



KENEDIX

Retail REIT Corporation

Semi-annual Report for the 6th Period
 (From October 1, 2017 to March 31, 2018)

Focused Investment in
 Shopping Centers for Daily Needs



For the 6th fiscal period ended March 31, 2018

Distribution per unit

JPY 6,255

Forecast DPU for the 7th fiscal period

JPY 6,245

Total assets (by acquisition price) /

Number of properties

JPY 206.1^{bn}

52 properties

Number of tenants

522 tenants

Occupancy rate at the end of period

99.5%

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Close-up KRR Vol.5

Ashico Town Ashikaga

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Thanks to your support, Kenedix Retail REIT Corporation (“KRR”) has reported its results of operations for the sixth fiscal period (from October 1, 2017 to March 31, 2018).

We became the first J-REIT to focus primarily on neighborhood, community and other shopping centers that cater to the day-to-day needs of local area customers upon our listing in February 2015. Japan is undergoing unprecedented demographic changes that, we believe, are influencing the nature of local retail markets. In particular, the aging of the Japanese population and the increased concentration of populations in urban areas have resulted in shrinkage of retail trade areas for shopping centers. We have also observed an increase in market share of specialty stores as consumer tastes change. Accordingly, we expect continued high demand for such local shopping centers for daily needs because of their convenience. We believe our selective investments in these shopping centers contribute further increase in unitholder’s value.

Moreover, we have positioned initiatives on ESG (Environment, Social and Governance) awareness as an important business management issue since our listing. We aim to help achieve a sustainable society by promoting such initiatives, enlivening local communities and enhancing social infrastructure, while working to contribute to society through our investment in shopping centers for daily needs.

For the sixth fiscal period, operating revenue totaled 8,126 million yen, operating income was 3,768 million yen, ordinary income was 3,179 million yen and net income was 3,175 million yen. The distribution to unitholders was 6,255 yen per unit.

We acquired 18 shopping centers with acquisition price of 80,843 million yen upon our listing. During the sixth fiscal period, we acquired a new supermarket located in Tokyo metropolitan area. At the end of the sixth fiscal period, our portfolio consisted of 52 properties for 206,176 million yen in acquisition price. We believe that AUM growth contributes to diversification of our portfolio and stability of our earnings base. Due to the enhanced diversification through AUM expansion and the track record since our listing, KRR’s credit rating was upgraded to A+ by Japan Credit Rating Agency, Ltd. in December 2017.

Going into the seventh fiscal period, we disposed a property for the first time, and acquired two properties located in Tokyo and Sapporo. Through these disposition and acquisitions, our portfolio consists 53 properties for 212,897 million yen in acquisition price.

We dedicate ourselves to the maximization of unitholder value by continuing implementation of our growth strategy extensively supported from our Sponsor and the Alliance Companies.

We respectfully look forward to your continued support.

Akihiro Asano

浅野 晃弘

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

Focus on shopping centers for daily needs

1 The only J-REIT to focus on shopping centers for daily needs

Retail properties located within residential districts or adjacent to major roads, which provide daily goods and services

Well located for daily living	Retail trade area of an approximately 1 to 10 km radius (generally 3 to 5 km radius) Customers predominantly from local areas surrounding the retail property
High volume of customer traffic	Accommodate certain daily local retail needs Strong customer traffic on both weekdays and weekends
Specialty store tenant diversity	Various specialty stores to meet a range of day-to-day needs Groceries, clothing and other daily goods and services

SM Supermarkets	Retail trade area 3 km radius Stand-alone stores that primarily provide groceries	 <p style="text-align: center;">Life Kameido</p>	NSC Neighborhood Shopping Centers	Retail trade area 3 – 5 km radius Shopping centers with a supermarket as an anchor or core tenant	 <p style="text-align: center;">Blumer Maitamon</p>
Urban Station-Front Shopping Centers	Shopping centers in the immediate vicinity of an urban public transportation station Retail trade area 3 – 10 km radius	 <p style="text-align: center;">Daikanyama Address Dixsept</p>	CSC Community Shopping Centers	Larger shopping centers than NSC, with a supermarket as an anchor or core tenant Retail trade area 5 – 10 km radius	 <p style="text-align: center;">Fululu Garden Yachiyo</p>
SS Specialty Stores	Specialty stores such as drug stores, convenience stores, health clubs or electronic appliance stores Retail trade area 1 – 10 km radius	 <p style="text-align: center;">Homecenter Kohnan Sunadabashi</p>			

2 Investment in major metropolitan areas with population concentrations

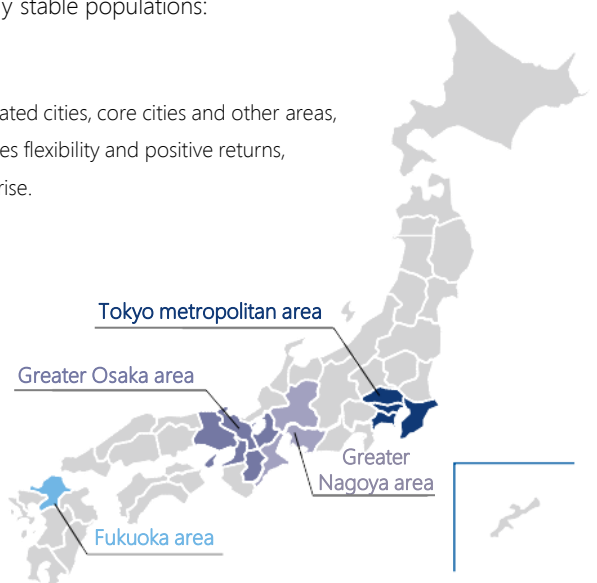
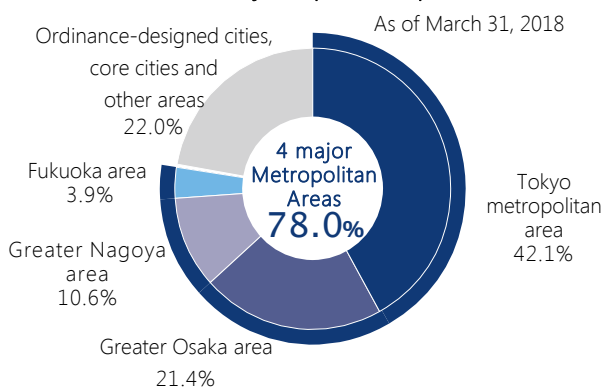
Primary geographic target areas

The four major metropolitan areas of Japan, which have relatively stable populations:

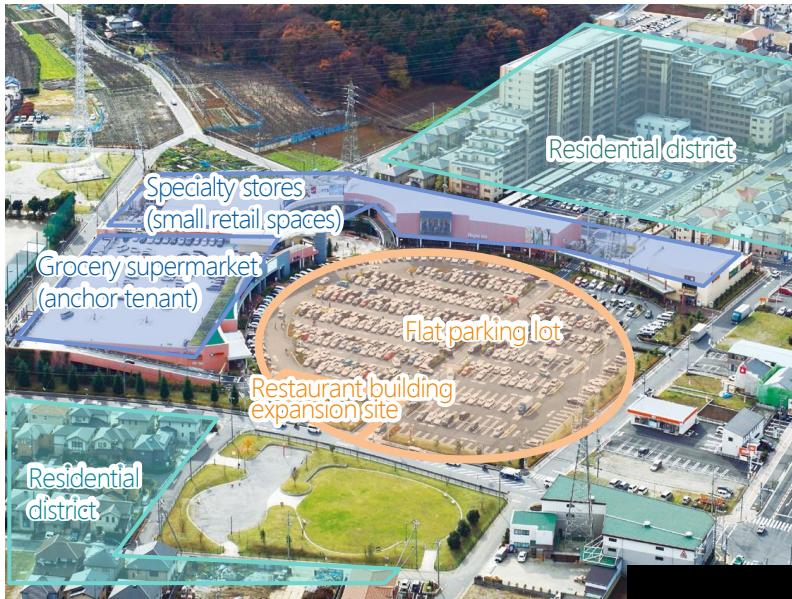
- Tokyo metropolitan area
- Greater Osaka area
- Greater Nagoya area
- Fukuoka area

* KRR may also from time to time consider investing in ordinance-designated cities, core cities and other areas, which would allow KRR to build a more diversified portfolio that provides flexibility and positive returns, consistent with KRR’s investment goals, when attractive opportunities arise.

Location (by acquisition price)



Primary characteristics of shopping centers for daily needs



Location Located within residential areas of a metropolitan commuter district

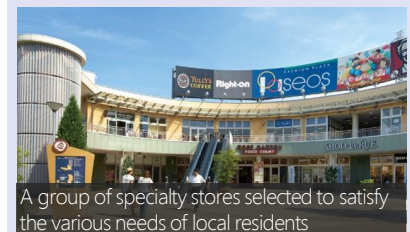
- Retail trade area population
 - 1km radius: 9,600 people
 - 3km radius: 60,000 people
 - 5km radius: 244,000 people

Tenants Providing primarily daily necessities

- Housing Yaoko (anchor tenant) and a group of specialty stores (non-anchor tenants)



An anchor tenant with strong ability to attract customers



A group of specialty stores selected to satisfy the various needs of local residents

Facilities Capacity to accommodate frequent customer visits and provide revenue upside potential

- Flat parking lot to accommodate approximately 480 vehicles
- Constructed a restaurant building on underutilized space

Expansion building	Restaurant building	GFA	397.98 m ²
Acquisition date	Jan. 16, 2017	Total construction cost	JPY 91 mn



Expansion building

3 Pipeline expansion through collaboration with KRR's Sponsor and Alliance Companies

KRR aims steady external growth through pipelines from its Sponsor and Alliance Companies and pipeline expansion utilizing sourcing capability of the Asset Manager.

