are not considered.

Note 3: Ordinary income to total assets = Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2} × 100

Note 4: For the first fiscal period, annualized as if the operation began from February 10, 2015, when the actual operation began.

Note 5: Return on net assets = Net income / {(Net assets at beginning of period + Net assets at end of period) / 2} × 100

Note 6: Net assets to total assets = Net assets at end of period / Total assets at end of period × 100

Note 7: Payout ratio = Total distributions (excluding excess of earnings) / Net income × 100

When calculated as follows, the payout ratio is 100.2% for the period ended September 30, 2019, 100.2% for the period ended March 31, 2020, 100.1% for the period ended September 30, 2020, 100.1% for the period ended March 31, 2021 and 100.1% for the period ended September 30, 2021

Payout ratio = Total distributions (including excess of earnings) / Net income × 100

Note 8: As for building tenants, if a tenant leases multiple spaces in a building, each space is counted as one tenant. In a pass-through type master lease, the number of end-tenants is shown in parentheses. In a sublease type master lease, the number of master lessee is shown.

Note 9: Rental NOI = Property-related revenues - Property-related expenses + Depreciation expenses

Note 10: FFO = Net income + Depreciation + Amortization - Gain on sale of property + Loss on sale of property

Note 11: FFO per unit = FFO / Number of investment units issued and outstanding

(2) Status of Asset Management

(Overview of the Fiscal Period ended September 30, 2021)

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 fiscal period ended September 30, 2021 was 582,177 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 KRR’s management purposes and ease of classification, KRR defines shopping centers for daily needs as retail properties that generally have the following characteristics:

- a. 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
- b. Operational capacity to accommodate certain daily local retail needs and strong customer traffic on both weekdays and weekends
- c. 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

During the fiscal year under review, the Japanese economy continued to show signs of recovery, including improvements in corporate capital spending. However, conditions remained challenging with weak consumer spending, particularly in service spending, due to the impact of COVID-19 and the accompanying state of emergency declarations.

Shopping centers for daily needs, in which KRR focuses its investment, sales of service-oriented tenants including restaurants and some apparel stores have been declining amid the COVID-19 pandemic, but specialty stores such as supermarkets and home & garden stores that cater to the day-to-day needs of customers are expected to maintain steady demand. However, there have been some signs of instability, partly due to expectations of tapering of monetary easing in the United States.

In the real estate trading market, some investors initially took a cautious stance toward real estate investment due to the spread of the COVID-19. However, investors' willingness to invest in real estate has been recovering against the backdrop of monetary easing policies in Japan and overseas, and active transactions are taking place.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired four assets (Unicus Urawamisono (Land) with acquisition price (Note 1) of 732 million yen, Kitera Town Chofu with acquisition price of 10,500 million yen, Merado Daikai with acquisition price of 5,440 million yen and Apita Terrace Yokohama Tsunashima (49% trust beneficiary quasi co-ownership interests) with acquisition price of 5,667 million yen). KRR disposed of three assets (Daikanyama Address Dixsept (30% trust beneficiary quasi co-ownership interests) with sale price (Note 2) of 1,993 million yen (acquisition price was 1,617 million yen), Unicus Ina (20% trust beneficiary quasi co-ownership interests) with sale price of 1,048 million yen (acquisition price was 894 million yen) and Hankyu Oasis Hirakatadeguchi with sale price of 1,500 million yen (acquisition price was 1,280 million yen)).

As a result, the portfolio at the end of the period under review (September 30, 2021) consists of 66 properties with the total acquisition price of 245,274 million yen.

Note 1: “Acquisition price” represents the amount specified in the purchase and sale 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 asset.

Note 2: “Sale price” represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, etc.) required in the sale of the asset.

(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 (September 30, 2021) (Note 1). 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 and distribution centers 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 (Note 2) for rental income. By using these measures, KRR aims 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 528 end-tenants (Note 3) in KRR’s retail properties and distribution centers.

Note 1: On December 1, 2020, KRR disposed of a quasi-co-ownership interest (40% equity interest) in the trust beneficiary interest of Daikanyama Address Dixsept, and accordingly, the PM businesses of the property have been entrusted to persons other than the Asset Manager.

Note 2: “Upside potential” represents feasibility of rental income or cash flow growth.

Note 3: The number of end-tenants is the sum of the number of end-tenants in a pass-through type master lease and the number of master lessees in a sublease type master lease.

(C) Financing

When financing to acquire properties, KRR seeks to achieve the proper balance between financial stability and 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 issued a total of 43,800 new units offered on April 20, 2021, and raised 11,350 million yen that was used to partially fund the acquisition of properties. In addition, 2,200 units were issued through third party allotment on May 18, 2021, raising 570 million yen, which is retained and will be used to fund part of the acquisition of properties or repayment of borrowings in the future. Due to these activities, unitholders' capital increased to 133,103 million yen as of September 30, 2021.

(Debt Finance)

During the fiscal period under review, KRR borrowed 7,500 million yen for the acquisition of properties and 7,200 million yen for refinancing. Consequently, borrowings totaled 112,300 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 120,300 million yen at the end of the fiscal period under review (September 30, 2021).

When undertaking borrowings, KRR seeks to spread out repayment dates and lengthen borrowing periods. KRR may use swaps to fix the interest payments to hedge against the risk of a rise in interest rates.

As a result, the average maturity of debt is 4.4 years, the weighted average interest rate is 0.98%, the long-term debt ratio (Note 1) is 100.0% and the LTV ratio (Note 2) is 44.1%.

Note 1: Long-term debt ratio = (Long-term borrowings + Investment corporation bonds) / (Borrowings + Investment corporation bonds)

Note 2: LTV ratio = (Loans payable + Investment corporation bonds) / Total assets

(Credit Ratings)

The status of the credit ratings as of September 30, 2021 is as follows.

Credit rating agency	Details of the ratings	
	Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating
Rating on bonds		A+

(Shelf Registration)

KRR filed a shelf registration statement for investment corporation bonds (excluding short-term investment corporation bonds) on October 1, 2020. Details are as follows.

Planned issue amount	100,000,000,000 yen
Planned issuance period	October 9, 2020 to October 8, 2022
Use of funds	Acquisition funds for specified assets (as defined in Article 2, Paragraph 1 of the Investment Trust Law), repayment funds for borrowings, repayment funds for investment corporation bonds (including short-term investment corporation bonds), refund funds for lease and guarantee deposits, funds to pay for repairs and maintenance, working capital, etc.

iv) Results of Operations

For this period, revenue was 9,576 million yen, operating income was 4,881 million yen, ordinary income was 4,262 million yen and net income was 4,261 million 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 31,437,558 yen allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No.47 of 2006, including subsequent amendments.)) 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 (a) of the Ordinance on Accountings of Investment Corporations) and the item deduced from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 54 yen.

Consequently, the distribution per unit was 7,328 yen (of which the distribution in excess of earnings per unit was 54 yen).

(3) Changes in Investment Units Issued and Outstanding

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

Date	Type of issue	Total number of units issued and outstanding (units)		Unitholders' capital (in million yen) (Note 7)		Notes
		Increase	Balance	Increase	Balance	
April 18, 2017	Public offering	81,250	503,700	18,244	112,500	(Note 1)
May 17, 2017	Capital increase through third-party allocation	4,000	507,700	898	113,399	(Note 2)
October 23, 2019	Public offering	27,300	535,000	7,462	120,861	(Note 3)
November 14, 2019	Capital increase through third-party	1,177	536,177	321	121,183	(Note 4)
April 20, 2021	Public offering	43,800	579,977	11,350	132,533	(Note 5)
May 18, 2021	Capital increase through third-party allocation	2,200	582,177	570	133,103	(Note 6)

Note 1: Issued at issue price of 232,537 yen per unit (issue amount of 224,547 yen per unit) for acquisition of new properties.

Note 2: Issued at issue amount of 224,547 yen per unit for repayment of borrowings.

Note 3: Issued at issue price of 282,847 yen per unit (issue amount of 273,360 yen per unit) for acquisition of new properties.

Note 4: Issued at issue amount of 273,360 yen per unit for part of future purchase funds for specified assets or repayment of borrowings.

Note 5: Issued at issue price of 267,930 yen per unit (issue amount of 259,136 yen per unit) for acquisition of new properties.

Note 6: Issued at issue amount of 259,136 yen per unit for part of future purchase funds for specified assets or repayment of borrowings.

Note 7: Distributions in excess of earnings for the allowance for temporary difference adjustments are not considered.

(Changes in Unit Price at Tokyo Stock Exchange)

The highest and lowest closing prices of the investment units listed on J-REIT section of the Tokyo Stock Exchange for each fiscal period are as follows.

Fiscal period	9th fiscal period	10th fiscal period	11th fiscal period	12th fiscal period	13th fiscal period
For the period ended	September 30, 2019	March 31, 2020	September 30, 2020	March 31, 2021	September 30, 2021
Highest	JPY 291,800	JPY 301,500	JPY 218,000	JPY 274,900	JPY 305,500
Lowest	JPY 256,300	JPY 110,900	JPY 128,300	JPY 199,200	JPY 262,900

(4) Distributions

The distribution of earnings for the 13th fiscal period is 7,274 yen per unit. In order to maintain KRR's favorable tax treatment, which is available to J-REITs under Article 67-15 of the Special Taxation Measures Act, KRR intends to distribute most of KRR's retained earnings.

Furthermore, KRR made a distribution in excess of earnings for the allowance for temporary adjustment 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 and the item deducted from net asset in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 54 yen.

Consequently, the distribution per unit for the fiscal period, including the excess distribution, was 7,328 yen (of which the distribution in excess of earnings per unit was 54 yen).

(in thousands of yen)

Fiscal period For the period ended	9th fiscal period September 30, 2019	10th fiscal period March 31, 2020	11th fiscal period September 30, 2020	12th fiscal period March 31, 2021	13th fiscal period September 30, 2021
Unappropriated retained earnings	3,455,496	3,784,993	3,716,853	4,153,672	4,511,908
Retained earnings carried forward	286,433	212,121	355,023	250,664	277,152
Total distributions	3,292,942	3,503,916	3,509,814	3,804,175	4,266,193
[Distributions per unit]	[6,486 yen]	[6,535 yen]	[6,546 yen]	[7,095 yen]	[7,328 yen]
Of which, distributions of earnings	3,169,063	3,498,554	3,361,829	3,798,814	4,234,755
[Distributions of earnings per unit]	[6,242 yen]	[6,525 yen]	[6,270 yen]	[7,085 yen]	[7,274 yen]
Of which, distributions in excess of retained earnings	123,878	5,361	147,984	5,361	31,437
[Distributions in excess of retained earnings per unit]	[244 yen]	[10 yen]	[276 yen]	[10 yen]	[54 yen]
Total distributions in excess of earnings for the allowance for temporary adjustment	123,878	5,361	147,984	5,361	31,437
[Distributions per unit]	[244 yen]	[10 yen]	[276 yen]	[10 yen]	[54 yen]
Total distributions in excess of earnings from the unitholders' capital for tax purposes	—	—	—	—	—
[Distributions per unit]	[—]	[—]	[—]	[—]	[—]

(5) Management Policy and Issues to be Addressed

Outlook for Asset Management

It is considered necessary to pay attention to the uncertainties in the Japanese economy, such as stagnation of economic activities due to a possible rebound in COVID-19 cases, despite the reduction in the number of COVID-19 cases and the lifting of the fourth state of emergency declaration in September 2021.

As for Japan's retail environment, sales at service-oriented stores including restaurants, and some apparel stores have declined due to the COVID-19 pandemic, and continued caution is needed in this environment. On the other hand, even in an environment marked by the pandemic, specialty stores such as supermarkets and home & garden that cater to the day-to-day needs of customers are expected to maintain steady demand.

Under these circumstances, based on the following management policies, KRR will implement appropriate management with the aim of securing stable rental income, steadily growing assets, and building an appropriate financial base from a medium-to long-term perspective.

(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 (Note), including Kenedix, Inc., the parent company of KFM. We also receive support from our Alliance Companies: Sumitomo Mitsui Finance and Leasing Co., Ltd., SMFL MIRAI Partners Co., Ltd., both of which are also KFM's parent companies, 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, location, profitability and the tenant mix. By using this selection process, 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 carefully selected distribution centers, which supplement retail facilities in providing goods to consumers. In addition, we invest in land ownership interests underlying retail properties. Regarding land-only properties, 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 the acquisition of preferential negotiation rights and opportunities for additional revenues, 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. KRR believes that implementing integrated asset and property management services makes it possible to properly manage retail properties and distribution centers and pursue internal growth. Furthermore, this integrated management framework facilitates activities to enliven local communities where KRR's 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
- Implementing distribution center management

"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 KRR's in-house property management services

KFM provides property management services for all of KRR's properties. KRR does 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, KRR uses direct contact with tenant companies at our properties in order to strengthen tenant relationships and make properties more profitable. To this end, KRR maintains periodic communication with tenants and perform questionnaire surveys to customers for monitoring of market conditions, so that KRR 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 KRR has discovered points that require attention, KRR takes 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 improve the profitability and value of its portfolio through proper management of retail properties.

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

KRR 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

KRR will use the extensive knowledge involving retail properties of the Kenedix Group and KRR's 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 KRR's financial position and other factors. By increasing space that can be leased, KRR aims 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 (Act No.201 of 1950, including subsequent amendments.) and applied to each retail property in accordance with the Building Standards Act, City Planning Act (Act No.100 of 1968, including subsequent amendments.) 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 KRR's properties, KRR seeks tenants that provide services, holds community involved events and uses other measures to help enliven the local communities where KRR's properties are located. KRR believes these activities will contribute to the medium to long-term growth in the asset value of these properties.

Implementing distribution center management

Since tenants of distribution centers that KRR invests may belong to the same business sectors as the tenants occupying KRR's retail properties, KRR utilizes KRR's relationship with KRR's retail tenants in building up KRR's relationship with tenants of distribution centers. KRR believes these tenant relationships will contribute to the long-term management of these distribution centers.

(C) Financing

KRR 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. KRR's goal is to select financing methods that result in the optimum balance between financial stability and the financing cost.

(D) Disclosure of Information

KRR's 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 possible. KRR also distribute information with awareness on ESG (Environmental, Social and Governance) for sustainable growth of unitholder interest. KRR uses TDnet (Timely Disclosure network) and press releases to meet the timely-disclosure requirements of the Tokyo Stock Exchange. In addition, KRR proactively posts information on its website (<https://www.krr-reit.com/en/>).

(E) Conflicts of Interest

In managing KRR's assets, KFM has established Retail REIT Department Related-party Transactions Rules, and KFM abides by the rules in conducting related-party transactions. In addition to managing the assets of KRR, KFM provides asset management services to other REITs, which may incur conflicts of interests in acquisition of assets. In order to prevent the improper allocation of acquisition opportunities, 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, and thus, managing conflicts of interest among the REITs managed by KFM. Through these measures, KFM is taking suitable actions regarding conflicts of interest.

(6) Important Subsequent Events

Not applicable

(Reference Material)

(A) Acquisition of Assets

KRR acquired following asset.

Property number	Property type (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 3)	Appraisal value (million yen) (Note 4)	Acquisition date
F-4	NSC	Kitera Town Fukuoka Nagahama	Fukuoka, Fukuoka	G.K. FRP	6,000	6,100	October 1, 2021

Note 1: Properties are categorized into the following six types of properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center), SS (Specialty Store) and L (Logistics facility).

Note 2: "Acquisition price" represents the amount specified in the purchase and sale 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 asset.

Note 3: Appraisal values are as of September 1, 2021.

(B) Disposition of Assets

KRR disposed of the following asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note 1)	Sale date
T-4	Urban Station-Front SC	Daikanyama Address Dixsept (30% quasi co-ownership interests)	Shibuya ward, Tokyo	Undisclosed (Note 2)	1,993	October 1, 2021

Note 1: "Sale price" represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, etc.) required in the sale of the asset.

Note 2: Undisclosed as KRR has not obtained consent from the seller.

(C) Financing

KRR borrowed 3,000 million yen (Series 43) on October 1, 2021 for the acquisition of assets.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	9th fiscal period (From April 1, 2019 to September 30, 2019)	10th fiscal period (From October 1, 2019 to March 31, 2020)	11th fiscal period (From April 1, 2020 to September 30, 2020)	12th fiscal period (From October 1, 2020 to March 31, 2021)	13th fiscal period (From April 1, 2021 to September 30, 2021)
Total number of authorized investment units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	507,700 units	536,177 units	536,177 units	536,177 units	582,177 units
Unitholders' capital	113,399 million yen	121,183 million yen	121,183 million yen	121,183 million yen	133,103 million yen
Number of unitholders	10,907	13,558	13,941	13,852	14,377

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of September 30, 2021.

Name	Address	Number of units held (Units)	Ratio (%) (Note)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	127,557	21.91
CUSTODY BANK OF JAPAN, LTD. (Trust Acct.)	1-8-12 Harumi, Chuo-ku, Tokyo	53,805	9.24
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	28,788	4.94
CUSTODY BANK OF JAPAN, LTD. (Securities Investment Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	22,396	3.84
KENEDIX, INC.	2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo	16,950	2.91
SSBTC CLIENT OMNIBUS ACCOUNT	3-11-1 Nihonbashi, Chuo-ku, Tokyo Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd.	14,321	2.45
STATE STREET BANK WEST CLIENT- TREATY 505234	Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	10,815	1.85
AOZORA BANK, LTD.	6-1-1 Kojimachi, Chiyoda-ku, Tokyo	8,026	1.37
STATE STREET BANK AND TRUST COMPANY 505103	Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	7,732	1.32
JP MORGAN CHASE BANK 385781	Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	7,454	1.28
Total		297,844	51.16

Note: "Ratio" is the ratio to total number of units issued and outstanding, rounded down to the second decimal place.

(3) Matters Concerning Directors and Auditor

i) Executive Director, Supervisory Director, and Independent Auditor as of September 30, 2021

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director	Moyuru Watanabe	Director & COO, Head of Retail REIT Department, KFM	1,500
Supervisory Director (Note 1)	Yoshitoshi Yasu	Yoshitoshi Yasu Certified Public Accountant / Tax Accountant Office Director and audit committee member (outside director) of Loop Inc. Outside director of YOKU MOKU Holdings Co., Ltd.	1,500
	Akiko Yamakawa	Partner of Vanguard Lawyers Tokyo External Audit & Supervisory Board Member of TIS Inc.	1,500
Independent Auditor	Ernst & Young ShinNihon LLC	—	14,800 (Note 2)

Note 1: Although supervisory directors are concurrently officers in corporations other than the ones stated above, there are no conflicts of interest between KRR and any other corporations, including those stated above.

Note 2: Compensation for independent auditors includes compensation for preparing a comfort letter for the issuance of new investment units.

ii) Policy on Decisions to Terminate or not Reappoint the Accounting Auditor

The KRR Board of Directors will consider the termination of the Accounting Auditor pursuant to the provisions of the Investment Trust Act of Japan. The directors will also consider not reappointing the Accounting Auditor after examining the quality of audits, compensation for auditing and other applicable items.

(4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of September 30, 2021 are as follows.

Operational role	Name
Asset manager	Kenedix Real Estate Fund Management, Inc.
Asset custodian	Mizuho Trust & Banking Co., Ltd.
Unitholders' register agent	Mizuho Trust & Banking Co., Ltd.
General administrator	Mizuho Trust & Banking Co., Ltd.
Financial agent for investment corporation bonds	Sumitomo Mitsui Trust Bank, Ltd. MUFG Bank, Ltd.

Status on Investment Properties

(1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	12th fiscal period as of March 31, 2021		13th fiscal period as of September 30, 2021	
			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	Shopping centers for daily needs	Tokyo metropolitan area	94,736	37.6	109,236	40.1
		Greater Osaka area	46,036	18.3	50,227	18.4
		Greater Nagoya area	21,959	8.7	21,859	8.0
		Fukuoka area	7,855	3.1	7,815	2.9
		Ordinance-designated cities, core cities and other areas	43,765	17.4	43,671	16.0
	Other retail properties	—	—	—	—	
	Distribution centers	—	10,049	4.0	9,983	3.7
Total of trust beneficiary interests in real estate			224,402	89.1	242,793	89.1
Real estate	Distribution centers	—	3,684	1.5	3,675	1.3
Total of real estate			3,684	1.5	3,675	1.3
Bank deposits and other assets			23,686	9.4	26,152	9.6
Total assets			251,773	100.0	272,622	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 KRR believes will have suitable customer traffic from surrounding areas.

Note 2: “Total amount held” is the amount allocated in the balance sheets as of the end of fiscal period (figures are on a net book value basis after deducting depreciation), and is rounded down to the nearest million yen.

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

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of September 30, 2021.

Property Number	Property name	Book value (million yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio to total rental revenue (%) (Note 4)	Primary use
T-25	Apita Terrace Yokohama Tunasima	11,601	44,568.05	44,568.05	100.0	— (Note 6)	Retail
O-4	Blumer HAT Kobe	11,154	23,775.88	23,261.53	97.8	5.2	Retail
T-31	Kitera Town Chofu	10,621	10,665.73	10,280.31	96.4	4.1	Retail
R-10	Sun Street Hamakita	10,570	48,697.31 (Note 5)	48,004.76 (Note 5)	98.6	5.9	Retail
R-1	Roseo Mito	9,622	48,296.15	48,296.15	100.0	4.3	Retail
T-2	MONA Shin-Urayasu	9,070	9,955.84	9,352.76	93.9	5.4	Retail
O-1	Blumer Maitamon	8,372	30,290.85	29,948.33	98.9	5.5	Retail
N-6	Resora Obu Shopping Terrace	8,013	19,909.33	19,634.11	98.6	3.2	Retail
O-5	Carino Esaka	6,875	7,542.69	7,440.84	98.6	3.3	Retail
N-4	Homecenter Kohnan Sunadabashi	6,806	20,329.07	20,329.07	100.0	— (Note 6)	Retail
Total		92,709	264,030.90	261,115.91	98.9	— (Note 6)	

Note 1: "Leasable area" is equivalent to gross floor area of space that KRR considers 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 September 30, 2021. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of September 30, 2021 is shown. As for sublease type master leases, the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of September 30, 2021, rounded to the nearest tenth.

Note 4: "Ratio to total rental revenue" is calculated by rental revenue each property divided by total rental revenue.

Note 5: The area that KRR owns exclusively as proportion to the co-ownership interest (co-ownership ratio: 90%).

Note 6: KRR has not obtained consent from the tenant(s) to release this information.

(3) Overview of the Portfolio

[Overview of Assets Owned]

The following summarizes the real estate or the real estate properties in trust owned by KRR as of September 30, 2021.

Area	Property number	Property type (Note 1)	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in million yen)	Evaluation value (in million yen) (Note 3)
T	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	9,070	9,700
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,657	6,570
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept (Note 5)	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	1,602 (Note 4)	1,872 (Note 4)
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	3,468 (Note 4)	4,216 (Note 4)
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,839	4,350
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,488	3,870
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,428	2,770
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,560
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,450
	T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,050
	T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,790
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,380
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,290	3,740
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,725	1,780
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,475	1,480
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,340
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,355	3,480
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,104	3,250
	T-21	SS	Prime Square Jiyugaoka	Meguro ward, Tokyo	Trust beneficiary interest in real estate	2,995	2,820
	T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,827	1,950
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,268	1,340
	T-24	SS	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,603	3,380
	T-25	NSC	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	Trust beneficiary interest in real estate	11,601	12,100
	T-26	NSC	Kalsa Hiratsuka	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	5,974	6,050
	T-27	NSC	Monenosato Mall	Yotsukaido, Chiba	Trust beneficiary interest in real estate	2,841	2,940
	T-28	NSC	KDX Chofu Building (Retail wing)	Chofu, Tokyo	Trust beneficiary interest in real estate	2,403	2,410
	T-29	NSC	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	Trust beneficiary interest in real estate	2,283	2,310
	T-30	SM	Comfort Market Nishi-Magome	Ota ward, Tokyo	Trust beneficiary interest in real estate	1,997	2,040
	T-31	NSC	Kitera Town Chofu	Chofu, Tokyo	Trust beneficiary interest in real estate	10,621	11,400
	T-32	NSC	Unicus Urawamisono (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	748	817

Area	Property number	Property Type (Note 1)	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in million yen)	Evaluation value (in million yen) (Note 3)	
O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,372	9,600	
	O-2	SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,200	
	O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,101	2,590	
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,154	11,100	
	O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,875	7,320	
	O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,140	6,450	
	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,525	1,720	
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	4,070	
	O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	Trust beneficiary interest in real estate	2,054	2,020	
	O-12	NSC	Merado Daikai	Kobe, Hyogo	Trust beneficiary interest in real estate	5,502	5,790	
	N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,690
		N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,099	2,360
N-4		SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	6,806	7,510	
N-6		NSC	Resora Obu Shopping Terrace	Obu, Aichi	Trust beneficiary interest in real estate	8,013	7,050	
N-7		SM	Valor Nakashidami (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,587	2,560	
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,367	1,650	
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	4,908	5,800	
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,538	1,840	
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,622	12,000	
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,423	1,520	
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	854	912	
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,406	4,930	
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,210	2,570	
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	920	982	
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,130	4,350	
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,280	
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,570 (Note 4)	10,980 (Note 4)	
	R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Trust beneficiary interest in real estate	4,212	4,430	
	—	L-1	L	Zama Distribution Center	Zama, Kanagawa	Real estate	1,467	1,750
L-2		L	Oppama Distribution Center	Yokosuka, Kanagawa	Real estate	1,339	1,650	
L-3		L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	Trust beneficiary interest in real estate	3,762 (Note 4)	4,250 (Note 4)	
L-4		L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	Trust beneficiary interest in real estate	964	1,040	
L-5		L	Gyoda Distribution Center	Gyoda, Saitama	Trust beneficiary interest in real estate	3,178	3,590	
L-6		L	Shinjuku Nishiochiai Distribution Center	Shinjuku ward, Tokyo	Real estate	869	842	
L-7		L	Chiba-Kita Distribution Center	Chiba, Chiba	Trust beneficiary interest in real estate	1,253	1,340	
L-8		L	Sapporo Shiroishi Distribution Center	Sapporo, Hokkaido	Trust beneficiary interest in real estate	825	1,030	
Total						246,469	263,971	

Note 1: Properties are categorized into the following six types of properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center), SS (Specialty Store) and L (Logistics facility).

We categorize shopping centers for daily needs as follows.

Type of shopping centers for daily needs	Features	Trade area
NSC (Neighborhood Shopping Centers)	Shopping centers with a supermarket as an anchor or core tenant and several specialty store tenants	3km-5km
SM (Supermarkets)	Stand-alone stores that primarily provide groceries, with a retail trade area	3km
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	5km-10km
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	3km-10km
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	1km-10km

“T”, “O”, “N”, “F” and “R” hereinafter refers to Tokyo metropolitan area, the Greater Osaka area, the Greater Nagoya area, the Fukuoka area and Ordinance-designated cities, core cities and other areas, respectively.