■ Strong support from the Kenedix Group and Alliance Companies

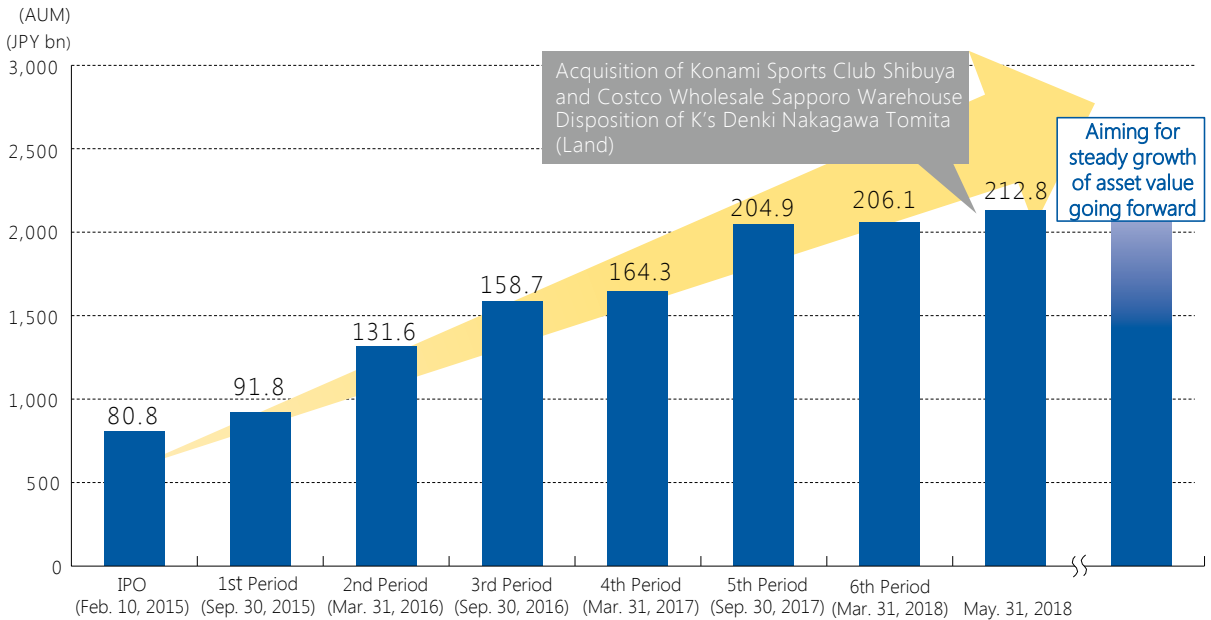
KRR has strong support from its Sponsor, Kenedix, Inc., as well as four Alliance Companies for both internal and external growth.



External Growth

1 Steady AUM growth

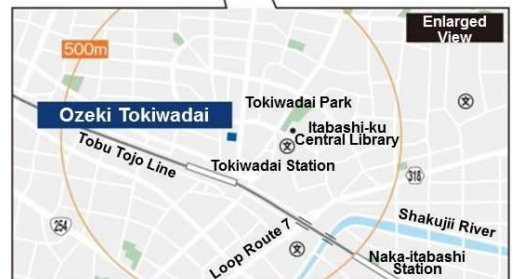
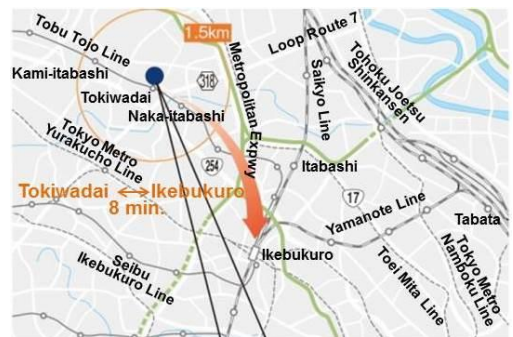
KRR made steady AUM growth through three follow-on offerings since its IPO. Its AUM expanded from 80.8 billion yen at the time of listing to 212.8 billion yen. In the 7th fiscal period, KRR sold a property for the first time.



2 Assets acquired in the 6th fiscal period

T-23 Ozeki Tokiwadai

A grocery supermarket, which opened in September 2017, located in one of the most densely populated retail trade areas in Tokyo, with 64 thousand residents within a one-kilometer radius



Acquisition Price	JPY 1,263 mn	Appraisal Value	JPY 1,340 mn
Location	Itabashi ward, Tokyo	Appraisal NOI	JPY 57 mn
Land area	804.68 m ²	Appraisal NOI yield	4.6%
Gross floor area	1,217.02 m ²	Core tenant	Ozeki Co., Ltd.

3 Assets acquired in the 7th fiscal period

T-24 Konami Sports Club Shibuya

A large sports club with a wide range of facilities in a densely populated area of central Tokyo



Acquisition Price	JPY 3,400 mn
Location	Shibuya ward, Tokyo

R-11 Costco Wholesale Sapporo Warehouse

The only Costco warehouse in Hokkaido, covering Sapporo metropolitan area as its trade area



Acquisition Price	JPY 3,400 mn	Location	Sapporo, Hokkaido
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4 Asset disposed in the 7th fiscal period

N-3 K's Denki Nakagawa Tomita (Land)



Location	Nagoya, Aichi	Land area	5,560.23 m ²
Disposition Price	JPY 1,128 mn	Disposition date	April 27, 2018
Acquisition Price	JPY 889 mn	Acquisition date	February 10, 2015
Appraisal Value	JPY 1,010 mn	Appraisal NOI	JPY 46 mn

5 Preferential access to potential acquisition opportunities

KRR seeks to achieve external growth by selectively acquiring properties managed or developed by the Kenedix Group and taking advantage of preferential negotiation rights for properties owned by Alliance Companies.

Examples of pipelines

Apita Terrace Yokohama Tsunashima

Location: Yokohama, Kanagawa

Opened in Mar. 2018



Unicus Urawamisono (Land)

Location: Saitama, Saitama

Opened in Mar. 2017



Across Plaza Urayasu Higashino (Land)

(Location: Urayasu, Chiba)

Opened in Dec. 2017



Development Project in Nagoya (Land) (Note)

Location: Nagoya, Aichi

Planned to open in Jan. 2019



Note: The illustrations above are completion images based on design drawings and may differ from the actual buildings after completion.

1

Environmental Initiatives

Installation of LED lighting

KRR promotes installation of LED lighting to reduce replacement costs and to conserve energy. This effort also contributes to mitigate environmental burden by reducing CO2 and waste emissions

T-21 Prime Square Jiyugaoka



T-1 Fululu Garden Yachiyo

T-2 MONA Shin-Urayasu

T-3 Passaggio Nishiara

T-5 Unicus Ina

O-4 Blumer HAT Kobe

O-5 Carino Esaka

R-4 Ashico Town Ashikaga

Greening of facilities

Greening of facilities creates energy-saving effects such as mitigation of outdoor temperature, as well as relaxing effects for visitors by providing refreshing spaces.



Blumer Maitamon (Entrance)



MONA Shin-Urayasu (Rooftop)

Performance

The actual performance of reduction in unit energy consumption is as follows.

	2015	2016
Energy intensity (kl)	0.05174	0.04863
Energy intensity (MJ)	1,981	1,862
YoY performance (%)	96.5	94.0

Note: Energy intensity is calculated by dividing total energy use equivalent to crude oil (kl/year) by total occupancy floor area (m²/year) and also converted into MJ per m²/year.

2

Social Initiatives

Local events at our properties

KRR is making efforts to enliven local communities by holding community-participating events at its properties.



Summer Festival (Unicus Ina)



Kamisato Farmer's Market (Unicus Kamisato)

Collaboration with local communities

KRR agreed with Yoshikawa City to provide part of Unicus Yoshikawa as a temporary shelter in case of a disaster as floods. KRR also agreed with Yachiyo Police Station to provide coupons to the elderly who voluntarily returned their driver's license



Signing of agreement (Unicus Yoshikawa)



Signing of agreement (Fululu Garden Yachiyo)

Initiatives with tenant

KRR has entered into green lease agreements with some of its tenants. Green lease is an agreement specifying that property owners and tenants shall cooperate to reduce environmental burden. KRR has also conducted tenant satisfaction surveys in some of its properties.

Social contribution activities

Installation of AEDs and emergency supplies in some of its properties. KRR supports the activity of Japan Association for UNHCR (United Nations High Commissioner for Refugees) by providing common areas of its properties for their fund-raising campaign.



AEDs and emergency supplies



UNHCR fund-raising campaign (MONA Shin-Urayasu)

3 Recognitions and certifications on environment

■ GRESB Real Estate Assessment 2017

GRESB is an annual benchmark assessment which measures environmental, social, and governance (ESG) considerations in the real estate sector. KRR has been awarded a “Green Star” in the 2017 GRESB Real Estate Assessment for the second consecutive year, as it received high evaluation on both “implementation and measurement” and “management and policy”. KFM, the asset manager of KRR, has also joined the GRESB Company & Fund Members.



■ DBJ Green Building Certification

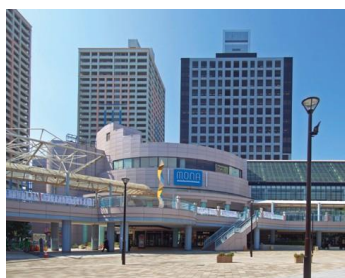
The DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. (DBJ) in April 2011 to support real estate that meets environmental and social considerations. The program evaluates and certifies real estate with environmental and social considerations, taking into account each property’s environmental features and measures taken for various stakeholders, such as disaster and community-conscious measures.

■ Properties received DBJ Green Building Certification

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

T-2 MONA Shin-Urayasu

T-1 Fululu Garden Yachiyo



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

Properties with high environmental & social awareness (★★)

T-4 Daikanyama Address Dixsept

R-1 Roseo Mito

T-5 Unicus Ina

R-10 Sun Street Hamakita

O-4 Blumer HAT Kobe

R-4 Ashico Town Ashikaga

T-19 Yumemachi Narashinodai Mall

T-3 Passaggio Nishiarai

T-20 Kawamachi Yahagi Mall

T-7 Unicus Yoshikawa

O-5 Carino Esaka

O-1 Blumer Maitamon

■ Certified properties and floor area ratio

The number of certified properties: 14 (35.9%)

Certified floor area: 432,817.34m² (63.8%)

(as of March 31, 2018)

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (670,134.15m², calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties). As of March 31, 2018, KRR owns 39 properties that are eligible for certification, excluding 13 land-only properties.



Interview

Takao Mizoguchi

President of
P&D Consulting Co., Ltd.

Takao Mizoguchi is President of P&D Consulting Co., Ltd., which is one of KRR's Alliance Companies. Mr. Mizoguchi discusses P&D Consulting's corporate philosophy and the concepts that define the UNICUS brand used for the company's shopping centers.

First, please explain briefly about your company.

Our primary business is the development and operation of shopping centers, using the UNICUS brand. We operate 11 UNICUS shopping centers located mainly in Saitama prefecture. Our corporate philosophy is "building mutually beneficial relationships with stakeholders and playing a role in the creation and advancement of vibrant communities." Stakeholders include the customers who use our shopping centers as well as our business partners, employees and all others involved in our operations.

Since its IPO, KRR has been dedicated to helping enliven local communities and enhance social infrastructures and also providing stable returns over the long-term by making investments primarily in shopping centers for daily needs. We decided to support KRR as its Alliance Company because we are in agreement with KRR's philosophy.

What is the concept behind the UNICUS brand?

UNICUS is derived from the word "unique" and the Latin for "only one." By using this brand for our shopping centers, we are targeting shopping centers that are operating slightly upscale life style centers for everyday needs and creating places with deep roots in their host communities and a pleasant environment for visitors.