- Note 2: “Location” indicates the residential address. For those without a residential address, the building or land address on the registry 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: The amount and proportion of quasi co-ownership interests that KRR owns are shown.
- Note 5: KRR disposed of a quasi-co-ownership interest (40% a quasi-co-ownership interest) in the trust beneficiary interest of Daikanyama Address Dixsept on December 1, 2020, a quasi-co-ownership interest (30% a quasi-co-ownership interest) on April 1, 2021, and a quasi-co-ownership interest (30% a quasi-co-ownership interest) on October 1, 2021.

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	12th fiscal period as of March 31, 2021				13th fiscal period as of September 30, 2021			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)
T	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(53)	94.6	486	5.9	1(52)	93.9	478	5.4
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(41)	100.0	292	3.5	1(41)	98.2	298	3.3
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(26)	97.2	186	2.3	1(24)	93.8	75	0.8
	T-5	NSC	Unicus Ina (Note 4)	1	100.0	142	1.7	1	100.0	115	1.3
	T-6	NSC	Yorktown Kita-Kaname	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-7	NSC	Unicus Yoshikawa	1(9)	99.6	131	1.6	1(10)	100.0	132	1.5
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-9	NSC	Super Viva Home Iwatsuki (Land)	1	100.0			1	100.0		
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	1	100.0			1	100.0		
	T-11	NSC	Unicus Kamisato (Land)	1	100.0	75	0.9	1	100.0	75	0.8
	T-12	NSC	Unicus Konosu (Land)	1	100.0	43	0.5	1	100.0	43	0.5
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-15	NSC	Nakamachidai Tokyu Store	1	100.0			1	100.0		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	2	100.0			2	100.0		
	T-17	SM	Life Kameido	1	100.0			1	100.0		
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	2	100.0			2	100.0		
	T-19	NSC	Yumemachi Narashinodai Mall	1(14)	100.0	138	1.7	1(14)	100.0	149	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0	112	1.4	1(12)	100.0	114	1.3
	T-21	SS	Prime Square Jiyugaoka	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	T-22	SS	Round1 Ichikawa-Onitaka	1	100.0			1	100.0		
	T-23	SM	Ozeki Tokiwadai	1	100.0			1	100.0		
	T-24	SS	Konami Sports Club Shibuya	1	100.0			1	100.0		
	T-25	NSC	Apita Terrace Yokohama Tsunashima	1	100.0			1	100.0		
	T-26	NSC	Kalsa Hiratsuka	3	100.0			3	100.0		
	T-27	NSC	Monenosato Mall	1(11)	100.0	92	1.1	1(11)	100.0	110	1.2
	T-28	NSC	KDX Chofu Building (Retail wing)	3	100.0	85	1.0	3	100.0	85	1.0
	T-29	NSC	Across Plaza Urayasu Higashino (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-30	SM	Comfort Market Nishi-Magome	1	100.0	48	0.6	1	100.0	48	0.5
	T-31	NSC	Kitera Town Chofu	—	—	—	—	1(26)	96.4	364	4.1
	T-32	NSC	Unicus Urawamisono (Land)	—	—	—	—	1	100.0	18	0.2

Area	Property number	Property type	Property name	12th fiscal period as of March 31, 2021				13th fiscal period as of September 30, 2021			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)
O	O-1	NSC	Blumer Maitamon	50	99.8	481	5.8	50	98.9	490	5.5
	O-2	SM	Life Takadono (Land)	1	100.0	—	—	1	100.0	—	—
	O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
	O-4	NSC	Blumer HAT Kobe	1(40)	98.8	473	5.7	1(39)	97.8	466	5.2
	O-5	Urban Station-Front SC	Carino Esaka	1(29)	98.6	292	3.5	1(29)	98.6	293	3.3
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	225	2.7	1	100.0	226	2.5
	O-7	SM	Hankyu Oasis Hirakatadeguchi (Note 4)	1	100.0	(Note 3)	(Note 3)	—	—	(Note 3)	(Note 3)
	O-9	SM	Life Nishi-Tengachaya	1	100.0	44	0.5	1	100.0	44	0.5
	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	O-11	NSC	Habikigaoka Shopping Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
	O-12	NSC	Merado Daikai	—	—	—	—	7	100.0	177	2.0
	N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)
N-2		NSC	Valor Ichinomiya-Nishi	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
N-4		SS	Homecenter Kohnan Sunadabashi	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
N-6		NSC	Resora Obu Shopping Terrace	1(42)	98.6	287	3.5	1(42)	98.6	282	3.2
N-7		SM	Valor Nakashidami (Land)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
F	F-1	SM	Sunny Noma	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	F-3	NSC	Kurume-Nishi Shopping Center	4	100.0	52	0.6	4	100.0	52	0.6
R	R-1	NSC	Roseo Mito	1(23)	100.0	378	4.6	1(23)	100.0	386	4.3
	R-2	SS	K's Denki Aomori Honten	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-3	SS	Super Sports Xebio Aomori-Chuo	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-4	NSC	Ashico Town Ashikaga	1(29)	99.1	260	3.2	1(29)	99.2	271	3.1
	R-5	NSC	Yorktown Shinden-Higashi	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
	R-6	SM	Kasumi Technopark Sakura	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-8	NSC	P-1 Plaza Tenno	1(7)	100.0	135	1.6	1(7)	100.0	133	1.5
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-10	NSC	Sun Street Hamakita	1(53)	99.4	537	6.5	1(49)	98.6	525	5.9
	R-11	SS	Costco Wholesale Sapporo Warehouse	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	—	L-1	L	Zama Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)
L-2		L	Oppama Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
L-3		L	Musashi Ranzan Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
L-4		L	Yokohama Kamigo Distribution Center	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
L-5		L	Gyoda Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
L-6		L	Shinjuku Nishiochiai Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)

L-7	L	Chiba-Kita Distribution Center	1	100.0	—	—	1	100.0	—	—
L-8	L	Sapporo Shiroishi Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
Total			502	99.8	8,263	100.0	528	99.6	8,901	100.0

Note 1: 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 September 30, 2021. 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. As for the "Total" of "Number of tenants", the number of end-tenants is used for pass-through type master leases and the number of master lessee is used for sublease type master leases.

Note 2: Rental revenue is based on total rental and other operating revenues of each property.

Note 3: KRR has not obtained consent from the tenant(s) to release this information.

Note 4: Unicus Ina (20% a quasi-co-ownership interest) was disposed of on April 9, 2021 and Hankyu Oasis Hirakatadeguchi was disposed of on August 2, 2021.

(4) Specified Transaction

As of September 30, 2021, the contract amount and fair value of the outstanding transaction under the specified transaction account of KRR are as follows.

	Type	Contract amount (million yen) ^(Note 1)		Fair value (million yen) ^{(Note 2) (Note 3)}
			Due after one year ^(Note 1)	
OTC	Interest rate swaps: Receive floating / pay fixed	86,610	79,160	-276
Total	—	86,610	79,160	-276

Note 1: The contract amount of interest rate swaps is based on its notional principal.

Note 2: For the financial reporting purpose, the transaction is not measured at fair value but accounted for under special treatment for interest rate swaps based on "Accounting Standards for Financial Instruments" under Japanese GAAP.

Note 3: Based on the amount provided by counterparty financial institutions.

(5) Other Assets

Real estate or beneficiary rights of real estate in trust owned by KRR are disclosed in "(3) Overview of the Portfolio". KRR has no other specified assets.

(6) Asset in Geographic Area

KRR owns no asset in specified area other than Japan.

Capital Expenditures

(1) Planned Capital Expenditures

The table below shows major capital expenditures for renovations, repairs and other projects that are planned for the 14th fiscal period ending March 31, 2022. 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 expenditure 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	Air Conditioning equipment replacement (phase 4)	From October 2021 to March 2022	278	-	-
T-27	Monenosato Mall	Yotsukaido, Chiba	Solar panel installation	From October 2021 to March 2022	110	-	-
L-5	Gyoda Distribution Center	Gyoda, Saitama	Air Conditioning equipment replacement	From October 2021 to March 2022	66	-	-
L-2	Oppama Distribution Center	Yokosuka, Kanagawa	Water supply system replacement	From October 2021 to March 2022	14	-	-
L-8	Sapporo Shiroishi Distribution Center	Sapporo, Hokkaido	Elevator renewal	From October 2021 to March 2022	10	-	-
L-8	Sapporo Shiroishi Distribution Center	Sapporo, Hokkaido	Cubicle replacenment	From October 2021 to March 2022	10	-	-

(2) Capital Expenditures during the Fiscal Period under Review

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

The amount of capital expenditures in the fiscal period under review was 628 million yen. There were also expenditures of 247 million yen that were recorded as repair expenses. In total KRR spent 876 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
O-5	Carino Esaka	Suita, Osaka	Replacement of heat source and air conditioning equipment (Phase 1)	From April 2021 to September 2021	190
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Repair work in relation to floor expansion	From January 2021 to April 2021	89
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Air conditioning equipment replacement (phase 3)	From April 2021 to September 2021	65
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Exterior wall repair work (phase 2)	From April 2021 to September 2021	56
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	Exterior wall repair work	From April 2021 to July 2021	18
Others					207
Total					628

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

Not applicable

Expenses and Liabilities

(1) Expenses related to Asset Management

(in thousands of yen)

	12th fiscal period (From October 1, 2020 to March 31,2021)	13th fiscal period (From April 1, 2021 to September 30,2021)
Asset management fees ^(Note)	808,051	873,967
Asset custody fees	10,178	10,182
Administrative service fees	32,903	33,936
Directors' compensation	4,500	4,500
Other operating expenses	105,424	109,945
Total	961,058	1,032,531

Note: In addition to above, the amount of asset management fees capitalized are 24,021 thousand yen for the 12th fiscal period and 223,401 thousand yen for the 13th fiscal period related to the acquisition of properties that entered the book value of the properties. The amount of asset management fees related to the disposition of properties are 13,288 thousand yen for the 12th fiscal period and 22,706 thousand yen for the 13th fiscal period.

(2) Status of Borrowings

Borrowings on a financial institution basis as of September 30, 2021 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 (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Current Portion of Long-Term Loans Payable	The Gunma Bank, Ltd. (Note5)	500,000	—	500,000	—	0.550	September 30, 2021	(Note 4)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	2,600,000	—	2,600,000	—	0.485	April 27, 2021		
	Aozora Bank, Ltd.	500,000	—	500,000	—				
	MUFG Bank, Ltd.	400,000	—	400,000	—				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	—	300,000	—				
	Resona Bank, Ltd.	300,000	—	300,000	—				
	MUFG Bank, Ltd. (Note5)	600,000	—	600,000	—	0.400	April 27, 2021		
	Development Bank of Japan Inc. (Note5)	500,000	—	500,000	—	0.553			
	Mizuho Bank, Ltd. (Note5)	400,000	—	400,000	—	0.553			
	Mizuho Trust & Banking Co., Ltd. (Note5)	200,000	—	200,000	—	0.553			
	Sumitomo Mitsui Banking Corporation	900,000	—	900,000	—	0.477	April 30, 2021		
	Sumitomo Mitsui Banking Corporation	2,600,000	—	—	2,600,000	0.978	February 10, 2022		
	MUFG Bank, 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. (Note5)	1,600,000	—	—	1,600,000				
	Sumitomo Mitsui Banking Corporation	2,750,000	—	—	2,750,000	0.484	January 31, 2022		
MUFG Bank, Ltd. (Note6)	1,250,000	—	—	1,250,000	0.603	August 31, 2022			
Mizuho Bank, Ltd. (Note6)	800,000	—	—	800,000					
Sub Total	19,000,000	—	7,200,000	11,800,000					
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	4,600,000	—	—	4,600,000	1.366	April 16, 2025	(Note 4)	Unsecured/ Unguaranteed
	MUFG Bank, 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				
	MUFG Bank, Ltd.	400,000	—	—	400,000				
	Development Bank of Japan Inc. (Note5)	1,500,000	—	—	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	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. (Note5)	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				
	MUFG Bank, 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		
	MUFG Bank, Ltd.	400,000	—	—	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	—	—	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note5)	890,000	—	—	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	—	—	2,670,000	0.932	April 21, 2026		
	MUFG Bank, Ltd.	890,000	—	—	890,000	0.888	October 31, 2025		
	Development Bank of Japan Inc. (Note5)	2,000,000	—	—	2,000,000	1.049	January 31, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note5)	1,000,000	—	—	1,000,000				
	Resona Bank, Ltd.	500,000	—	—	500,000	1.002	October 31, 2024		
Sumitomo Mitsui Banking Corporation	1,500,000	—	—	1,500,000					
Sumitomo Mitsui Trust Bank, Ltd.	400,000	—	—	400,000					
Aozora Bank, Ltd.	400,000	—	—	400,000					
Resona Bank, Ltd.	300,000	—	—	300,000					

Long-Term Loans Payable	MUFG Bank, Ltd. (Note5)	600,000	—	—	600,000	0.696	October 31, 2024	(Note 4)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd. (Note5)	600,000	—	—	600,000	0.815			
	Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note5)	200,000	—	—	200,000	0.814			
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.903	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	1.033	May 18, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	—	—	500,000				
	Resona Bank, Ltd.	400,000	—	—	400,000				
	Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000	1.050	May 18, 2027		
	Mizuho Bank, Ltd. (Note5)	500,000	—	—	500,000	1.049			
	Mizuho Trust & Banking Co., Ltd. (Note5)	300,000	—	—	300,000	1.050			
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.670	September 29, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	—	—	1,500,000	0.918	September 30, 2026		
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.930	September 29, 2027		
	Mizuho Bank, Ltd. (Note5)	1,500,000	—	—	1,500,000	1.029			
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	—	—	1,500,000	1.100	September 29, 2028		
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	1.035	October 3, 2027		
	MUFG Bank, Ltd. (Note5)	1,200,000	—	—	1,200,000	1.000	February 10, 2028		
	Sumitomo Mitsui Banking Corporation	900,000	—	—	900,000	0.988	April 30, 2027		
	Sumitomo Mitsui Banking Corporation	2,600,000	—	—	2,600,000	0.985	April 30, 2027		
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.902	April 30, 2026		
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	1.090	April 30, 2028		
	The Bank of Fukuoka, Ltd.	1,000,000	—	—	1,000,000	0.907	May 31, 2026		
	Sumitomo Mitsui Banking Corporation	1,500,000	—	—	1,500,000	0.999	May 31, 2027		
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.900			
	Mizuho Bank, Ltd.	500,000	—	—	500,000	0.999			
	Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000	0.999			
	Nippon Life Insurance Company	700,000	—	—	700,000	0.913	March 31, 2025		
	Sumitomo Mitsui Trust Bank, Ltd.	700,000	—	—	700,000	0.726	March 31, 2026		
	Resona Bank, Ltd.	500,000	—	—	500,000	0.676			
	Aozora Bank, Ltd.	500,000	—	—	500,000	0.726			
	Mizuho Bank, Ltd.	400,000	—	—	400,000	0.726			
	The Musashino Bank, Ltd.	400,000	—	—	400,000	0.676	March 31, 2028		
	Sumitomo Mitsui Banking Corporation	1,850,000	—	—	1,850,000	0.910			
	MUFG Bank, Ltd.	1,300,000	—	—	1,300,000	0.860	August 31, 2024		
	Resona Bank, Ltd.	650,000	—	—	650,000	0.460			
	Aozora Bank, Ltd.	890,000	—	—	890,000	0.585	August 31, 2026		
	Mizuho Bank, Ltd.	1,370,000	—	—	1,370,000	0.718	March 31, 2028		
	Sumitomo Mitsui Trust Bank, Ltd.	820,000	—	—	820,000	0.550	October 31, 2024		
	MUFG Bank, Ltd.	1,270,000	—	—	1,270,000	0.750	January 31, 2028		
Mizuho Trust & Banking Co., Ltd. (Note5)	650,000	—	—	650,000	0.670	April 30, 2028			
MUFG Bank, Ltd. (Note5)	1,500,000	—	—	1,500,000	0.520	October 31, 2026			
Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.644				
Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.644				
Mizuho Trust & Banking Co., Ltd. (Note5)	500,000	—	—	500,000	0.550				
Resona Bank, Ltd.	300,000	—	—	300,000	0.644	October 31, 2029			
Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000	0.830				
The Gunma Bank, Ltd.	400,000	—	—	400,000	0.498	January 31, 2025			
The Musashino Bank, Ltd. (Note5)	400,000	—	—	400,000	0.478	January 31, 2025			
Sumitomo Mitsui Banking Corporation	700,000	—	—	700,000	0.758	September 30, 2028			
Aozora Bank, Ltd.	450,000	—	—	450,000	0.725	January 31, 2029			
Sumitomo Mitsui Banking Corporation	3,000,000	—	—	3,000,000	0.809	January 31, 2030			
MUFG Bank, Ltd.	700,000	—	—	700,000					
Sumitomo Mitsui Trust Bank, Ltd.	500,000	—	—	500,000					
Resona Bank, Ltd.	450,000	—	—	450,000					
Mizuho Bank, Ltd.	400,000	—	—	400,000					

Long-Term Loans Payable	Development Bank of Japan Inc. (Note5)	1,500,000	—	—	1,500,000	0.888	January 31, 2031	(Note 4)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	2,400,000	—	—	2,400,000	0.535	February 28, 2026		
	MUFG Bank, Ltd.	1,600,000	—	—	1,600,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	—	—	550,000				
	Resona Bank, Ltd.	500,000	—	—	500,000				
	Aozora Bank, Ltd.	500,000	—	—	500,000				
	Mizuho Bank, Ltd.	350,000	—	—	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	—	—	300,000				
	Sumitomo Mitsui Banking Corporation	—	600,000	—	600,000	0.407	April 30, 2025		
	Mizuho Bank, Ltd.	—	500,000	—	500,000				
	Resona Bank, Ltd.	—	400,000	—	400,000				
	MUFG Bank, Ltd. (Note5)	—	500,000	—	500,000	0.400	April 30, 2025		
	Aozora Bank, Ltd.	—	500,000	—	500,000	0.461	April 30, 2026		
	Mizuho Trust & Banking Co., Ltd.	—	200,000	—	200,000				
	Sumitomo Mitsui Banking Corporation	—	1,000,000	—	1,000,000	0.490	October 31, 2026		
	MUFG Bank, Ltd. (Note5)	—	400,000	—	400,000	0.475	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	—	1,600,000	—	1,600,000	0.548	October 31, 2027		
	Mizuho Bank, Ltd.	—	400,000	—	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	—	300,000	—	300,000				
	Resona Bank, Ltd.	—	300,000	—	300,000				
	MUFG Bank, Ltd. (Note5)	—	600,000	—	600,000	0.525	October 31, 2027		
	Development Bank of Japan Inc. (Note5)	—	500,000	—	500,000	0.856	April 30, 2031		
	The 77 Bank, Ltd.	—	500,000	—	500,000	0.426	April 30, 2026		
	The Musashino Bank, Ltd. (Note5)	—	500,000	—	500,000	0.350	April 30, 2026		
	Sumitomo Mitsui Banking Corporation	—	800,000	—	800,000	0.601	April 30, 2028		
	Sumitomo Mitsui Trust Bank, Ltd.	—	700,000	—	700,000				
	Mizuho Trust & Banking Co., Ltd.	—	600,000	—	600,000				
	Aozora Bank, Ltd.	—	600,000	—	600,000				
	Mizuho Bank, Ltd.	—	500,000	—	500,000				
	MUFG Bank, Ltd. (Note5)	—	500,000	—	500,000	0.550	April 30, 2028		
	SUMITOMO LIFE INSURANCE COMPANY (Note5)	—	500,000	—	500,000	0.824	April 30, 2031		
	Development Bank of Japan Inc. (Note5)	—	300,000	—	300,000				
	Mizuho Bank, Ltd.	—	500,000	—	500,000				
MUFG Bank, Ltd. (Note5)	—	200,000	—	200,000					
Aozora Bank, Ltd.	—	200,000	—	200,000					
The Gunma Bank, Ltd. (Note5)	—	500,000	—	500,000					
Sub Total	85,800,000	14,700,000	—	100,500,000					
Total	104,800,000	14,700,000	7,200,000	112,300,000					

Note 1: All debts except for the following Note 5 are borrowings at a floating rate.

Note 2: 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 3: All the repayment methods of debt financing are lump-sum repayments on the due date.

Note 4: 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 5: Borrowings at a fixed rate.

Note 6: Borrowings are listed in the current portion of long-term loans payable from the fiscal period under review, listed in long-term loans payable in the previous fiscal period.

(3) Status of Investment Corporation Bonds

Bonds	Issuance date	Balance as of April 1, 2021 (million yen)	Balance as of September 30, 2021 (million yen)	Interest rate (%)	Maturity date	Redemption method	Use	Remarks
1st Series Unsecured Investment Corporation Bonds	October 31, 2016	1,000	1,000	0.200	October 29, 2021	Full on maturity	(Note 1)	
2nd Series Unsecured Investment Corporation Bonds	October 31, 2016	1,000	1,000	0.600	October 30, 2026			
3rd Series Unsecured Investment Corporation Bonds	August 31, 2017	1,000	1,000	0.320	August 31, 2022		(Note 2)	(Note 3)
4th Series Unsecured Investment Corporation Bonds	August 31, 2017	2,000	2,000	0.700	August 31, 2027			
5th Series Unsecured Investment Corporation Bonds	April 26, 2018	2,000	2,000	0.700	April 26, 2028			
6th Series Unsecured Investment Corporation Bonds	April 30, 2020	1,000	1,000	0.400	April 30, 2025			
Total		8,000	8,000					

Note 1: "Use" is acquisition funds for specified assets, repayment funds for borrowings, etc.

Note 2: "Use" is repayment funds for borrowings.

Note 3: Ranking *pari passu* among the specified investment corporation bonds

Note 4: Ranking *pari passu* among the specified investment corporation bonds and small private placement with restrictions on splits of denomination of each bond

(4) Status of Short-Term Investment Corporation Bonds

Not applicable

(5) Status of Subscription Rights to New Investment Units

Not applicable

Acquisition and Disposition

(1) Acquisition and Disposition of Real Estate Properties & Asset-Backed Securities and Infrastructure & Infrastructure Related Assets

Ownership form	Property number	Property name	Acquisition		Disposition			
			Acquisition date	Acquisition price (million yen) (Note 1)	Disposition date	Disposition price (million yen) (Note 1)	Book value (million yen)	Gain / loss (million yen)
Trust beneficiary interest in real estate	T-32	Unicus Urawamisono (Land)	April 9, 2021	732	—	—	—	—
Trust beneficiary interest in real estate	T-31	Kitera Town Chofu	April 21, 2021	10,500	—	—	—	—
Trust beneficiary interest in real estate	O-12	Merado Daikai	April 21, 2021	5,440	—	—	—	—
Trust beneficiary interest in real estate	T-25	Apita Terrace Yokohama Tsunashima (49% quasi co-ownership interest)	April 30, 2021	5,667	—	—	—	—
Trust beneficiary interest in real estate	T-4	Daikanyama Address Dixsept (30% quasi co-ownership interest)	—	—	April 1, 2021	1,993	1,607 (Note 2)	345
Trust beneficiary interest in real estate	T-5	Unicus Ina (20% quasi co-ownership interest)	—	—	April 9, 2021	1,048	872 (Note 3)	167
Trust beneficiary interest in real estate	O-7	Hankyu Oasis Hirakatadeguchi	—	—	August 2, 2021	1,500	1,284	161

Note 1: "Acquisition price" and "Disposition price" represent 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).

Note 2: The amount equivalent to 30% quasi co-ownership interest is shown.

Note 3: The amount equivalent to 20% quasi co-ownership interest is shown.

(2) Acquisition and Disposition of Other Assets

Other assets except real estate properties and asset-backed securities mentioned above mostly consist of cash and deposits and cash and deposits in trust.

(3) Appraisal Values of Specific Assets

i) Real Estate

Acquisition /disposition	Ownership form	Property number	Property name	Acquisition/ disposition date	Acquisition/ disposition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	T-32	Unicus Urawamisono (Land)	April 9, 2021	732	817	Japan Real Estate Institute	March 1, 2021
	Trust beneficiary interest in real estate	T-31	Kitera Town Chofu	April 21, 2021	10,500	11,400	Japan Real Estate Institute	March 1, 2021
	Trust beneficiary interest in real estate	O-12	Merado Daikai	April 21, 2021	5,440	5,780	Japan Real Estate Institute	March 1, 2021
	Trust beneficiary interest in real estate	T-25	Apita Terrace Yokohama Tsunashima (49% quasi co-ownership interest)	April 30, 2021	5,667	5,930 (Note 3)	Daiwa Real Estate Appraisal Co., Ltd.	March 1, 2021

Acquisition/disposition	Ownership form	Property number	Property name	Acquisition/disposition date	Acquisition/disposition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	Appraiser	Evaluation date
Disposition	Trust beneficiary interest in real estate	T-4	Daikanyama Address Dixsept (30% quasi co-ownership interest)	April 1, 2021	1,993	1,875 (Note 4)	Japan Real Estate Institute	March 31, 2021
	Trust beneficiary interest in real estate	T-5	Unicus Ina (20% quasi co-ownership interest)	April 9, 2021	1,048	1,048 (Note 5)	Japan Real Estate Institute	March 1, 2021
	Trust beneficiary interest in real estate	O-7	Hankyu Oasis Hirakatadeguchi	August 2, 2021	1,500	1,300	Daiwa Real Estate Appraisal Co., Ltd.	March 31, 2021

Note 1: "Acquisition price" represents the purchase amount (excluding acquisition costs and consumption taxes) of each property or beneficiary right of real estate in trust as stated in the Sales and Purchase Agreement.

Note 2: "Appraisal value" of specific assets above was calculated in accordance with the guideline of "Real Estate Appraisal Standards, Chapter 3, Appraisal of Securitized Real Estate."

Note 3: The amount equivalent to 49% quasi co-ownership interest is shown.

Note 4: The amount equivalent to 30% quasi co-ownership interest is shown.

Note 5: The amount equivalent to 20% quasi co-ownership interest is shown.

ii) Others

(A) Investigator regarding values of certain assets

FRIQ Audit Corporation

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Act on Investment Trusts and Investment Corporations, FRIQ Audit Corporation performed an investigation of transactions. For the fiscal period from April 1, 2021 to September 30, 2021, the transactions subject to such investigation were 23 interest rate swap transaction, for which KRR received reports from FRIQ Audit Corporation. For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions. This survey is not a part of the audit for financial statements, and there is no guarantee of fairness of the price and internal management system.

(4) Related-Party Transactions

i) Transactions

	Transaction price (in million yen)	
	Acquisitions	Dispositions
Total amount	22,340	4,541
Transaction with related-party		
GK RF3	5,667 (25.4%)	- (-%)
GK KRF89	10,500 (47.0%)	- (-%)
Total	16,167 (72.4%)	- (-%)

ii) Amounts of Fees Paid

Not applicable.