KRR has acquired four shopping centers that we developed, namely Unicus Ina, Unicus Yoshikawa, Unicus Kamisato and Unicus Konosu (land only for Unicus Kamisato and Unicus Konosu)..

What characteristics make UNICUS unique?

Our objective is to create shopping centers that make people want to visit casually. By visiting a UNICUS shopping center, visitors can take the time to look around at other stores before doing their grocery shopping. UNICUS attracts tenants that are slightly upscale. To accomplish this goal, we aim to operate shopping centers with many tenants in order to produce a highly entertaining guest experience.

Playing a role in the creation and advancement of vibrant communities is another central theme. This is why UNICUS shopping centers have places for performances by groups from schools and other local organizations. There are also many other initiatives for enabling our shopping centers to help enliven the communities they serve.

What are your plans for the future?

We want to contribute to the quality of life in the areas where we operate. To do this, we will continue to explore ways to provide even more added value, at or surrounding our shopping centers. One example is added value involving Japan's aging population. The government is promoting the Compact City policy that encourages the formation of highly compact and convenient neighborhoods with residential, medical, welfare, retail and transportation services. We want to contribute to such communities by creating compact facilities in metropolitan districts.

In collaboration with KRR, we concluded "green leases," which include provisions that encourage the building owner and tenants to work together to reduce the environmental impact. Furthermore, we look forward to working with KRR in other ways to enliven communities where we operate shopping centers.

Unicus Kamisato (Land)



Financial Highlights

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 (as of March 31, 2018)

LTV 44.5%	Long-term debt ratio / 96.1%	Fixed interest debt ratio 92.0%
Average remaining years to maturity 5.2 years	Number of lenders 11	Average interest rate (Note) 1.00%

Note: The average interest rate is as of Apr. 30, 2018.

2 Upgrade of Japan Credit Rating Agency (JCR)

Japan Credit Rating Agency, Ltd. ("JCR") announced that the credit rating of KRR's Long-Term Issuer Rating was upgraded.

December, 2017

Credit rating Agency	Before the Change	After the Change
JCR	A (positive)	A+ (stable)

3 Diversifying KRR's lending sources

◆ Issued investment corporation bonds

KRR issued investment corporation bonds on April 26, 2018, leveraging low interest rate environment.

Issue	Maturity	Amount	Annual interest rate
5th unsecured investment corporation bonds	10 years	JPY 2.0 bn	0.700%

◆ Invited a new lender

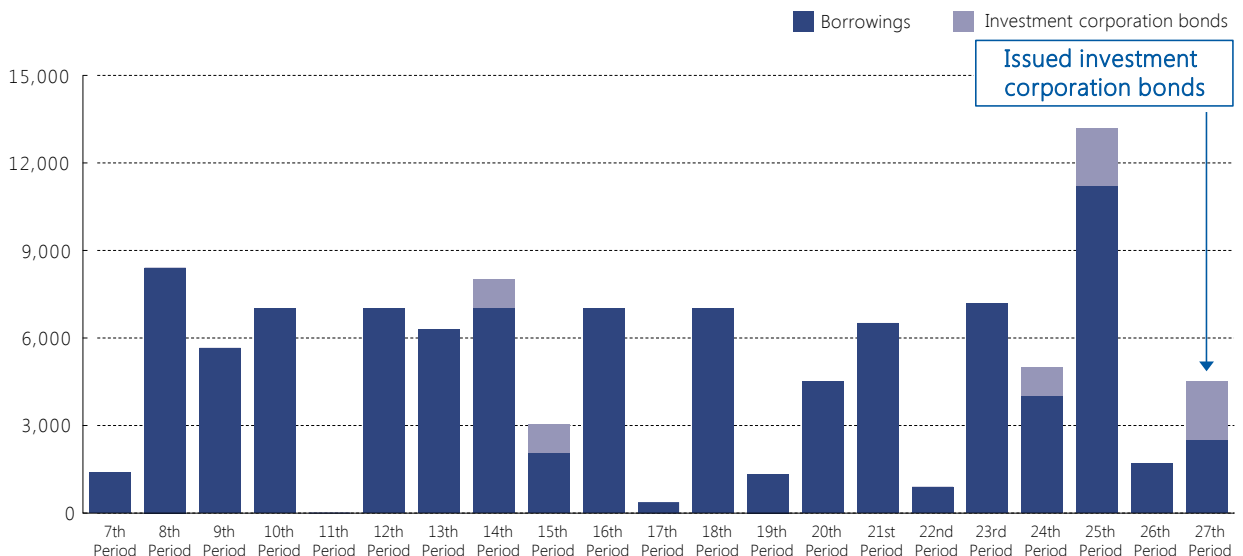
KRR intends to diversify its lenders through its first borrowing from The Bank of Fukuoka, Ltd. on May 31, 2018.

Lender	Maturity	Amount
The Bank of Fukuoka, Ltd.	8 years	JPY 1.0 bn

4 Debt maturity schedule (as of May 31, 2018)

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

Debt outstanding JPY 106,100 mn (excluding interest-bearing tenant leasehold and security deposits)



Portfolio List as of May 31, 2018

Total
acquisition price

JPY212,897mn

Weighted average
occupancy rate

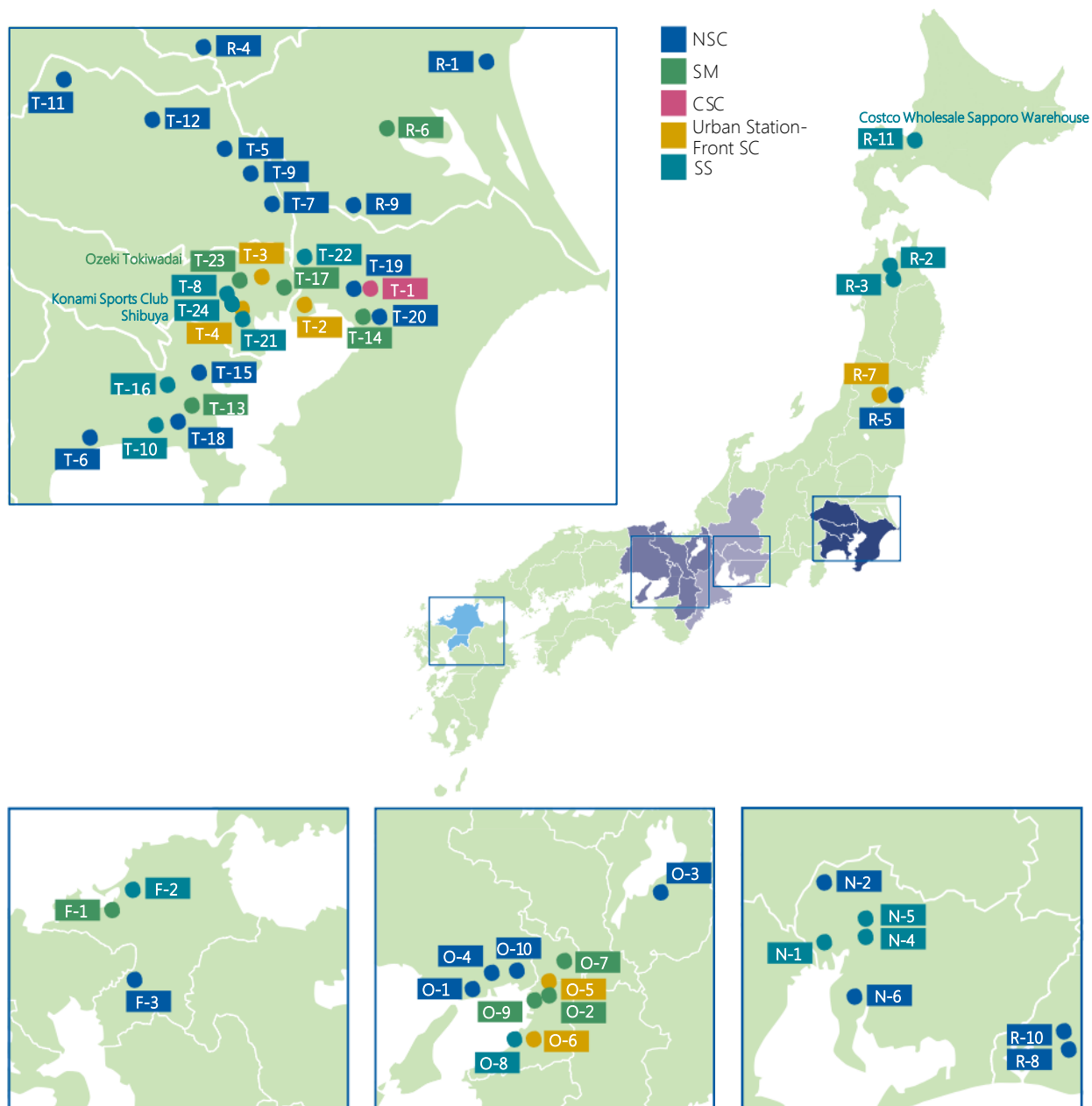
99.5%

Number of
Tenants

523

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) <small>(Note 1)</small>	Number of tenants <small>(Note 2)</small>
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	98.8	40
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	87.8	58
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	98.6	41
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	97.9	27
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,470	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	11
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-14	Gourmet City Chiba-Chuo	Chiba, Chiba	760	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
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	98.4	51
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1
O-3	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	2,140	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	97.2	39
O-5	Carino Esaka	Suita, Osaka	6,555	100.0	31
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	100.0	1
O-7	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	100.0	1
O-8	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	487	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
N-1	Kahma Home Center 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-5	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	1,370	100.0	1
N-6	Resora Obu Shopping Terrace	Obu, Aichi	7,911	99.2	42
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	99.7	22
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

Portfolio Map as of May 31, 2018



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) (Note 1)	Number of tenants (Note 2)
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	100.0	29
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1
R-7	Solala Plaza	Sendai, Miyagi	5,720	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	Hamamatsu, Shizuoka	10,746	99.2	53
Total of assets acquired by the end of the 6th period (Note 3)			205,287	99.5	521
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	100.0	1
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	100.0	1
Total of assets acquired during the 7th period			7,610	100.0	2
Total			212,897	99.5	523

Note 1: "Occupancy rate" is as of March 31, 2018.

Note 2: "Number of tenants" indicates the number of end-tenants as of March 31, 2018.

Note 3: "Portfolio List" and "Total" do not contain K's Denki Nakagawa Tomita disposed on April 27, 2018.

Overview of portfolio (as of May 31, 2018)

T-1 Fululu Garden Yachiyo



T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiarai



T-4 Daikanyama Address Dixsept



T-5 Unicus Ina



T-6 Yorktown Kita-Kaname



T-7 Unicus Yoshikawa



T-8 Sports Club Renaissance Fujimida



T-9 Super Viva Home Iwatsuki (Land)



T-10 K's Denki Shonan-Fujisawa (Land)



T-11 Unicus Kamisato (Land)



T-12 Unicus Konosu (Land)



T-13 Inageya Yokohama Minamihonjuku (Land)



T-14 Gourmet City Chiba-Chuo



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



O-1 Blumer Maitamon



O-2 Life Takadono (Land)



O-3 Piago Kahma Home Center Omihachiman



O-7 Hankyu Oasis Hirakatadeguchi



O-4 Blumer HAT Kobe



O-8 Welcia Kishiwadakamori (Land)



O-9 Life Nishi-Tengachaya



(Note) Please refer p.4 and p.5 for the properties acquired in the sixth and seventh fiscal period.

O-5 Carino Esaka



N-5 K's Denki Shin-Moriyama (Land)



F-1 Sunny Noma



F-2 Round1 Stadium Hakata-Hanmichibashi



R-5 Yorktown Shinden-Higashi



R-1 Roseo Mito



O-6 COMBOX Komyoike



O-10 Milion Town Tsukaguchi (Land)



N-1 Kahma Home Center Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



N-4 Homecenter Kohnan Sunadabashi



N-6 Resora Obu Shopping Terrace



F-3 Kurume-Nishi Shopping Center



R-2 K's Denki Aomori Honten



R-3 Super Sports Xebio Aomori-Chuo



R-4 Ashico Town Ashikaga



R-6 Kasumi Technopark Sakura



R-7 Solala Plaza



R-8 P-1 Plaza Tenno



R-9 Seiyu Rakuichi Moriya (Land)



R-10 Sun Street Hamakita



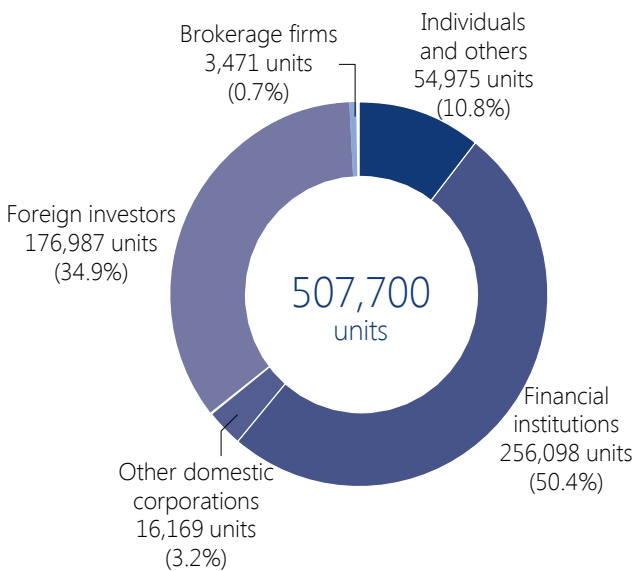
Unit Price and trading volume



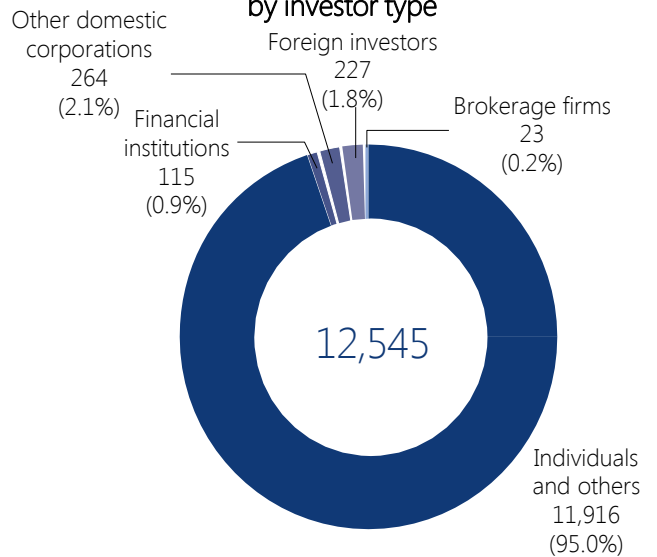
General breakdown of unitholders

As of March 31, 2018

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		Second fiscal period (From October 1, 2015 to March 31, 2016)	Third fiscal period (From April 1, 2016 to September 30, 2016)	Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)
Operating revenues	Millions of yen	5,541	6,374	6,430	7,803	8,126
Of which, property-related revenues	Millions of yen	5,541	6,374	6,427	7,797	8,126
Property-related expenses	Millions of yen	2,715	3,400	3,409	4,137	4,358
Of which, property-related expenses	Millions of yen	2,235	2,860	2,817	3,468	3,609
Operating income	Millions of yen	2,826	2,973	3,021	3,666	3,768
Ordinary income	Millions of yen	2,428	2,519	2,556	3,108	3,179
Net income	Millions of yen	2,427	2,518	2,552	3,104	3,175
Total assets	Millions of yen	150,009	179,360	185,037	229,628	231,107
[Period-on-period changes]	%	(+38.4)	(+19.6)	(+3.2)	(+24.1)	(+0.6)
Total net assets	Millions of yen	80,034	96,739	96,823	116,516	116,585
[Period-on-period changes]	%	(+33.9)	(+20.9)	(+0.1)	(+20.3)	(+0.1)
Unitholders' capital ^(Note 2)	Millions of yen	77,606	94,256	94,256	113,399	113,399
Number of investment units issued and outstanding	Units	355,250	422,450	422,450	507,700	507,700
Net assets per unit	Yen	225,291	228,996	229,195	229,498	229,633
Distributions	Millions of yen	2,432	2,523	2,553	3,104	3,175
Distributions per unit	Yen	6,846	5,974	6,044	6,115	6,255
Of which, distributions of earnings	Yen	6,834	5,888	6,044	6,115	6,255
Of which, distributions in excess of retained earnings	Yen	12	86	-	-	-
Ordinary income to total assets ^(Note 3)	%	1.9	1.5	1.4	1.5	1.4
[Annualized] ^(Note 4)	%	(3.7)	(3.1)	(2.8)	(3.0)	(2.8)
Return on net assets ^(Note 5)	%	3.5	2.8	2.6	2.9	2.7
[Annualized] ^(Note 4)	%	(6.9)	(5.7)	(5.3)	(5.8)	(5.5)
Net assets to total assets ^(Note 6)	%	53.4	53.9	52.3	50.7	50.4
[Period-on-period changes]	%	(-1.8)	(+0.6)	(-1.6)	(-1.6)	(-0.3)
Operating days	Days	183	183	182	183	182
Payout ratio ^(Note 7)	%	100.0	98.8	100.0	100.0	100.0
Number of properties		33	40	42	51	52
Leasable area	m ²	609,026.59	674,491.03	719,906.77	865,226.20	866,425.22
Number of tenants ^(Note 8)		389	405	409	542	522
Occupancy ratio	%	99.6	99.7	99.6	99.6	99.5
Depreciation expense	Millions of yen	565	714	721	885	925
Capital expenditures	Millions of yen	530	264	276	367	263
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	3,871	4,228	4,331	5,214	5,441
FFO (Funds from operation) ^(Note 10)	Millions of yen	3,058	3,315	3,358	4,093	4,194
FFO per unit ^(Note 11)	Yen	8,609	7,847	7,949	8,062	8,260

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 fiscal period ended March 31, 2016 and 100.2% for the fiscal period ended September 30, 2016.

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 March 31, 2018)

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 March 31, 2018 was 507,700 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 neighborhood, community and other 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

There were signs of a moderate economic rebound in Japan with recoveries in corporate earnings. Real GDP growth (second preliminary estimate) in the fourth quarter of 2017 was positive 1.6% on an annualized basis, indicating positive figures for eight consecutive quarters.

As for Japan’s retail market, consumer spending seems to be stable due to recoveries in employment and income environment, looking at the breakdown of GDP figures.

Looking at the financial environment, the financial market remained unstable due to global market events such as the policies of the U.S. administration and geopolitical risks. In terms of interest rates, there are concerns that interest rates in Japan may rise due to the Federal Reserve rate hike in the U.S., while “Quantitative and Qualitative Monetary Easing with Yield Curve Control” including the negative interest rate policy by the Bank of Japan and the reappointment of Haruhiko Kuroda as Bank of Japan Governor is keeping the interest rates in Japan low. Under these conditions, the J-REIT market remained unstable with many equity finances by J-REITs in the first quarter of 2018. On the other hand, the figures released by the Tokyo Stock Exchange show that foreign investors have been strongly buying J-REITs during the period.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired and started the operations of the following trust beneficiary interests in real estate (one property acquired on February 13, 2018 with acquisition price of 1,263 million yen). As a result, the portfolio at the end of the fiscal period under review (March 31, 2018) consists 52 properties with the total acquisition price of 206,176 million yen.

Property number	Property type (Note 1)	Property name	Location (City/ward, prefecture)	Acquisition price (million yen) (Note 2)	Acquisition date
T-23	SM	Ozeki Tokiwadai	Itabashi-ku, Tokyo	1,263	February 13, 2018

Note 1: Properties are categorized into the following five types of shopping centers for daily needs: NSC (Neighborhood Shopping Centers), SM (Supermarkets), CSC (Community Shopping Centers), Urban Station-Front SC (Urban Station-Front Shopping Centers) and SS (Specialty Stores). Features of the categories are described below.

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

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

(B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (March 31, 2018). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property management that better reflects the needs of KRR's 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 1) 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 fiscal period under review, the portfolio as a whole performed well with an overall occupancy ratio of 99.5%. Furthermore, the portfolio is diversified in terms of tenants as there are 522 end-tenants^(Note 2) in KRR's retail properties.

Note 1: "Upside potential" represents feasibility of rental income or cash flow growth.

Note 2: 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 leasees 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 to achieve stable medium to long-term returns and consistent growth of assets under management.

(Debt Finance)

During the fiscal period under review, KRR borrowed 1,200 million yen for the acquisition of properties and 9,750 million yen for refinancing. Consequently, borrowings totaled 94,100 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 99,100 million yen at the end of the fiscal period under review (March 31, 2018).

When undertaking borrowings, KRR seeks to spread out repayment dates and lengthen borrowing periods. On the other hand, KRR partially borrowed short-term loans from the point of flexibility under the financing strategy, also controlling financing cost. 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 remaining years to maturity is 4.6 years, the weighted average interest rate is 0.96%, the

long-term debt ratio ^(Note 1) is 87.0% and the LTV ratio ^(Note 2) is 42.9%.

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 March 31, 2018 is as follows.