Note: A related party, etc. is defined as a related party, etc. of the asset manager having an asset management agreement with KRR as prescribed in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations of Japan and in Article 26-27 of the Regulations for Asset Investment Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

(5) Transactions with Asset Manager in Connection with Concurrent Business Conducted by the Asset Manager

There is no transaction with the Asset Manager, KFM, regarding to the Type II Financial Instruments Business, and Building Lots and Buildings Transaction Business. Furthermore, KFM does not concurrently engage in any of Type I Financial Instruments Business, Real Estate Specified Joint Business.

Accounting

(1) Status on Assets, Liabilities, Principals, and Income and Losses

Please refer to the “Balance Sheets”, “Statements of Income and Retained Earnings”, “Statements of Changes in Net Assets” and “Notes to Financial Statements” presented later in this report.

(2) Change in Calculation of Depreciation

Not applicable

(3) Change in Valuation of Real Estate Properties and Infrastructure Assets

Not applicable

(4) Disclosure of Beneficiary Certificates of Investment Trust Established by Self

i) Acquisition of Beneficiary Certificates of Investment Trust Established by Self

Not applicable

ii) Ownership of Beneficiary Certificates of Investment Trust Established by Self

Not applicable

(5) Disclosure of Companies Owning Real Estate Overseas

Not applicable

(6) Disclosure of Real Estate Owned by Companies Owning Real Estate Overseas

Not applicable

Others

(1) Notice

i) General Meeting of Unitholders

Not applicable

ii) Board of Directors

Date	Approved items	Summary
April 14, 2021	Conclusion of an underwriting agreement for new investment units	For the issuance of new investment units, which was approved by the Board of Directors on April 7, 2021, KFM, SMBC Nikko Securities Inc., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd. and Mizuho Securities Co., Ltd. signed an underwriting agreement.
September 22, 2021	Entrustment of business affairs regarding issuance of investment corporation bonds	In regard to the comprehensive resolution on the issuance of investment corporation bonds approved on the same day, we approved candidate companies for the entrustment of business affairs regarding investment corporation bonds and discretionary decision-making rights on other required matters to the Executive Director.

(2) Others

In this report, any fraction is rounded down for monetary amounts and rounded off for ratios unless otherwise stated.

Independent Auditor's Report

The Board of Directors
Kenedix Retail REIT Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation (the Company), which comprise the balance sheet as at September 30, 2021, and the statement of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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



Building a better
working world

Ernst & Young ShinNihon LLC
Tokyo, Japan
December 23, 2021

吉田 雅彦

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant

八幡 正博

Masahiro Yawata
Designated Engagement Partner
Certified Public Accountant

Financial Statements

(13th Fiscal Period: from April 1, 2021 to September 30, 2021)

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

Kenedix Retail REIT Corporation

Balance Sheet

As of September 30, 2021

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 10 and 12)	¥10,026,355	¥9,187,157
Cash and deposits in trust (Notes 10 and 12)	14,309,262	13,251,126
Operating accounts receivable	181,400	146,876
Prepaid expenses	153,774	29,604
Consumption taxes receivable	343,985	-
Other	6,645	2,235
Total current assets	25,021,425	22,617,000
Non-current assets		
Property, plant and equipment (Notes 18 and 21)		
Buildings	755,598	746,570
Accumulated depreciation	(77,533)	(61,444)
Buildings, net	678,064	685,125
Structures	46,777	46,777
Accumulated depreciation	(5,425)	(4,023)
Structures, net	41,351	42,753
Land	2,956,465	2,956,465
Buildings in trust	67,921,666	62,521,244
Accumulated depreciation	(9,332,397)	(8,450,403)
Buildings in trust, net (Note 4)	58,589,268	54,070,840
Structures in trust	3,491,894	3,491,216
Accumulated depreciation	(644,494)	(600,741)
Structures in trust, net (Note 4)	2,847,400	2,890,475
Machinery and equipment in trust	248,014	261,479
Accumulated depreciation	(58,898)	(53,675)
Machinery and equipment in trust, net	189,115	207,804
Tools, furniture and fixtures in trust	179,449	166,797
Accumulated depreciation	(75,697)	(63,530)
Tools, furniture and fixtures in trust, net	103,751	103,267
Land in trust (Note 4)	176,754,774	162,816,625
Construction in progress in trust	7,254	6,177
Total property, plant and equipment, net	242,167,446	223,779,535
Intangible assets (Note 21)		
Leasehold right in trust (Note 18)	4,296,869	4,300,847
Other	6,938	8,223
Total intangible assets	4,303,807	4,309,070
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,236	60,236
Long-term prepaid expenses	870,267	824,049
Long-term deposits	102,079	108,478
Other	3,602	7,668
Total investments and other assets	1,046,184	1,010,431
Total non-current assets	247,517,438	229,099,037
Deferred assets		
Investment corporation bond issuance costs	29,851	34,191
Investment unit issuance costs	53,832	23,179
Total deferred assets	83,683	57,371
Total assets	¥272,622,547	¥251,773,409

See accompanying notes to financial statements.

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥815,139	¥759,610
Current portion of investment corporation bonds (Notes 12 and 23)	2,000,000	1,000,000
Current portion of long-term loans payable (Notes 12 and 22)	11,800,000	16,950,000
Accounts payable-other	631,767	544,740
Accrued expenses	58,268	44,153
Income taxes payable	1,177	873
Accrued consumption taxes	53,674	77,715
Advances received	1,420,317	1,320,786
Deposits received	22,202	16,610
Other	563	150,000
Total current liabilities	16,803,109	20,864,489
Non-current liabilities		
Investment corporation bonds (Notes 12 and 23)	6,000,000	7,000,000
Long-term loans payable (Notes 12 and 22)	100,500,000	87,850,000
Tenant leasehold and security deposits (Note 12)	148,083	148,083
Tenant leasehold and security deposits in trust (Notes 4 and 12)	11,789,113	10,900,443
Asset retirement obligations (Note 16)	24,688	24,534
Other	304,728	283,966
Total non-current liabilities	118,766,613	106,207,028
Total liabilities	135,569,722	127,071,517
Net assets		
Unitholders' equity		
Unitholders' capital	133,103,750	121,183,494
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 6)	(285,940)	(384,773)
Total deduction from unitholders' capital	(285,940)	(384,773)
Unitholders' capital, net	132,817,810	120,798,721
Surplus		
Unappropriated retained earnings	4,511,908	4,153,672
Total surplus	4,511,908	4,153,672
Total unitholders' equity	137,329,718	124,952,393
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 12 and 13)	(276,894)	(250,501)
Total valuation and translation adjustments	(276,894)	(250,501)
Total net assets (Note 7)	137,052,824	124,701,892
Total liabilities and net assets	¥272,622,547	¥251,773,409

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Income and Retained Earnings

For the period from April 1, 2021 to September 30, 2021

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 8)	¥7,829,366	¥7,336,375
Other lease business revenue (Note 8)	1,072,230	927,293
Gain on sales of real estate property (Note 8)	674,513	454,244
Total operating revenues	9,576,109	8,717,914
Operating expenses		
Expenses related to rent business (Note 8)	3,662,177	3,377,837
Asset management fees	873,967	808,051
Asset custody fees	10,182	10,178
Administrative service fees	33,936	32,903
Directors' compensation	4,500	4,500
Other operating expenses	109,945	105,424
Total operating expenses	4,694,708	4,338,895
Operating income	4,881,401	4,379,018
Non-operating income		
Interest income	58	58
Gain on forfeiture of unclaimed dividends	343	425
Other	-	29
Total non-operating income	402	513
Non-operating expenses		
Interest expenses	470,736	449,947
Interest expenses on investment corporation bonds	21,540	21,659
Financing-related expenses	107,352	96,325
Amortization of investment corporation bond issuance costs	4,340	4,340
Amortization of investment unit issuance costs	15,402	7,726
Total non-operating expenses	619,373	579,999
Ordinary income	4,262,430	3,799,531
Income before income taxes	4,262,430	3,799,531
Income taxes		
Current	1,186	882
Total income taxes	1,186	882
Net income	4,261,244	3,798,649
Retained earnings brought forward	250,664	355,023
Unappropriated retained earnings	¥4,511,908	¥4,153,672

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Changes in Net Assets

For the period from April 1, 2021 to September 30, 2021

	Unitholders' equity						
	Unitholders' capital				Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	Total unitholders' equity
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
(in thousands of yen)							
Balance as of September 30, 2020 (Note 9)	¥121,183,494	¥ (236,788)	¥(236,788)	¥120,946,706	¥3,716,853	¥3,716,853	¥124,663,559
Changes of items during the period							
Dividends from surplus					(3,361,829)	(3,361,829)	(3,361,829)
Distributions in excess of earnings from allowance for temporary difference adjustments		(147,984)	(147,984)	(147,984)			(147,984)
Net income					3,798,649	3,798,649	3,798,649
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	(147,984)	(147,984)	(147,984)	436,819	436,819	288,834
Balance as of March 31, 2021 (Note 9)	¥121,183,494	¥ (384,773)	¥(384,773)	¥120,798,721	¥4,153,672	¥4,153,672	¥124,952,393
Changes of items during the period							
Issuance of new investment units	¥11,920,256			11,920,256			11,920,256
Dividends from surplus					(3,798,814)	(3,798,814)	(3,798,814)
Distributions in excess of earnings from allowance for temporary difference adjustments		(5,361)	(5,361)	(5,361)			(5,361)
Reversal of allowance for temporary difference adjustments		104,194	104,194	104,194	(104,194)	(104,194)	-
Net income					4,261,244	4,261,244	4,261,244
Net changes of items other than unitholders' equity							
Total changes of items during the period	11,920,256	98,832	98,832	12,019,088	358,235	358,235	12,377,324
Balance as of September 30, 2021 (Note 9)	¥133,103,750	¥ (285,940)	¥(285,940)	¥132,817,810	¥4,511,908	¥4,511,908	¥137,329,718

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments (in thousands of yen)	
Balance as of September 30, 2020 (Note 9)	¥(354,696)	¥(354,696)	¥124,308,863
Changes of items during the period			
Dividends from surplus			(3,361,829)
Distributions in excess of earnings from allowance for temporary difference adjustments			(147,984)
Net income			3,798,649
Net changes of items other than unitholders' equity	104,194	104,194	104,194
Total changes of items during the period	104,194	104,194	393,028
Balance as of March 31, 2021 (Note 9)	¥(250,501)	¥(250,501)	¥124,701,892
Changes of items during the period			
Issuance of new investment units			11,920,256
Dividends from surplus			(3,798,814)
Distributions in excess of earnings from allowance for temporary difference adjustments			(5,361)
Reversal of allowance for temporary difference adjustments			-
Net income			4,261,244
Net changes of items other than unitholders' equity	(26,392)	(26,392)	(26,392)
Total changes of items during the period	(26,392)	(26,392)	12,350,932
Balance as of September 30, 2021 (Note 9)	¥(276,894)	¥(276,894)	¥137,052,824

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Cash Flows

For the period from April 1, 2021 to September 30, 2021

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥4,262,430	¥3,799,531
Depreciation and amortization	1,167,650	1,069,574
Amortization of investment corporation bond issuance costs	4,340	4,340
Amortization of investment unit issuance costs	15,402	7,726
Interest income	(58)	(58)
Interest expenses	492,277	471,606
Decrease (increase) in operating accounts receivable	(34,523)	45,247
Decrease (increase) in consumption taxes receivable	(343,985)	-
Decrease (increase) in prepaid expenses	(124,170)	133,675
Increase (decrease) in operating accounts payable	60,978	16,504
Increase (decrease) in accounts payable-other	85,723	(11,382)
Increase (decrease) in accrued consumption taxes	(24,041)	(285,444)
Increase (decrease) in advances received	99,530	45,103
Increase (decrease) in deposits received	5,591	(9,430)
Decrease (increase) in long-term prepaid expenses	(46,218)	(80,467)
Decrease (increase) in long-term deposits	6,399	8,532
Decrease in net property, plant and equipment held in trust due to sale	3,765,046	2,146,120
Other	(155,716)	148,564
Subtotal	9,236,657	7,509,745
Interest income received	58	58
Interest expenses paid	(478,202)	(461,205)
Income taxes paid	(882)	(1,112)
Net cash provided by (used in) operating activities	8,757,631	7,047,485
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(8,026)	(6,484)
Purchase of property, plant and equipment in trust	(23,312,613)	(3,187,223)
Repayments of tenant leasehold and security deposits in trust	(262,886)	(236,364)
Proceeds from tenant leasehold and security deposits in trust	1,151,556	303,544
Proceeds from restricted bank deposits in trust	15,000	15,000
Net cash provided by (used in) investing activities	(22,416,969)	(3,111,527)
Net cash provided by (used in) financing activities		
Repayments of short-term loans payable	-	(2,750,000)
Proceeds from long-term loans payable	14,700,000	15,950,000
Repayments of long-term loans payable	(7,200,000)	(13,200,000)
Proceeds from issuance of investment units	11,874,201	-
Dividends paid	(3,802,528)	(3,510,170)
Net cash provided by (used in) financing activities	15,571,672	(3,510,170)
Net increase (decrease) in cash and cash equivalents	1,912,335	425,787
Cash and cash equivalents at the beginning of the period	22,230,783	21,804,996
Cash and cash equivalents at the end of the period (Note 10)	¥24,143,118	¥22,230,783

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from April 1, 2021 to September 30, 2021

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Retail REIT Corporation (“KRR”) was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On February 10, 2015, 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). Subsequently, KRR raised funds through public offerings, including international offerings. As a result, the number of investment units issued as of September 30, 2021 was 582,177 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, and also seeks to invest in distribution centers, which supplement shopping centers in providing goods to consumers, in order to provide stable investment returns over the long term. Sponsored by Kenedix, Inc., KRR entrusts its asset management and investment operations to Kenedix Real Estate Fund Management, Inc. (“KFM”), with the following strategies.