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

(Shelf Registration)

KRR filed a shelf registration statement for investment corporation bonds (excluding short-term investment corporation bonds) on September 29, 2016. Details are as follows.

Planned issue amount	100,000,000,000 yen
Planned issuance period	October 7, 2016 to October 6, 2018
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.

KRR issued the 1st Series Unsecured Investment Corporation Bonds (1,000 million yen) and the 2nd Series Unsecured Investment Corporation Bonds (1,000 million yen) on October 31, 2016, and the 3rd Series Unsecured Investment Corporation Bonds (1,000 million yen) and the 4th Series Unsecured Investment Corporation Bonds (2,000 million yen) on August 31, 2017, based on this shelf registration statement.

iv) Results of Operations

For this period, revenue was 8,126 million yen, operating income was 3,768 million yen, ordinary income was 3,179 million yen and net income was 3,175 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 3,175,663,500 yen which is almost equivalent to the earnings for the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments). Consequently, the distribution per unit was 6,255 yen.

(3) Changes in Investment Units Issued and Outstanding

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

Date	Type of issue	Total number of units issued and outstanding (units)		Unitholders' capital (in million yen)		Notes
		Increase	Balance	Increase	Balance	
October 3, 2014	Private placement for incorporation	750	750	150	150	(Note 1)
February 9, 2015	Public offering	254,250	255,000	56,430	56,580	(Note 2)
March 11, 2015	Capital increase through third-party allocation	5,750	260,750	1,276	57,857	(Note 3)
October 1, 2015	Public offering	88,750	349,500	18,547	76,404	(Note 4)
October 21, 2015	Capital increase through third-party allocation	5,750	355,250	1,201	77,606	(Note 5)
April 20, 2016	Public offering	64,000	419,250	15,856	93,463	(Note 6)
May 18, 2016	Capital increase through third-party allocation	3,200	422,450	792	94,256	(Note 7)
April 18, 2017	Public offering	81,250	503,700	18,244	112,500	(Note 8)
May 17, 2017	Capital increase through third-party allocation	4,000	507,700	898	113,399	(Note 9)

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

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

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

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

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

Note 6: Issued at issue price of 256,717 yen per unit (issue amount of 247,764 yen per unit) for acquisition of new properties.

Note 7: Issued at issue amount of 247,764 yen per unit for repayment of borrowings.

Note 8: Issued at issue price of 232,537 yen per unit (issue amount of 224,547 yen per unit) for acquisition of new properties.

Note 9: Issued at issue amount of 224,547 yen per unit for repayment of borrowings.

(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 For the fiscal period ended	Second fiscal period March 31, 2016	Third fiscal period September 30, 2016	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018
Highest	JPY 282,700	JPY 296,100	JPY 275,000	JPY 251,100	JPY 251,700
Lowest	JPY 226,800	JPY 240,000	JPY 235,200	JPY 228,900	JPY 223,000

(4) Distributions

In accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 3,175,663,500 yen, which is almost equivalent to the earnings for the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

Consequently, the distribution per unit for the fiscal period was 6,255 yen.

(in thousands of yen)

Fiscal period For the fiscal period ended	Second fiscal period March 31, 2016	Third fiscal period September 30, 2016	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018
Unappropriated retained earnings	2,427,985	2,518,802	2,584,343	3,104,740	3,175,962
Retained earnings carried forward	206	31,417	216	155	299
Total distributions	2,432,041	2,523,716	2,553,287	3,104,585	3,175,663
[Distributions per unit]	[6,846 yen]	[5,974 yen]	[6,044 yen]	[6,115 yen]	[6,255 yen]
Of which, distributions of earnings	2,427,778	2,487,385	2,553,287	3,104,585	3,175,663
[Distributions of earnings per unit]	[6,834 yen]	[5,888 yen]	[6,044 yen]	[6,115 yen]	[6,255 yen]
Of which, distributions in excess of retained earnings	4,263	36,330	—	—	—
[Distributions in excess of retained earnings per unit]	[12 yen]	[86 yen]	[—]	[—]	[—]
Total distributions in excess of earnings for the allowance for temporary adjustment	4,263	36,330	—	—	—
[Distributions per unit]	[12 yen]	[86 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

The Japanese economy is expected to continue to recover at a moderate pace. However, we should pay attention to uncertainties about the overseas economy and politics regarding the direction of U.S. financial policies, the policies of the U.S. administration, etc. We also need to pay attention to changes in domestic economic environment, such as fluctuation of yen due to a rise in protectionism, effects of “Quantitative and Qualitative Monetary Easing with Yield Curve Control” including the negative interest rate policy and concerns over geopolitical risks.

As for Japan’s retail sector environment, supermarkets and drugstores are performing well, and KRR anticipates this trend to continue. In addition, while e-commerce has grown to account for a certain share of consumer spending, backed by advances in information technology, KRR anticipates the integration of “brick and mortar” and the Internet will advance as both retail companies and Internet companies try to adapt to such environment.

In the real estate trading market, KRR anticipates the high level of transaction volume to continue because of the low interest rate environment under the Bank of Japan’s monetary easing measures. However, investors should keep in mind the risk of changes in banks’ lending attitude towards real estate sector, as amount of banks’ outstanding loans towards real estate sector reached new highs.

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

(A) Investment Strategy for New Properties and Disposition Policy

KRR receives a variety of support from many sources in order to achieve steady growth of KRR’s assets and increase the value of KRR’s assets. One source is the Kenedix Group, including Kenedix, Inc., the parent company of KFM ^(Note). KRR also receives support from KRR’s Alliance Companies: Sumitomo Mitsui Finance and Leasing Co., Ltd., Nippon Commercial Development Co., Ltd., P&D Consulting Co., Ltd., and ITOCHU Corporation. KRR is 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, KRR makes 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, KRR invests in retail properties that have competitive advantages, and prospects for stable cash flow and asset value growth. KRR also invests in land ownership interests underlying retail properties. Regarding land-only properties, KRR makes 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 KRR’s portfolio. KRR 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 KRR is given an opportunity to acquire them in the future.

Regarding disposition of a portfolio property, KRR makes 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 pursue internal growth. Furthermore, this integrated management framework facilitates activities to enliven local communities where KRR’s properties are located, enabling KRR 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 KRR’s in-house property management services
- Pursuit of internal growth through management of retail properties
- Directing investments and management policies to enliven local communities in the medium to long-term

“One-stop” asset management and property management services

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

Continuously implementing a retail property management cycle through KRR’s in-house property management services

KFM provides property management services for all of KRR’s properties 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 KRR’s 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 retail 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.

(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 wide range of information to investors and other related parties and to announce information as soon and as accurately as possible. 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 (<http://www.krr-reit.com/en/>).

(E) Conflicts of Interest

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

(6) Important Subsequent Events

Not applicable.

(Reference Material)

i) Acquisition of Assets

KRR acquired one asset.

Property number	Property type	Property name	Location	Seller	Acquisition price (million yen) (Note 1)	Appraisal value (million yen)	Acquisition date
T-24	SS	Konami Sports Club Shibuya	Shibuya-ku, Tokyo	Undisclosed (Note 2)	3,400	3,430	April 27, 2018

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

KRR has contracted a purchase and sale agreement (note 1) on March 30, 2018 to acquire the following asset.

Property number	Property type	Property name	Location	Seller	Anticipated acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Scheduled date of acquisition
R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Undisclosed (Note 4)	4,210	4,390	May 31, 2018

Note 1: The purchase and sale agreement with the Seller on the acquisition of the asset falls under the category of forward commitment made by investment corporations as stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." ruled by the Financial Service Agency of Japan. In case the agreement is terminated, either of the parties responsible for the termination shall compensate for the damage resulted from the termination by paying a penalty corresponding to 20% of the acquisition price (excluding consumption taxes and local consumption taxes) to the other party.

Note 2: "Anticipated 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 value" represents as of March 1, 2018.

Note 4: Undisclosed as KRR has not obtained consent from the seller.

ii) Disposition of Assets

KRR disposed one asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note 2)	Sale date
N-3	SS	K's Denki Nakagawa Tomita(Land)	Nagoya, Aichi	Nippon Commercial Development Co., Ltd.	1,128	April 27, 2018

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

iii) Financing

KRR borrowed fund for the acquisition on April 27, 2018 (3,000 million yen for Series 21) and made decision to borrow fund for the acquisition on May 31, 2018 (4,000 million yen for Series 20). Furthermore, KRR borrowed for the repayment of the borrowings on April 19, 2018 (1,200 million yen for Series 22) and on April 23, 2018 (5,570 million yen for Series 23). KRR also partially prepaid 2,000 million yen of 3,400 million yen short-term borrowings (Series 17-A) by issuing investment corporation bonds on April 27, 2018.

KRR also entered into agreements on commitment lines on March 31, 2018 to secure flexibility and stability in financing method, for potential needs of funds as follows.

Counterparty	Limit of maximum amount (million yen)	Contract period	Remarks
Sumitomo Mitsui Banking Corporation	1,000	April 1, 2018 to March 31, 2019	Unsecured, unguaranteed

Besides this commitment line, KRR has already established a 1,000 million yen commitment line with Mizuho Bank, Ltd. The total limit of the commitment lines will remain at 2,000 million yen upon the execution of the new commitment line agreement.

iv) Investment Corporation Bonds

KRR decided to issue investment corporation bonds adopted at the board of directors' meeting held on April 20, 2018 and the payment was completed on April 26, 2018. The details are provided as follows.

Name of investment corporation bonds	Kenedix Retail REIT Corporation 5th Series Unsecured Investment Corporation Bonds (Ranking <i>pari passu</i> among the specified investment corporation bonds) (The aforementioned investment corporation
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	bonds shall hereafter be referred to as the “5th Series Bonds.”)
Total amount of the bonds	2.0 billion yen
Interest rate	0.700% per annum
Payment date	April 26, 2018
Collateral / Guarantee	No collateral or guarantee is applicable, and no assets are specifically reserved as collateral for the Investment Corporation Bonds.
Redemption method and maturity	Wednesday, April 26, 2028 Investment Corporation Bonds may be purchased and cancelled at any time after the payment date, except for the case of service regulations and other rules that the statutory or depository otherwise stipulates. If the maturity date of the Investment Corporation Bonds falls on the bank holiday, the payment will be brought forward to the previous bank business day.
Ratings	A+ (Japan Credit Rating Agency, Ltd.)
Fiscal agent, issuing agent and paying agent	MUFG Bank, Ltd.
Use of funds	Total amount raised (approximate net balance) was 1,983 million yen. It was used for partial prepayment of borrowings, which was borrowed on October 3, 2017.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	Second fiscal period (From October 1, 2015 to March 31, 2016)	Third fiscal period (From April 1, 2016 to September 30, 2016)	Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)
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	355,250 units	422,450 units	422,450 units	507,700 units	507,700 units
Unitholders' capital	77,606 million yen	94,256 million yen	94,256 million yen	113,399 million yen	113,399 million yen
Number of unitholders	10,876	10,618	10,072	12,301	12,545

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of March 31, 2018.

Name	Location	Number of units held (Units)	Ratio (%) (Note 1)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	86,483	17.03
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11, Harumi, Chuo-ku, Tokyo	66,036	13.00
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	20,704	4.07
JP MORGAN CHASE BANK 385628	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	16,318	3.21
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	Office Tower Z, Harumi Island Triton Square, 1-8-12 Harumi, Chuo-ku, Tokyo	16,058	3.16
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd. (Note 2)	11,648	2.29
THE BANK OF NEW YORK MELLON SA/NV 10	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd. (Note 2)	11,405	2.24
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	8,841	1.74
STATE STREET BANK AND TRUST COMPANY 505223	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	7,242	1.42
SIX SIS LTD.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd. (Note 2)	6,307	1.24
Total		251,042	49.44

Note 1: "Ratio" is the ratio to total number of units issued and outstanding, rounded down to the second decimal place.

Note 2: "The Bank of Tokyo Mitsubishi UFJ, Ltd." changed its name to "MUFG Bank, Ltd." as of April 1, 2018.

(3) Matters Concerning Directors and Auditor

i) Executive Director, Supervisory Director, and Independent Auditor as of September 30, 2017

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director	Akihiro Asano	Director & COO, Head of Retail REIT Department, KFM	1,500
Supervisory Director (Note)	Yoshitoshi Yasu	Yoshitoshi Yasu Certified Public Accountant / Tax Accountant Office Auditor of YOKU MOKU Holdings Co., Ltd. Auditor of YOKU MOKU Co., Ltd. Auditor of YOKU MOKU Crea Co., Ltd. Auditor of Fujiricoh Trading Co., Ltd. Auditor of CLOVER Inc. Auditor of Kabou-issin Co., Ltd. Director & member of Audit committee of Loop Inc.	1,500
	Mai Ishiwatari	Partner, Shiroyama-Tower Law Office Director, Cocone Corporation Representative Director, Cocone Education Corporation	1,500
Independent Auditor	Ernst & Young ShinNihon LLC	—	10,800

Note: 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.

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 March 31, 2018 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.

Status on Investment Properties

(1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Fifth fiscal period as of September 30, 2017		Sixth fiscal period as of March 31, 2018	
			Total amount held (Millions of yen) (Note 2)	Ratio (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Ratio (%) (Note 3)
Trust beneficiary interest in real estate	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan area	86,655	37.7	87,734	38.0
		Greater Osaka area	44,945	19.6	44,818	19.4
		Greater Nagoya area	22,162	9.7	22,085	9.6
		Fukuoka area	8,133	3.5	8,092	3.5
		Ordinance-designated cities, core cities and other areas	45,874	20.0	45,645	19.8
	Other retail properties	—	—	—	—	
Total of trust beneficiary interests in real estate			207,771	90.5	208,376	90.2
Investment securities (Note 4)			2	0.0	—	—
Bank deposits and other assets			21,854	9.5	22,730	9.8
Total assets			229,628	100.0	231,107	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.

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

Note 4: “Investment securities” is the silent partnership equity interest of JRP8 GK.

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of March 31, 2018.

Property number	Property name	Book value (in millions)	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-1	Fululu Garden Yachiyo	14,863	77,057.56	76,148.98	98.8	9.3	Retail
O-4	Blumer HAT Kobe	11,455	23,775.88	23,118.86	97.2	5.8	Retail
R-10	Sun Street Hamakita	10,768	49,023.34 (Note 5)	48,619.71 (Note 5)	99.2	6.4	Retail
R-1	Roseo Mito	9,937	48,296.15	48,161.79	99.7	4.7	Retail
T-2	MONA Shin-Urayasu	8,513	9,592.65	8,421.16	87.8	6.0	Retail
O-1	Blumer Maitamon	8,316	30,290.55	29,797.70	98.4	5.9	Retail
N-6	Resora Obu Shopping Terrace	8,195	19,990.40	19,820.82	99.2	3.9	Retail
N-4	Homecenter Kohnan Sunadabashi	7,086	20,329.07	20,329.07	100.0	— (Note 7)	Retail
O-5	Carino Esaka	6,664	7,540.58	7,540.58	100.0	3.9	Retail
O-6	COMBOX Komyoike	6,370	25,530.44 (Note 6)	25,530.44	100.0	2.8	Retail
Total		92,172	311,426.62	307,489.11	98.7	— (Note 7)	

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 March 31, 2018. 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 March 31, 2018 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 March 31, 2018, 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: The total area that KRR owns exclusively as a compartmentalized ownership interest (retail space).

Note 7: 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 March 31, 2018.

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
T	T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	14,863	15,200
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,513	8,890
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,824	6,440
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,405	6,130
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,370	4,940
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,982	4,340
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,591	3,830
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,531	2,750
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,420
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,510
	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	1,780
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,430
	T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Trust beneficiary interest in real estate	751	799
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,433	3,810
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,779	1,900
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,464	1,510
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,310
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,443	3,520
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,121	3,210
	T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,916	2,830
	T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,897	1,960
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,279	1,340
O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,316	9,350
	O-2	SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,090
	O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,141	2,430
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,455	11,500
	O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,664	6,910
	O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,370	6,810
	O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,314	1,330
	O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488
	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,558	1,650

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
O	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,870
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,680
	N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,154	2,320
	N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	1,010
	N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,086	7,310
	N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,440
	N-6	NSC	Resora Obu Shopping Terrace	Obu Aichi	Trust beneficiary interest in real estate	8,195	7,950
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,457	1,590
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	5,057	5,390
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,577	1,690
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,937	11,500
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,467	1,570
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	888	936
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,322	5,060
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,301	3,330
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	848	874
	R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	Trust beneficiary interest in real estate	5,632	5,950
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,155	4,340
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,220
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,768	11,160
Total						208,376	220,647

Note 1: "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.

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	Fifth fiscal period as of September 30, 2017				Sixth fiscal period as of March 31, 2018			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
T	T-1	CSC	Fululu Garden Yachiyo	48	99.4	733	9.4	40	98.8	755	9.3
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(70)	95.9	483	6.2	1(58)	87.8	489	6.0
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(42)	99.8	305	3.9	1(41)	98.6	310	3.8
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(2)	97.9	268	3.4	1(27)	97.9	264	3.3
	T-5	NSC	Unicus Ina	1	100.0	139	1.8	1	100.0	139	1.7
	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(11)	100.0	132	1.7	1(11)	100.0	133	1.6
	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	72	0.9	1	100.0	72	0.9
	T-12	NSC	Unicus Konosu (Land)	1	100.0	41	0.5	1	100.0	41	0.5
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-14	SM	Gourmet City Chiba-Chuo	1	100.0			1	100.0		
	T-15	NSC	Nakamachidai Tokyu Store	1	100.0			1	100.0		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	2	100.0	59	0.8	2	100.0	59	0.7
	T-17	SM	Life Kameido	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	2	100.0			2	100.0		
	T-19	NSC	Yumemachi Narashinodai Mall	1(14)	100.0	128	1.6	1(14)	100.0	140	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0	88	1.1	1(12)	100.0	118	1.5
	T-21	SS	Prime Square Jiyugaoka	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	T-22	SS	Round 1 Ichikawa-Onitaka	1	100.0			1	100.0		
	T-23	SM	Ozeki Tokiwadai	—	—	—	—	1	100.0	—	—
O	O-1	NSC	Blumer Maitamon	50	98.2	509	6.5	51	98.4	481	5.9
	O-2	SM	Life Takadono (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-3	NSC	Piago Kahma Home Center Omihachiman	2	100.0			2	100.0		
	O-4	NSC	Blumer HAT Kobe	1(42)	98.7	489	6.3	1(39)	97.2	475	5.8
	O-5	Urban Station-Front SC	Carino Esaka	1(30)	97.8	305	3.9	1(31)	100.0	320	3.9
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	226	2.9	1	100.0	226	2.8
	O-7	SM	Hankyu Oasis Hiraakatadeguchi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-8	SS	Welcia Kishiwadakamori (Land)	1	100.0			1	100.0		
	O-9	SM	Life Nishi-Tengachaya	1	100.0	44	0.6	1	100.0	44	0.6
	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)

Area	Property number	Property type	Property name	Fifth fiscal period as of September 30, 2017				Sixth fiscal period as of March 31, 2018			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-2	NSC	Valor Ichinomiya-Nishi	1	100.0			1	100.0		
	N-3	SS	K's Denki Nakagawa Tomita (Land)	1	100.0			1	100.0		
	N-4	SS	Homecenter Kohnan Sunadabashi	1	100.0			1	100.0		
	N-5	SS	K's Denki Shin-Moriyama (Land)	1	100.0			1	100.0		
	N-6	NSC	Resora Obu Shopping Terrace	1(43)	99.4	113	1.4	1(42)	99.2	320	3.9
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			1	100.0		
	F-3	NSC	Kurume-Nishi Shopping Center	4	100.0	46	0.6	4	100.0	51	0.6
R	R-1	NSC	Roseo Mito	1(22)	99.7	379	4.9	1(22)	99.7	378	4.7
	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			1	100.0		
	R-4	NSC	Ashico Town Ashikaga	1(29)	100.0	288	3.7	1(29)	100.0	280	3.5
	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			1	100.0		
	R-7	Urban Station-Front SC	Solala Plaza	1	100.0			1	100.0		
	R-8	NSC	P-1 Plaza Tenno	7	100.0	136	1.7	7	100.0	136	1.7
	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(51)	98.0	458	5.9	1(53)	99.2	518	6.4
Total				542	99.6	7,797	100.0	522	99.5	8,126	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 March 31, 2018. 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.

(4) Specified Transaction

As of March 31, 2018, 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	60,540	54,890	19
Total	—	60,540	54,890	19

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^(Note) for renovations, repairs and other projects that are planned for the seventh fiscal period ending September 30, 2018. 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	Second phase of renewal	From April 2018 to October 2018	349	—	—
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Air conditioner-related renewal	From April 2018 to September 2018	260	—	—
T-21	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Interior repair	From December 2017 to April 2018	73	—	—
T-5	Unicus Ina	Kobe, Hyogo	Exterior wall repair	From April 2018 to September 2018	47	—	—
O-1	Blumer Maitamon	Kobe, Hyogo	LED installation to common area	From April 2018 to September 2018	46	—	—

(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 263 million yen. There were also expenditures of 259 million yen that were recorded as repair expenses. In total KRR spent 523 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Power generator renewal	From January 2018 to March 2018	45
T-6	Yorktown Kita Kaname	Hiratsuka, Kanagawa	Rooftop parking waterproof	From July 2017 to December 2017	41
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Air conditioner renewal	From February 2018 to March 2018	27
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Exterior wall repair	From September 2017 to November 2017	25
O-5	Carino Esaka	Suita, Osaka	Escalator renewal	From February 2018 to March 2018	22
Others					101
Total					263

(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)	
	Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)
Asset management fees ^(Note)	549,721	628,807
Asset custody fees	7,776	9,411
Administrative service fees	25,791	29,713
Directors' compensation	4,500	4,500
Other operating expenses	81,132	76,233
Total	668,921	748,665

Note: The amount of asset management fees capitalized in addition to the amount above are 405,750 thousand yen for the fifth fiscal period and 12,630 thousand yen for the sixth fiscal period.