(Note) For management purposes and ease of classification, KRR defines neighborhood, community and other shopping centers for daily needs as retail properties that generally have the following characteristics:

- a. Retail trade area of an approximate radius of one to ten kilometers (and generally, a radius of three to five kilometers), with customers predominantly from local areas surrounding the retail property
- b. Operational capacity to accommodate certain daily local retail needs and strong customer traffic on both weekdays and weekends
- c. Composed of various specialty stores to meet a range of day-to-day needs such as groceries, clothing and other daily goods and services

KRR acquired three assets (Chiba-Kita Distribution Center with acquisition price of 1,250 million yen, Sapporo Shiroishi Distribution Center with acquisition price of 800 million yen and Monenosato Mall (two new buildings) with acquisition price of 343 million yen). KRR disposed of one asset (Daikanyama Address Dixsept (40% trust beneficiary quasi co-ownership interests) with sale price of 2,657 million yen (acquisition price was 2,156 million yen)). KRR also completed additional acquisition through construction of a new building (property expansion) (total construction cost 9 million yen) at Yokohama Kamigo Distribution Center. For the period ended March 31, 2021, the portfolio of 64 properties (total acquisition price of 226,725 million yen) as a whole performed well with an overall occupancy ratio of 99.8% as of March 31, 2021.

KRR acquired four assets (Unicus Urawamisono (Land) with acquisition price of 732 million yen, Kitera Town Chofu with acquisition price of 10,500 million yen, Merado Daikai with acquisition price of 5,440 million yen and Apita Terrace Yokohama Tsunashima (49% trust beneficiary quasi co-ownership interests) with acquisition price of 5,667 million yen). KRR disposed of three assets (Daikanyama Address Dixsept (30% trust beneficiary quasi co-ownership interests) with sale price of 1,993 million yen (acquisition price was 1,617 million yen), Unicus Ina (20% trust beneficiary quasi co-ownership interests) with sale price of 1,048 million yen (acquisition price was 894 million yen) and Hankyu Oasis Hirakatadeguchi with sale price of 1,500 million yen (acquisition price was 1,280 million yen)). For the period ended September 30, 2021, the portfolio of 66 properties (total acquisition price of 245,274 million yen) as a whole performed well with an overall occupancy ratio of 99.6% as of September 30, 2021.

Furthermore, the portfolio was diversified in terms of tenants as there were 502 and 528 end-tenants as of March 31, 2021 and September 30, 2021 in KRR’s properties, respectively.

Basis of Presentation

KRR maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the financial statements of KRR, which were prepared in accordance with Japanese GAAP and were presented in the Semiannual Securities Report of KRR filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include certain information that might not be required under Japanese GAAP but is presented herein as additional information.

KRR’s fiscal period is a six-month period which ends at the end of March or September. KRR does not prepare consolidated financial statements because it has no subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Property, Plant and Equipment (including trust assets)

Property, plant and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line method over the estimated useful lives of the assets ranging as stated below:

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
Buildings	2-70 years	2-70 years
Structures	8-59 years	8-59 years
Machinery and equipment	2-25 years	2-25 years
Tools, furniture and fixtures	3-15 years	3-15 years

(B) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

(C) Long-term Prepaid Expenses

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

(D) Investment Unit Issuance Costs

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

(E) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are amortized over a maturity period under the straight-line method.

(F) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all relevant assets and liabilities in trust are recorded on the balance sheets and the statements of income and retained earnings.

(G) Revenue Recognition

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

(H) Taxes on Property and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally reimbursed by the purchaser for these accrued property-related tax liabilities.

When 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 ¥198 thousand and ¥106,958 thousand as of March 31, 2021 and September 30, 2021, respectively.

(I) Accounting for revenues

The details of main performance obligations concerning revenue generated from contracts between KRR and its customers and the general timing of the fulfillment of said performance obligations general timing of revenue recognition are as follows.

1. Sale of real estate property

Revenue from sale of real estate properties is recorded as revenue when a buyer who is a customer obtains control over a real estate property following the seller's fulfillment of its obligation to hand over the property which is stipulated in the contract associated with the sale of real estate property.

2. Utility charge reimbursements

Revenue from utility charge reimbursements is recorded revenue according to the supply of electric power, water, etc. to lessees who are customers

based on lease agreements and other terms related to the real estate properties.

With regard to utility charge reimbursements which KRR deems to fall under that for an agent, the net amount sought by subtracting the amount paid to another party from the amount that is received as charge for electric power, gas, etc. which is supplied by another concerned party is recognized as revenue.

(J) Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rates.

(K) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(L) Derivative Financial Instruments

KRR utilizes interest-rate swap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. KRR deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap contracts because these contracts met the criteria for deferral hedge accounting. However, KRR adopted the special treatment for interest-swap contracts if they met the criteria for hedge accounting under this treatment. An assessment of the effectiveness of hedging is omitted for interest rate swaps because they fulfill the requirements for the special treatment.

(M) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

(N) Presentation of Amounts

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts are rounded down and ratios are rounded off in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

3. CHANGES IN ACCOUNTING POLICIES

(A) Application of Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the fiscal period under review. In accordance with this accounting standard, KRR recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

The impact of these changes on the financial statements for the fiscal period under review is minor.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, related information on revenue recognition for the previous fiscal period is not disclosed.

(B) Application of Accounting Standard for Fair Value Measurement, Etc.

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc., have been applied since the beginning of the fiscal period under review. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44–2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), KRR has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. in the future. The impact of these changes on the financial statements for the fiscal period under review is minor.

4. COLLATERAL

Assets pledged as collateral and related secured liabilities are as follows:

Assets pledged as collateral	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Buildings in trust	¥640,897	¥650,807
Structures in trust	20,379	21,582
Land in trust	2,709,001	2,709,001
Total	¥3,370,278	¥3,381,391
Secured liabilities	As of September 30, 2021	As of March 31, 2021
Tenant leasehold and security deposits in trust	¥392,072	¥414,070
Total	¥392,072	¥414,070

5. COMMITMENT LINE CONTRACTS

KRR has commitment line contracts with the following financial institutions.

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Total amount of commitment line contracts	¥3,000,000	¥3,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥3,000,000	¥3,000,000

6. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of September 30, 2021

1. Reasons, related assets, initial amount, allowance and reversal

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
	(in thousands of yen)						
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥35,477	¥30,115	¥5,361	¥ -	¥35,477	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	354,657	354,657	-	(104,194)	250,463	Changes in fair value of derivative transactions
Total		¥390,135	¥384,773	¥5,361	¥(104,194)	¥285,940	-

2. Method of reversal

	Method of reversal
Buildings in trust, Leasehold right in trust	Upon sale, the corresponding amount is scheduled to be reversed.
Deferred gains or losses on hedges	Based on changes in the fair value of the hedging instruments, the corresponding amount is scheduled to be reversed.

The following summarizes allowance for temporary difference adjustments as of March 31, 2021

1. Reasons, related assets, initial amount, allowance and reversal

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
	(in thousands of yen)						
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥30,115	¥24,937	¥5,178	¥ -	¥30,115	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	354,657	211,851	142,806	-	354,657	-
Total		¥384,773	¥236,788	¥147,984	¥ -	¥384,773	-

2. Method of reversal

Method of reversal	
Buildings in trust, Leasehold right in trust	Upon sale, the corresponding amount is scheduled to be reversed.
Deferred gains or losses on hedges	Based on changes in the fair value of the hedging instruments, the corresponding amount is scheduled to be reversed.

7. NET ASSETS

KRR issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. KRR is required to maintain net assets of at least ¥50 million as required by the Investment Trust Act.

8. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY

Rental and other operating revenues and property-related expenses for the periods from April 1, 2021 to September 30, 2021 and October 1, 2020 to March 31, 2021 from consist of the following:

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥6,572,739	¥6,092,542
Rental revenues from limited proprietary rights of land	1,008,625	990,413
Common area charges	248,000	253,420
Subtotal	7,829,366	7,336,375
Other lease business revenue:		
Parking space rental revenues	197,192	192,921
Utility charge reimbursement	625,364	476,555
Miscellaneous	249,673	257,816
Subtotal	1,072,230	927,293
Total rental and other operating revenues	8,901,596	8,263,669
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	693,617	679,143
Utilities	543,389	408,770
Taxes	729,881	735,593
Repairs and maintenance	247,928	185,140
Insurance	14,642	14,279
Trust fees	26,482	25,811
Depreciation	1,166,365	1,068,289
Others	239,869	260,808
Total property-related expenses	3,662,177	3,377,837
Net operating income from real estate rental business	¥5,239,419	¥4,885,831

Gain on sales of real estate property:

From April 1, 2021 to September 30, 2021

(in thousands of yen)

Daikanyama Address Dixsept (30.0% quasi co-ownership interest)	
Revenue from sales of real estate property	¥1,993,200
Cost of real estate property	1,607,332
Other sales expenses	40,216
Gain on sales of real estate property	¥345,651

Unicus Ina (20.0% quasi co-ownership interest)	
Revenue from sales of real estate property	¥1,048,000
Cost of real estate property	872,862
Other sales expenses	7,443
Gain on sales of real estate property	¥167,694
Hankyu Oasis Hirakatadeguchi	
Revenue from sales of real estate property	¥1,500,000
Cost of real estate property	1,284,851
Other sales expenses	53,981
Gain on sales of real estate property	¥161,167

From October 1, 2020 to March 31, 2021

(in thousands of yen)

Daikanyama Address Dixsept (40.0% quasi co-ownership interest)	
Revenue from sales of real estate property	¥2,657,600
Cost of real estate property	2,146,120
Other sales expenses	57,234
Gain on sales of real estate property	¥454,244

9. UNITHOLDERS' EQUITY

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

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	582,177 units	536,177 units

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of September 30, 2021 and March 31, 2021:

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Cash and deposits	¥10,026,355	¥9,187,157
Cash and deposits in trust	14,309,262	13,251,126
Restricted bank deposits in trust *	(192,500)	(207,500)
Cash and cash equivalents	¥24,143,118	¥22,230,783

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

11. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of September 30, 2021 and March 31, 2021 are as follows:

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	151,798	157,048
Total	¥162,298	¥167,548

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of September 30, 2021 and March 31, 2021 are as follows:

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Due within 1 year	¥10,388,223	¥9,922,641
Due after 1 year	59,556,245	59,207,166
Total	¥69,944,468	¥69,129,807

12. FINANCIAL INSTRUMENTS

(A). 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 corporation bonds, 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. Loans payable and investment corporation bonds, which are made or issued 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 7 months for loans payable and also have a redemption date of a maximum of 6 years and 7 months for investment corporation bonds as of September 30, 2021, the end of the 13th fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, loans payable 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 loans payable.

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 loans payable with floating rates are exposed to interest rate fluctuation risk, such risk is monitored by adjusting the rate of the balance of loans payable with floating rates against the total loans payable 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 loans payable 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

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(B). Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheets and estimated fair value are shown in the following table. Furthermore, "cash and deposits" and "short-term loans payable" are omitted as they are settled with cash and in a short span of time and are therefore similar in fair value to the carrying value. Also, "tenant leasehold and security deposits in trust" is omitted as it is immaterial.

As of September 30, 2021

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Current portion of investment corporation bonds	2,000,000	1,998,700	(1,300)
(2) Current portion of long-term loans payable	11,800,000	11,798,045	(1,954)
(3) Investment corporation bonds	6,000,000	5,991,000	(9,000)
(4) Long-term loans payable	100,500,000	100,837,304	337,304
Total	120,300,000	120,625,049	325,049
Derivative transactions	¥(276,894)	¥(276,894)	¥ -

(Note) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the net liability position.

As of March 31, 2021

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Current portion of investment corporation bonds	1,000,000	998,600	(1,400)
(2) Current portion of long-term loans payable	16,950,000	16,974,527	24,527
(3) Investment corporation bonds	7,000,000	6,969,900	(30,100)
(4) Long-term loans payable	87,850,000	88,207,532	357,532
Total	112,800,000	113,150,560	350,560
Derivative transactions	¥(250,501)	¥(250,501)	¥ -

(Note) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the net liability position.

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

Liabilities

(1) Current portion of investment corporation bonds and (3) Investment corporation bonds

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

(2) Current portion of long-term loans payable and (4) 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 payable of the same type.)

Derivative transactions

Please refer to Note "13. DERIVATIVE TRANSACTIONS".

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

As of September 30, 2021

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Investment corporation bonds	2,000,000	-	-	1,000,000	-	-
Long-term loans payable	11,800,000	7,500,000	9,490,000	15,320,000	19,850,000	48,340,000
Total	¥13,800,000	¥7,500,000	¥9,490,000	¥16,320,000	¥19,850,000	¥53,340,000

As of March 31, 2021

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Investment corporation bonds	1,000,000	1,000,000	-	-	1,000,000	5,000,000
Long-term loans payable	16,950,000	9,050,000	7,500,000	8,810,000	16,090,000	46,400,000
Total	¥17,950,000	¥10,050,000	¥7,500,000	¥8,810,000	¥17,090,000	¥51,400,000

13. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2021 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥60,210,000	¥58,160,000	¥(276,894)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	26,400,000	21,000,000	*	-
Total			¥86,610,000	¥79,160,000	¥(276,894)	

*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 Note "12. FINANCIAL INSTRUMENTS" (*1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions; Liabilities (2) Current portion of long-term loans payable and (4) Long-term loans payable.)