(2) Status of Borrowings

Borrowings on a financial institution basis as of March 31, 2018 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		
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	3,900,000	-	3,900,000	-	0.485	October 3, 2017	(Note 4)	Unsecured/ Non-guaranteed		
	Sumitomo Mitsui Banking Corporation	450,000	-	450,000	-	0.443	February 10, 2018				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	450,000	-	450,000	-						
	Mizuho Bank, Ltd.	400,000	-	400,000	-						
	Resona Bank, Ltd.	250,000	-	250,000	-						
	Aozora Bank, Ltd.	250,000	-	250,000	-						
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	200,000	-						
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.447	April 19, 2018				
	Mizuho Bank, Ltd.	300,000	-	-	300,000						
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.447	April 21, 2018				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,070,000	-	-	1,070,000						
	Aozora Bank, Ltd.	640,000	-	-	640,000						
	Resona Bank, Ltd.	400,000	-	-	400,000						
	Mizuho Bank, Ltd.	360,000	-	-	360,000						
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000						
	Mitsubishi UFJ Trust and Banking Corporation (Note 8)	200,000	-	-	200,000						
	Sumitomo Mitsui Banking Corporation	-	3,400,000	-	3,400,000	0.446	September 30, 2018				
	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.455	February 13, 2019				
Sub Total	12,670,000	6,150,000	5,900,000	12,920,000							
Current Portion of Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,300,000	-	2,300,000	-	0.545	February 10, 2018	(Note 4)	Unsecured/ Non-guaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	800,000	-	800,000	-						
	Mizuho Bank, Ltd.	400,000	-	400,000	-						
	Mizuho Trust & Banking Co., Ltd.	350,000	-	350,000	-						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 7)	750,000	-	-	750,000	0.534	March 31, 2019				
	Aozora Bank, Ltd. (Note 6)	500,000	-	-	500,000						
	Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000						
	Sumitomo Mitsui Trust Bank, Ltd. (Note 6)	200,000	-	-	200,000						
	Resona Bank, Ltd. (Note 6)	200,000	-	-	200,000						
	The Musashino Bank, Ltd. (Note 6)	150,000	-	-	150,000	0.545	March 31, 2019				
	Sumitomo Mitsui Banking Corporation (Note 6)	1,850,000	-	-	1,850,000						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 7)	550,000	-	-	550,000						
	Sumitomo Mitsui Trust Bank, Ltd. (Note 6)	500,000	-	-	500,000						
	Resona Bank, Ltd. (Note 6)	300,000	-	-	300,000						
The Musashino Bank, Ltd. (Note 6)	250,000	-	-	250,000							
Sub Total	9,500,000	-	3,850,000	5,650,000							
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020	(Note 4)	Unsecured/ Non-guaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	800,000	-	-	800,000						
	Mitsubishi UFJ Trust and Banking Corporation (Note 8)	800,000	-	-	800,000						
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000						
	Aozora Bank, Ltd.	500,000	-	-	500,000						
	Resona Bank, Ltd.	500,000	-	-	500,000						
	The Gunma Bank, Ltd.	400,000	-	-	400,000						
	The Musashino Bank, Ltd.	400,000	-	-	400,000						
	Mizuho Bank, Ltd.	350,000	-	-	350,000						
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000						
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000					0.865	February 10, 2021
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	700,000	-	-	700,000						
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000						
	Aozora Bank, Ltd.	450,000	-	-	450,000						
Resona Bank, Ltd.	450,000	-	-	450,000							

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
Long-Term Loans Payable	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.865	February 10, 2021	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	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. (Note 5)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 5)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 8)	400,000	-	-	400,000	0.994	March 31, 2023		
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 8)	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. (Note 5)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024		
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	400,000	-	-	400,000	1.243	April 16, 2025		
	Mizuho Bank, Ltd.	710,000	-	-	710,000	0.368	September 30, 2019		
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 5)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gunma Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.550	September 30, 2021		
	Development Bank of Japan Inc. (Note 5)	2,000,000	-	-	2,000,000	1.049	January 31, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 5)	1,000,000	-	-	1,000,000	1.049			
	Resona Bank, Ltd.	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.485	January 31, 2027		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 8)	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000	0.400	April 27, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 5 and 7)	600,000	-	-	600,000				
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000				
	Mizuho Bank, Ltd. (Note 5)	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.553	October 31, 2024		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000	0.772	October 31, 2024			
Aozora Bank, Ltd.	400,000	-	-	400,000					

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
Long-Term Loans Payable	Resona Bank, Ltd.	300,000	-	-	300,000	0.772	October 31, 2024	(Note 4)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 5 and 7)	600,000	-	-	600,000	0.696	October 31, 2024		
	Mizuho Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.815			
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.814			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 5 and 7)	500,000	-	-	500,000	0.903			
	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	1.050	May 18, 2027		
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000				
	Mizuho Bank, Ltd. (Note 5)	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd. (Note 5)	300,000	-	-	300,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 5 and 7)	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 5 and 7)	500,000	-	-	500,000	0.930	September 29, 2027		
	Mizuho Bank, Ltd. (Note 5)	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 5 and 7)	-	1,200,000	-	1,200,000	1.000	February 10, 2028		
	Mizuho Trust & Banking Co., Ltd.	-	350,000	-	350,000	0.480	August 31, 2019		
	Aozora Bank, Ltd.	-	250,000	-	250,000				
	Resona Bank, Ltd.	-	250,000	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	200,000	-	200,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	-	1,250,000	-	1,250,000					
Mizuho Bank, Ltd.	-	800,000	-	800,000	0.603	August 31, 2022			
	Sub Total	70,730,000	4,800,000	-	75,530,000				
	Total	92,900,000	10,950,000	9,750,000	94,100,000				

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.

Note 7: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd. on April 1, 2018.

Note 8: MUFG Bank, Ltd. succeeded to the status of lender from Mitsubishi UFJ Trust and Banking Corporation on April 16, 2018.

(3) Status of Investment Corporation Bonds

Bonds	Issuance date	Balance as of October 1, 2017 (million yen)	Balance as of March 31, 2018 (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)	(Note 3)
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)	
4th Series Unsecured Investment Corporation Bonds	August 31, 2017	2,000	2,000	0.700	August 31, 2027			
Total		5,000	5,000					

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

(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 (in millions) <small>(Note)</small>	Disposition Date	Disposition price (in millions) <small>(Note)</small>	Book value (in millions)	Gain / loss (in millions)
Trust beneficiary interest in real estate	T-23	Ozeki Tokiwadai	February 13, 2018	1,263	—	—	—	—

Note: “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; and rounded down to the nearest one million yen).

(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 date	Acquisition price (in millions) (Note 1)	Appraisal value (in millions) (Note 2)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	T-23	Ozeki Tokiwadai (Land)	February 13, 2018	1,263	1,340	Daiwa Real Estate Appraisal Co., Ltd.	Dec. 1, 2017

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."

ii) Others

(A) Investigator regarding values of certain assets

BDO Toyo & Co.

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Article 201 of the Act on Investment Trusts and Investment Corporations, BDO Toyo & Co. performs an investigation of transactions. For the fiscal period from October 1, 2017 to March 31, 2018, the transactions subject to such investigation were two interest rate swap transactions, for which KRR received reports from BDO Toyo & Co. 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 millions)			
	Purchase		Sale	
Total amount	1,263		-	
Transaction with related-party				
JRP7 GK	1,263	(100.0%)	-	(-%)
Total	1,263	(100.0%)	-	(-%)

ii) Amounts of Fees Paid

The amount of fee paid for renovation placing orders to a related party is as follows.

Kenedix Engineering, Inc. JPY 52 million

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

Not applicable

(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

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation, which comprise the balance sheet as of March 31, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Retail REIT Corporation as of March 31, 2018, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

June 25, 2018
Tokyo, Japan

Financial Statements

(5th Fiscal Period: from April 1, 2017 to September 30, 2017)

(6th Fiscal Period: from October 1, 2017 to March 31, 2018)

Independent Auditor's Report

Balance Sheets

Statements of Income and Retained Earnings

Statements of Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

Kenedix Retail REIT Corporation

Balance Sheets

As of March 31, 2018 and September 30, 2017

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥7,179,463	¥5,265,120
Cash and deposits in trust (Notes 9 and 11)	14,045,452	13,908,498
Operating accounts receivable	231,067	249,833
Prepaid expenses	51,788	136,375
Consumption taxes receivable	-	947,707
Other	4,255	3,571
Total current assets	21,512,027	20,511,105
Non-current assets		
Property, plant and equipment (Notes 17 and 20)		
Buildings in trust	54,980,817	54,528,155
Accumulated depreciation	(4,053,797)	(3,197,167)
Buildings in trust, net (Note 3)	50,927,020	51,330,987
Structures in trust	2,804,224	2,797,067
Accumulated depreciation	(249,855)	(196,396)
Structures in trust, net (Note 3)	2,554,369	2,600,670
Machinery and equipment in trust	214,510	214,510
Accumulated depreciation	(22,623)	(16,977)
Machinery and equipment in trust, net	191,887	197,533
Tools, furniture and fixtures in trust	79,918	71,172
Accumulated depreciation	(20,383)	(15,164)
Tools, furniture and fixtures in trust, net (Note 3)	59,534	56,007
Land in trust (Note 3)	150,317,484	149,241,987
Construction in progress in trust	378	14,291
Total property, plant and equipment, net	204,050,675	203,441,477
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,324,719	4,328,697
Other	2,331	2,776
Total intangible assets	4,327,050	4,331,474
Investments and other assets		
Investment securities	-	2,790
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,256	60,256
Long-term prepaid expenses	780,184	808,924
Long-term deposits	157,110	157,110
Other	19,879	22,553
Total investments and other assets	1,027,429	1,061,634
Total non-current assets	209,405,155	208,834,586
Deferred assets		
Organization costs	15,226	20,264
Investment corporation bond issuance costs	35,396	38,307
Investment unit issuance costs	139,404	224,185
Total deferred assets	190,027	282,757
Total assets	¥231,107,209	¥229,628,449

See accompanying notes to financial statements.