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2021 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥51,110,000	¥47,010,000	¥(250,501)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	26,400,000	21,000,000	*	-
Total			¥77,510,000	¥68,010,000	¥(250,501)	

*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 Note “12. FINANCIAL INSTRUMENTS” (*1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions; Liabilities (2) Current portion of long-term loans payable and (4) Long-term loans payable.)

14. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

13th Fiscal Period (April 1, 2021 to September 30, 2021) and 12th Fiscal Period (October 1, 2020 to March 31, 2021): Not applicable

2. Affiliated companies and other

13th Fiscal Period (April 1, 2021 to September 30, 2021) and 12th Fiscal Period (October 1, 2020 to March 31, 2021): Not applicable

3. Fellow subsidiary companies and other

13th Fiscal Period (April 1, 2021 to September 30, 2021) and 12th Fiscal Period (October 1, 2020 to March 31, 2021): Not applicable

4. Directors, major individual unitholders and other

13th Fiscal Period (April 1, 2021 to September 30, 2021) and 12th Fiscal Period (October 1, 2020 to March 31, 2021): Not applicable

15. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 31%. However, KRR may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If KRR does not satisfy all of the requirements, the entire taxable income of KRR will be subject to regular corporate income taxes. Since KRR distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥4,266 million and ¥3,804 million for the periods ended September 30, 2021 and March 31, 2021, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.02% for the periods ended September 30, 2021 and March 31, 2021, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of September 30, 2021	As of March 31, 2021
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.49)	(31.50)
Others	0.05	0.06
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities:

	As of September 30, 2021	As of March 31, 2021
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 27	¥ 13
Amortization of leasehold right in trust	16,688	15,437
Depreciation	6,007	5,556
Asset retirement obligations	7,767	7,718
Deferred gains or losses on hedges	87,110	78,807
Subtotal deferred tax assets	117,601	107,533
Valuation allowance	(117,601)	(107,533)
Total deferred tax assets	¥ -	¥ -

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

KRR has recognized the original state restoration obligations assumed under the fixed-term business-purpose land leasehold agreement as the asset retirement obligations in connection with 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 2 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:

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
(in thousands of yen)		
Balance at the beginning of the period	¥24,534	¥24,381
Accretion adjustment	154	153
Balance at the end of the period	¥24,688	¥24,534

17. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

13th Fiscal Period (From April 1, 2021 to September 30, 2021)

	Revenues generated from contracts with customers *1	Sales to external customers
(in thousands of yen)		
Revenue from sale of real estate property	¥2,548,000	*2 ¥328,862
Utility charge reimbursements	625,364	625,364
Other	-	8,621,883
Total	¥3,173,364	¥9,576,109

*1 Rental revenues, etc. which are subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and the transfer of real estate properties which is subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No.15 of the Japanese Institute of Certified Public Accountants) are not included in the above amounts as they are excluded from revenue recognition accounting standards. Revenue generated from contracts with major customers include of revenue from sale of real estate properties and utility charge reimbursements.

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

2. Basis for understanding revenues generated from contracts with customers

13th Fiscal Period (From April 1, 2021 to September 30, 2021)

The basis for understanding revenues generated from contracts with customers is as indicated in the Summary of Significant Accounting Policies.

3. Information on relationship of fulfillment of performance obligations based on contracts with customers and cashflow generated from said contracts along

with amount and period of revenue expected to be recognized in the next fiscal period or thereafter from contracts with customers existing at the end of the fiscal period.

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

	From April 1, 2021 to September 30, 2021
	(in thousands of yen)
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥95,208
Receivables generated from contracts with customers (balance at end of fiscal period)	138,197
Contract assets (balance at beginning of fiscal period)	-
Contract assets (balance at end of fiscal period)	-
Contract liabilities (balance at beginning of fiscal period)	-
Contract liabilities (balance at end of fiscal period)	-

(2) Transaction price allocated to remaining performance obligations

Not applicable.

KRR does not include contracts whose terms are initially expected to be one year or less.

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

18. SEGMENT INFORMATION

Segment information for the periods from April 1, 2021 to September 30, 2021 and October 1, 2020 to March 31, 2021 is as follows:

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

19. INVESTMENT AND RENTAL PROPERTIES

KRR owns retail properties and logistics facility 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.

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥228,086,747	¥228,266,280
Changes during the period	18,382,952	(179,533)
Balance at the end of the period	246,469,699	228,086,747
Fair value at the end of the period	¥264,092,200	¥244,270,400

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 fiscal period ended September 30, 2021, the principal increase was the acquisition of real estate trust beneficiary interest in 3 properties totaling 16,922,833 thousand yen and additional acquisition of 1 real estate trust beneficiary interests amounting to 5,761,375 thousand yen and the principal decrease was the sales of real estate trust beneficiary interests in 3 properties totaling 3,765,046 thousand yen and depreciation of 1,167,191 thousand yen and during the fiscal period ended March 31, 2021, the principal increase was the acquisition of real estate trust beneficiary interest in 2 properties totaling 2,106,845 thousand yen and additional acquisition of 2 real estate trust beneficiary interests amounting to 372,441 thousand yen and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling 2,146,120 thousand yen and depreciation of 1,068,136 thousand yen.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers. The fair value of Daikanyama Address Dixsept(30.0% quasi co-ownership interest) as of September 30, 2021 is based on the sales price (1,993,200 thousand yen) under the trust beneficiary interest sales contracts entered on November 17, 2020. The fair value of Daikanyama Address Dixsept (60.0% quasi co-ownership interest), Hankyu Oasis Hirakatadeguchi and Unicus Ina (20.0% quasi co-ownership interest) as of March 31, 2021 are based on the sales prices (3,986,400 thousand yen, 1,500,000 thousand yen and 1,048,000 thousand yen) under the trust beneficiary interest sales contracts entered on November 17, 2020, February 25, 2021 and April 7, 2021, respectively.

The profit or loss for the periods ended September 30, 2021 and March 31, 2021 concerning investment and rental properties is included in Note "8. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY."

20. PER UNIT INFORMATION

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
Net asset value per unit	¥235,414	¥232,575
Net income per unit	¥7,384	¥7,084

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended September 30, 2021 (577,064 units) and during the fiscal period ended March 31, 2021 (536,177 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
Net income (in thousands of yen)	¥4,261,244	¥3,798,649
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥4,261,244	¥3,798,649
Weighted average number of units during the period (units)	577,064	536,177

21. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

22. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of September 30, 2021:

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Depreciation		Net balance at the end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Buildings	¥746,570	¥9,028	¥ -	¥755,598	¥77,533	¥16,089	¥678,064	
Structures	46,777	-	-	46,777	5,425	1,402	41,351	
Land	2,956,465	-	-	2,956,465	-	-	2,956,465	
Subtotal	3,749,812	9,028	-	3,758,841	82,959	17,491	3,675,881	
Buildings in trust	62,521,244	6,393,544	993,122	67,921,666	9,332,397	1,058,576	58,589,268	*1
Structures in trust	3,491,216	75,710	75,032	3,491,894	644,494	65,679	2,847,400	
Machinery and equipment in trust	261,479	-	13,464	248,014	58,898	7,160	189,115	
Tools, furniture and fixtures in trust	166,797	15,436	2,784	179,449	75,697	13,325	103,751	
Land in trust	162,816,625	16,820,393	2,882,244	176,754,774	-	-	176,754,774	*1,2
Construction in progress in trust	6,177	1,076	-	7,254	-	-	7,254	
Subtotal	229,263,541	23,306,161	3,966,649	248,603,053	10,111,489	1,144,741	238,491,564	
Total	233,013,354	23,315,189	3,966,649	252,361,894	10,194,448	1,162,233	242,167,446	
Intangible assets								
Leasehold right in trust	4,349,916	-	-	4,349,916	53,047	3,978	4,296,869	
Other	16,719	-	-	16,719	9,781	1,284	6,938	
Total	¥4,366,636	¥ -	¥ -	¥4,366,636	¥62,829	¥5,263	¥4,303,807	

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

*2 The amount of decrease during the period is primarily attributable to the sales of the real estate properties.

Property, plant and equipment and intangible assets consist of the following as of March 31, 2021:

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Depreciation		Net balance at the end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Buildings	¥745,164	¥1,405	¥ -	¥746,570	¥61,444	¥16,057	¥685,125	
Structures	38,751	8,026	-	46,777	4,023	1,067	42,753	
Land	2,951,386	5,079	-	2,956,465	-	-	2,956,465	
Subtotal	3,735,302	14,510	-	3,749,812	65,467	17,125	3,684,344	
Buildings in trust	61,177,360	1,706,288	362,404	62,521,244	8,450,403	962,084	54,070,840	
Structures in trust	3,439,796	68,533	17,113	3,491,216	600,741	64,998	2,890,475	
Machinery and equipment in trust	262,338	-	858	261,479	53,675	7,512	207,804	
Tools, furniture and fixtures in trust	150,938	19,683	3,823	166,797	63,530	12,436	103,267	
Land in trust	163,431,237	1,220,609	1,835,221	162,816,625	-	-	162,816,625	
Construction in progress in trust	-	6,177	-	6,177	-	-	6,177	
Subtotal	228,461,671	3,021,292	2,219,422	229,263,541	9,168,350	1,047,032	220,095,190	
Total	232,196,973	3,035,802	2,219,422	233,013,354	9,233,818	1,064,157	223,779,535	
Intangible assets								
Leasehold right in trust	4,349,916	-	-	4,349,916	49,068	3,978	4,300,847	
Other	16,719	-	-	16,719	8,496	1,284	8,223	
Total	¥4,366,636	¥ -	¥ -	¥4,366,636	¥57,565	¥5,263	¥4,309,070	

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

23. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2021:

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
The Gunma Bank, Ltd. (Note 6)	500,000	-	500,000	-	0.550	September 30, 2021		
Sumitomo Mitsui Banking Corporation	2,600,000	-	2,600,000	-				
Aozora Bank, Ltd.	500,000	-	500,000	-				
MUFG Bank, Ltd.	400,000	-	400,000	-	0.485	April 27, 2021		
Sumitomo Mitsui Trust Bank, Limited	300,000	-	300,000	-				
Resona Bank, Limited	300,000	-	300,000	-				
MUFG Bank, Ltd. (Note 6)	600,000	-	600,000	-	0.400			
Development Bank of Japan Inc. (Note 6)	500,000	-	500,000	-	0.553			
Mizuho Bank, Ltd. (Note 6)	400,000	-	400,000	-	0.553	April 27, 2021		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	200,000	-	0.553			
Sumitomo Mitsui Banking Corporation	900,000	-	900,000	-	0.477	April 30, 2021	(Note 5)	Unsecured/ Non-guaranteed
Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.484	January 31, 2022		
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
MUFG Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Aozora Bank, Ltd.	400,000	-	-	400,000	0.978	February 10, 2022		
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
MUFG Bank, Ltd. (Note 7)	1,250,000	-	-	1,250,000				
Mizuho Bank, Ltd. (Note 7)	800,000	-	-	800,000	0.603	August 31, 2022		
Subtotal	19,000,000	-	7,200,000	11,800,000				
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Resona Bank, Limited	400,000	-	-	400,000	0.975	March 31, 2023		
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
MUFG Bank, Ltd.	450,000	-	-	450,000				
Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
The Musashino Bank, Ltd.	150,000	-	-	150,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000	1.110	March 31, 2024		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date	Use	Remarks
						(Note 2) (Note 3)	(Note 4)		
(in thousands of yen)						(%)			
Long-term loans payable	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
	Resona Bank, Limited	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000	0.772	October 31, 2024		
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696			
	Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024	(Note 5)	Unsecured/ Non-guaranteed
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027		
	Resona Bank, Limited	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
	Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930	September 29, 2027		
	Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029			
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027			
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028			
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027			

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date (Note 4)	Use	Remarks
						(Note 2) (Note 3)			
(in thousands of yen)						(%)			
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026	(Note 5)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028		
	The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999			
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.900	May 31, 2027		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999			
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999			
	Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025		
	Sumitomo Mitsui Trust Bank, Limited	700,000	-	-	700,000	0.726			
	Resona Bank, Limited	500,000	-	-	500,000	0.676			
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.726	March 31, 2026		
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.726			
	The Musashino Bank, Ltd.	400,000	-	-	400,000	0.676			
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.910	March 31, 2028		
	MUFG Bank, Ltd.	1,300,000	-	-	1,300,000	0.860			
	Resona Bank, Limited.	650,000	-	-	650,000	0.460	August 31, 2024		
	Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026		
	Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028		
	Sumitomo Mitsui Trust Bank, Limited	820,000	-	-	820,000	0.550	October 31, 2024		
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.750	January 31, 2028		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028		
	MUFG Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	0.520			
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.644			
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.644	October 31, 2026		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	500,000	-	-	500,000	0.550			
	Resona Bank, Limited	300,000	-	-	300,000	0.644			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.830	October 31, 2029		
	The Gunma Bank, Ltd.	400,000	-	-	400,000	0.498	January 31, 2025		
	The Musashino Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.478	January 31, 2025		
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
Aozora Bank, Ltd.	450,000	-	-	450,000	0.725	January 31, 2029			
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000					
MUFG Bank, Ltd.	700,000	-	-	700,000					
Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000	0.809	January 31, 2030			
Resona Bank, Ltd.	450,000	-	-	450,000					
Mizuho Bank, Ltd.	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.888	January 31, 2031			

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date	Use	Remarks
						(Note 2) (Note 3)	(Note 4)		
(in thousands of yen)						(%)			
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.535	February 28, 2026	(Note 5)	Unsecured/ Non-guaranteed
	MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000	0.407	April 30, 2025		
	Sumitomo Mitsui Banking Corporation	-	600,000	-	600,000				
	Mizuho Bank, Ltd.	-	500,000	-	500,000				
	Resona Bank, Ltd.	-	400,000	-	400,000	0.400	April 30, 2025		
	MUFG Bank, Ltd. (Note 6)	-	500,000	-	500,000				
	Aozora Bank, Ltd.	-	500,000	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	-	200,000	-	200,000	0.461	April 30, 2026		
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000				
	MUFG Bank, Ltd. (Note 6)	-	400,000	-	400,000	0.475	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	-	1,600,000	-	1,600,000				
	Mizuho Bank, Ltd.	-	400,000	-	400,000	0.548	October 31, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	-	300,000	-	300,000				
	Resona Bank, Ltd.	-	300,000	-	300,000				
	MUFG Bank, Ltd. (Note 6)	-	600,000	-	600,000	0.525	October 31, 2027		
	Development Bank of Japan Inc. (Note 6)	-	500,000	-	500,000				
	The 77 Bank, Ltd.	-	500,000	-	500,000	0.426	April 30, 2026		
	The Musashino Bank, Ltd. (Note6)	-	500,000	-	500,000				
	Sumitomo Mitsui Banking Corporation	-	800,000	-	800,000	0.601	April 30, 2028		
	Sumitomo Mitsui Trust Bank, Ltd.	-	700,000	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	-	600,000	-	600,000				
	Aozora Bank, Ltd.	-	600,000	-	600,000				
	Mizuho Bank, Ltd.	-	500,000	-	500,000				
	MUFG Bank, Ltd. (Note6)	-	500,000	-	500,000				
	SUMITOMO LIFE INSURANCE COMPANY (Note6)	-	500,000	-	500,000	0.550	April 30, 2028		
Development Bank of Japan Inc. (Note6)	-	300,000	-	300,000					
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.357	April 30, 2024			
MUFG Bank, Ltd. (Note6)	-	200,000	-	200,000					
Aozora Bank, Ltd.	-	200,000	-	200,000	0.525	October 31, 2027			
MUFG Bank, Ltd. (Note6)	-	200,000	-	200,000					
Aozora Bank, Ltd.	-	200,000	-	200,000	0.601	April 30, 2028			
The Gunma Bank, Ltd. (Note6)	-	500,000	-	500,000					
	Subtotal	85,800,000	14,700,000	-	100,500,000				
Total		¥ 104,800,000	¥ 14,700,000	¥ 7,200,000	¥ 112,300,000				

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:

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥ 7,500,000	¥ 9,490,000	¥ 15,320,000	¥ 19,850,000	¥ 48,340,000

Note 2: All debts except for the following Note 6 are loans payable 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 loans payable 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 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: Loans payable at a fixed rate.

Note 7: Borrowings are listed in the current portion of long-term loans payable from the fiscal period under review, listed in long-term loans payable in the previous fiscal period.

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2021:

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
		(in thousands of yen)				(%)			
Short-term loans payable	Sumitomo Mitsui Banking Corporation	2,750,000	-	2,750,000	-	0.471	January 31, 2021	(Note 5)	Unsecured/ Non-guaranteed
	Subtotal	2,750,000	-	2,750,000	-				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	3,000,000	-				
	MUFG Bank, Ltd.	700,000	-	700,000	-				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	500,000	-	0.865	February 10, 2021		
	Aozora Bank, Ltd.	450,000	-	450,000	-				
	Resona Bank, Limited	450,000	-	450,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	1,500,000	-	0.925	February 10, 2021		
	Sumitomo Mitsui Banking Corporation	2,400,000	-	2,400,000	-				
	MUFG Bank, Ltd.	1,600,000	-	1,600,000	-				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	550,000	-				
	Resona Bank, Limited	500,000	-	500,000	-	0.472	February 28, 2021		
	Aozora Bank, Ltd.	500,000	-	500,000	-				
	Mizuho Bank, Ltd.	350,000	-	350,000	-				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-				
	The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.485	April 27, 2021	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.400			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553			
	Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.473	April 30, 2021		
	Sumitomo Mitsui Banking Corporation (Note 7)	2,600,000	-	-	2,600,000				
MUFG Bank, Ltd. (Note 7)	800,000	-	-	800,000					
Sumitomo Mitsui Trust Bank, Limited (Note 7)	600,000	-	-	600,000					
Aozora Bank, Ltd. (Note 7)	400,000	-	-	400,000	0.978	February 10, 2022			
Mizuho Trust & Banking Co., Ltd. (Note 7)	400,000	-	-	400,000					
Mizuho Bank, Ltd. (Note 7)	300,000	-	-	300,000					
Resona Bank, Limited (Note 7)	300,000	-	-	300,000					
Development Bank of Japan Inc. (Note 6) (Note 7)	1,600,000	-	-	1,600,000	1.033	February 10, 2022			

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
		(in thousands of yen)				(%)			
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.478	January 31, 2022	(Note 5)	Unsecured/ Non-guaranteed
	Subtotal	27,400,000	2,750,000	13,200,000	16,950,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023		
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.110	March 31, 2024		
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025	(Note 5)	Unsecured/ Non-guaranteed
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
Resona Bank, Limited	500,000	-	-	500,000	1.002				
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000					
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000	0.772	October 31, 2024			
Aozora Bank, Ltd.	400,000	-	-	400,000					
Resona Bank, Limited	300,000	-	-	300,000					
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696				
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024			
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814				
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026			

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027		
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930	September 29, 2027		
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029			
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022		
Mizuho Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.900	May 31, 2027		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999			
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999			
Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025		
Sumitomo Mitsui Trust Bank, Limited	700,000	-	-	700,000	0.726			
Resona Bank, Limited	500,000	-	-	500,000	0.676			
Aozora Bank, Ltd.	500,000	-	-	500,000	0.726	March 31, 2026		
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.726			
The Musashino Bank, Ltd.	400,000	-	-	400,000	0.676			
Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.910	March 31, 2028		
MUFG Bank, Ltd.	1,300,000	-	-	1,300,000	0.860			
Resona Bank, Limited.	650,000	-	-	650,000	0.460	August 31, 2024		
Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026		
Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028		
Sumitomo Mitsui Trust Bank, Limited	820,000	-	-	820,000	0.550	October 31, 2024		
MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.750	January 31, 2028		

Long-term loans payable

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028		
MUFG Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	0.520			
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.644			
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.644	October 31, 2026		
Mizuho Trust & Banking Co., Ltd. (Note 6)	500,000	-	-	500,000	0.550			
Resona Bank, Limited	300,000	-	-	300,000	0.644			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.830	October 31, 2029		
The Gunma Bank, Ltd.	400,000	-	-	400,000	0.498	January 31, 2025		
The Musashino Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.478	January 31, 2025		
Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
Aozora Bank, Ltd.	-	450,000	-	450,000	0.725	January 31, 2029	(Note 5)	Unsecured/ Non-guaranteed
Sumitomo Mitsui Banking Corporation	-	3,000,000	-	3,000,000				
MUFG Bank, Ltd.	-	700,000	-	700,000				
Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000	0.809	January 31, 2030		
Resona Bank, Ltd.	-	450,000	-	450,000				
Mizuho Bank, Ltd.	-	400,000	-	400,000				
Development Bank of Japan Inc. (Note 6)	-	1,500,000	-	1,500,000	0.888	January 31, 2031		
Sumitomo Mitsui Banking Corporation	-	2,400,000	-	2,400,000				
MUFG Bank, Ltd.	-	1,600,000	-	1,600,000				
Sumitomo Mitsui Trust Bank, Ltd.	-	550,000	-	550,000				
Resona Bank, Ltd.	-	500,000	-	500,000	0.535	February 28, 2026		
Aozora Bank, Ltd.	-	500,000	-	500,000				
Mizuho Bank, Ltd.	-	350,000	-	350,000				
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000				
Subtotal	74,650,000	13,200,000	-	87,850,000				
Total	¥ 104,800,000	¥ 15,950,000	¥ 15,950,000	¥ 104,800,000				

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:

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥ 9,050,000	¥ 7,500,000	¥ 8,810,000	¥ 16,090,000	¥ 46,400,000

Note 2: All debts except for the following Note 6 are loans payable 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 loans payable 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 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: Loans payable at a fixed rate.

Note 7: Borrowings are listed in the current portion of long-term loans payable from the fiscal period under review, listed in long-term loans payable in the previous fiscal period.

24. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of September 30, 2021 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate (%)	Repayment date	Use	Remarks
		(in thousands of yen)						
First series of unsecured investment corporation bonds (Note 1)	October 31, 2016	¥1,000,000	¥ -	¥1,000,000	0.200	October 29, 2021	(Note3)	Unsecured
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026		
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	1,000,000	-	1,000,000	0.320	August 31, 2022		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note4)	
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	2,000,000	-	2,000,000	0.700	April 26, 2028		
Sixth series of unsecured investment corporation bonds (Note 2)	April 30, 2020	1,000,000	-	1,000,000	0.400	April 30, 2025		
Total		¥8,000,000	¥ -	¥8,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Ranking pari passu among the specified investment corporation bonds and small private placement with restrictions on splits of denomination of each bond.

Note 3: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 4: Investment corporation bonds were used as the funds for repayment of debts.

Note 5: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
	(in thousands of yen)				
Investment corporation bonds	¥2,000,000	¥ -	¥ -	¥1,000,000	¥ -

Outstanding investment corporation bonds as of March 31, 2021 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate (%)	Repayment date	Use	Remarks
		(in thousands of yen)						
First series of unsecured investment corporation bonds (Note 1)	October 31, 2016	¥1,000,000	¥ -	¥1,000,000	0.200	October 29, 2021	(Note3)	Unsecured
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026		
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	1,000,000	-	1,000,000	0.320	August 31, 2022		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note4)	
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	2,000,000	-	2,000,000	0.700	April 26, 2028		
Sixth series of unsecured investment corporation bonds (Note 2)	April 30, 2020	1,000,000	-	1,000,000	0.400	April 30, 2025		
Total		¥8,000,000	¥ -	¥8,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Ranking pari passu among the specified investment corporation bonds and small private placement with restrictions on splits of denomination of each bond.

Note 3: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 4: Investment corporation bonds were used as the funds for repayment of debts.

Note 5: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
	(in thousands of yen)				
Investment corporation bonds	¥1,000,000	¥1,000,000	¥ -	¥ -	¥1,000,000

25. DISTRIBUTIONS

	From April 1, 2021 to September 30, 2021	From October 1, 2020 to March 31, 2021
I. Retained earnings at the end of period	¥4,511,908,436	¥4,153,672,573
II. Distributions in excess of earnings	¥31,437,558	¥5,361,770
Of which, allowance for temporary difference adjustments	¥31,437,558	¥5,361,770
III. Incorporation into unitholders' capital	¥ -	¥104,194,502
Of which, reversal of allowance for temporary difference adjustments	¥ -	¥104,194,502
IV. Total distributions	¥4,266,193,056	¥3,804,175,815
Distributions per unit	¥7,328	¥7,095
Of which, distributions of earnings	¥4,234,755,498	¥3,798,814,045
Of which, distributions of earnings per unit	¥7,274	¥7,085
Of which, allowance for temporary difference adjustments	¥31,437,558	¥5,361,770
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	¥54	¥10
V. Retained earnings brought forward to the next period	¥277,152,938	¥250,664,025

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 ¥4,234,755,498 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act.

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 of ¥31,437,558 for 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 (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.

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 ¥3,798,814,045 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act after deduction of reversal of allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations).

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 of ¥5,361,770 for 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 (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights.

Method of calculating distribution amount

13th Fiscal Period (From April 1, 2021 to September 30, 2021)

1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥5,045
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	¥26,392

2. Method of reversal

	Method of reversal
Buildings in trust, Leasehold right in trust	Upon sale, the corresponding amount is scheduled to be reversed.
Deferred gains or losses on hedges	Based on changes in the fair value of the hedging instruments, the corresponding amount is scheduled to be reversed.

12th Fiscal Period (From October 1, 2020 to March 31, 2021)

1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥5,361

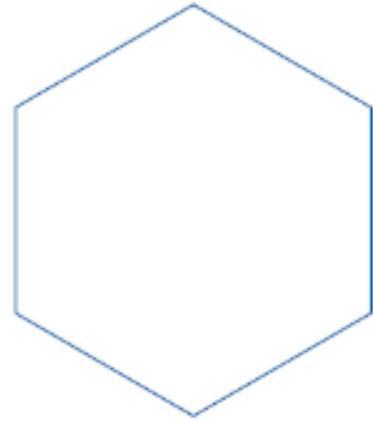
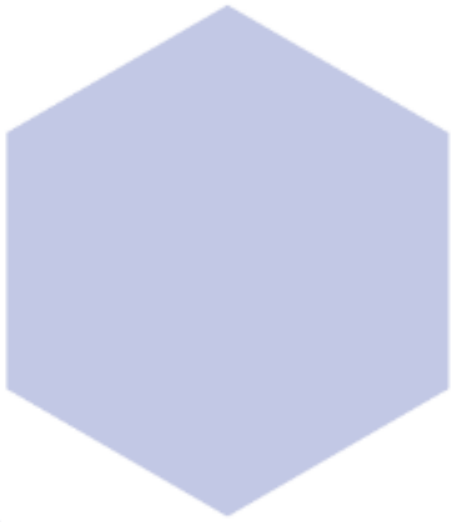
2. Reasons, related assets and reversal of allowance

(in thousands of yen)

Related assets, etc.	Reason	Reversal of allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in the fair value of derivative instruments	¥104,194

3. Method of reversal

	Method of reversal
Buildings in trust, Leasehold right in trust	Upon sale, the corresponding amount is scheduled to be reversed.
Deferred gains or losses on hedges	Based on changes in the fair value of the hedging instruments, the corresponding amount is scheduled to be reversed.



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