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥646,507	¥574,194
Short-term loans payable (Notes 11 and 21)	12,920,000	12,670,000
Current portion of long-term loans payable (Notes 11 and 21)	5,650,000	3,850,000
Accounts payable-other	359,858	339,816
Accrued expenses	18,530	18,164
Income taxes payable	3,641	2,703
Accrued consumption taxes	312,160	41,046
Advances received	1,121,432	1,104,639
Deposits received	117,043	142,780
Total current liabilities	21,149,173	18,743,344
Non-current liabilities		
Investment corporation bonds (Notes 11 and 22)	5,000,000	5,000,000
Long-term loans payable (Notes 11 and 21)	75,530,000	76,380,000
Tenant leasehold and security deposits in trust (Notes 3 and 11)	12,788,402	12,933,293
Asset retirement obligations (Note 15)	23,629	23,482
Other	30,895	31,767
Total non-current liabilities	93,372,927	94,368,543
Total liabilities	114,522,100	113,111,887
Net assets		
Unitholders' equity		
Unitholders' capital	113,399,022	113,399,022
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(9,754)	(9,754)
Total deduction from unitholders' capital	(9,754)	(9,754)
Unitholders' capital, net	113,389,267	113,389,267
Surplus		
Unappropriated retained earnings	3,175,962	3,104,740
Total surplus	3,175,962	3,104,740
Total unitholders' equity	116,565,229	116,494,008
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	19,879	22,553
Total valuation and translation adjustments	19,879	22,553
Total net assets (Note 6)	116,585,108	116,516,561
Total liabilities and net assets	¥231,107,209	¥229,628,449

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statements of Income and Retained Earnings

For the period from October 1, 2017 to March 31, 2018 and the period from April 1, 2017 to September 30, 2017

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥6,991,591	¥6,637,179
Other lease business revenue (Note 7)	1,134,746	1,160,494
Dividend income	-	5,844
Total operating revenues	8,126,338	7,803,517
Operating expenses		
Expenses related to rent business (Note 7)	3,609,580	3,468,519
Asset management fees	628,807	549,721
Asset custody fees	9,411	7,776
Administrative service fees	29,713	25,791
Directors' compensation	4,500	4,500
Other operating expenses	76,233	81,132
Total operating expenses	4,358,245	4,137,441
Operating income	3,768,092	3,666,076
Non-operating income		
Interest income	63	59
Interest on refund	1,472	-
Total non-operating income	1,535	59
Non-operating expenses		
Interest expenses	398,485	369,045
Interest expenses on investment corporation bonds	12,634	5,414
Financing-related expenses	86,123	80,322
Amortization of organization costs	5,038	5,066
Amortization of investment corporation bond issuance costs	2,910	1,906
Amortization of investment unit issuance costs	84,780	96,175
Total non-operating expenses	589,972	557,930
Ordinary income	3,179,655	3,108,205
Income before income taxes	3,179,655	3,108,205
Income taxes		
Current	3,848	3,681
Total income taxes	3,848	3,681
Net income	3,175,807	3,104,524
Retained earnings brought forward	155	216
Unappropriated retained earnings	¥3,175,962	¥3,104,740

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statements of Changes in Net Assets

For the period from October 1, 2017 to March 31, 2018 and the period from April 1, 2017 to September 30, 2017

	Unitholders' equity						Total unitholders' equity
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
(in thousands of yen)							
Balance as of March 31, 2017	¥94,256,390	¥(40,593)	¥(40,593)	¥94,215,796	¥2,584,343	¥2,584,343	¥96,800,139
Changes of items during the period							
Issuance of new investment units	19,142,631			19,142,631			19,142,631
Dividends from surplus					(2,553,287)	(2,553,287)	(2,553,287)
Reversal of allowance for temporary difference adjustments		30,838	30,838	30,838	(30,838)	(30,838)	-
Net income					3,104,524	3,104,524	3,104,524
Net changes of items other than unitholders' equity							
Total changes of items during the period	19,142,631	30,838	30,838	19,173,470	520,397	520,397	19,693,868
Balance as of September 30, 2017 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,104,740	¥3,104,740	¥116,494,008
Changes of items during the period							
Dividends from surplus					(3,104,585)	(3,104,585)	(3,104,585)
Net income					3,175,807	3,175,807	3,175,807
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	-	-	71,221	71,221	71,221
Balance as of March 31, 2018 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,175,962	¥3,175,962	¥116,565,229

	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 March 31, 2017	¥23,395	¥23,395	¥96,823,535
Changes of items during the period			
Issuance of new investment units			19,142,631
Dividends from surplus			(2,553,287)
Reversal of allowance for temporary difference adjustments			-
Net income			3,104,524
Net changes of items other than unitholders' equity	(842)	(842)	(842)
Total changes of items during the period	(842)	(842)	19,693,026
Balance as of September 30, 2017 (Note 8)	¥22,553	¥22,553	¥116,516,561
Changes of items during the period			
Dividends from surplus			(3,104,585)
Net income			3,175,807
Net changes of items other than unitholders' equity	(2,674)	(2,674)	(2,674)
Total changes of items during the period	(2,674)	(2,674)	68,547
Balance as of March 31, 2018 (Note 8)	¥19,879	¥19,879	¥116,585,108

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statements of Cash Flows

For the period from October 1, 2017 to March 31, 2018 and the period from April 1, 2017 to September 30, 2017

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,179,655	¥3,108,205
Depreciation and amortization	925,524	885,529
Amortization of organization costs	5,038	5,066
Amortization of investment corporation bond issuance costs	2,910	1,906
Amortization of investment unit issuance costs	84,780	96,175
Interest income	(63)	(59)
Interest expenses	411,119	374,459
Decrease (increase) in operating accounts receivable	18,765	(66,839)
Decrease (increase) in consumption taxes receivable	947,707	(947,707)
Decrease (increase) in prepaid expenses	84,586	(95,354)
Increase (decrease) in operating accounts payable	(324)	119,319
Increase (decrease) in accounts payable-other	18,937	59,447
Increase (decrease) in accrued consumption taxes	271,114	(204,795)
Increase (decrease) in advances received	16,792	226,397
Increase (decrease) in deposits received	(25,736)	18,539
Decrease (increase) in long-term prepaid expenses	28,740	(160,857)
Decrease (increase) in long-term deposits	-	(32,150)
Other	14,532	(7,011)
Subtotal	5,984,080	3,380,270
Interest income received	63	59
Interest expenses paid	(410,726)	(370,062)
Income taxes paid	(2,910)	(4,253)
Net cash provided by (used in) operating activities	5,570,507	3,006,014
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(1,471,805)	(38,122,784)
Purchase of intangible assets	-	(1,141)
Purchase of intangible assets in trust	-	(3,812,078)
Proceeds from investment securities	966	104,744
Payments for lease and guarantee deposits in trust	-	(24,220)
Repayments of tenant leasehold and security deposits in trust	(299,385)	(603,958)
Proceeds from tenant leasehold and security deposits in trust	154,494	2,141,079
Proceeds from restricted bank deposits in trust	215,676	215,676
Net cash provided by (used in) investing activities	(1,400,052)	(40,102,682)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	6,150,000	16,270,000
Decrease in short-term loans payable	(5,900,000)	(15,070,000)
Proceeds from long-term loans payable	4,800,000	19,000,000
Repayments of long-term loans payable	(3,850,000)	-
Proceeds from issuance of investment corporation bonds	-	2,977,457
Proceeds from issuance of investment units	-	19,027,111
Dividends paid	(3,103,480)	(2,552,953)
Net cash provided by (used in) financing activities	(1,903,480)	39,651,615
Net increase (decrease) in cash and cash equivalents	2,266,973	2,554,947
Cash and cash equivalents at the beginning of the period	16,851,851	14,296,903
Cash and cash equivalents at the end of the period (Note 9)	¥19,118,825	¥16,851,851

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from October 1, 2017 to March 31, 2018 and the period from April 1, 2017 to September 30, 2017

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 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 international offerings. As a result, the number of investment units issued as of March 31, 2018 was 507,700 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 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 trust beneficiary interests in real estate (six properties acquired on April 19, 2017 with an acquisition price of 18,821 million yen, a property acquired on April 27, 2017 with an acquisition price of 10,746 million yen, a property acquired on May 18, 2017 with an acquisition price of 3,097 million yen and a property acquired on August 1, 2017 with an acquisition price of 7,911 million yen). For the period ended September 30, 2017, the portfolio of 51 properties as a whole performed well with an overall occupancy ratio of 99.6% as of September 30, 2017.

KRR acquired a trust beneficiary interest in real estate (a property acquired on February 13, 2018 with an acquisition price of 1,263 million yen). For the period ended March 31, 2018, the portfolio of 52 properties as a whole performed well with an overall occupancy ratio of 99.5% as of March 31, 2018.

Furthermore, the portfolio was diversified in terms of tenants as there were 542 and 522 end-tenants as of September 30, 2017 and March 31, 2018 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) Securities

Other securities without market value are stated using the moving average cost method. Equity investments in a silent partnership are stated, the amount equivalent to the corresponding equity interests including net amount of gain or loss from the silent partnership.

(B) 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 October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
Buildings	2-70 years	2-70 years
Structures	8-59 years	8-59 years
Machinery and equipment	5-25 years	5-25 years
Tools, furniture and fixtures	3-15 years	3-15 years

(C) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

(D) Long-term Prepaid Expenses

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

(E) Organization Costs

Organization costs are amortized over a period of 5 years under the straight-line method.

(F) Investment Unit Issuance Costs

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

(G) Investment Corporation Bond Issuance Costs

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

(H) 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.

(I) 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.

(J) 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 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 ¥137,530 thousand as of September 30, 2017. There were no capitalized property-related taxes as of March 31, 2018.

(K) 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.

(L) 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.

(M) 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.

(N) 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.

(O) 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. COLLATERAL

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

Assets pledged as collateral	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Buildings in trust	¥2,708,512	¥2,707,274
Structures in trust	49,172	50,764
Tools, furniture and fixtures in trust	2,058	2,359
Land in trust	7,811,297	7,811,297
Total	10,571,041	10,571,696

Secured liabilities	As of March 31, 2018	As of September 30, 2017
Tenant leasehold and security deposits in trust	2,800,594	3,023,268
Total	¥2,800,594	¥3,023,268

4. COMMITMENT LINE CONTRACTS

KRR has commitment line contracts with the banks with which it does business.

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Total amount of commitment line contracts	¥2,000,000	¥2,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥2,000,000	¥2,000,000

5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of March 31, 2018

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	¥9,754	¥9,754	¥ -	¥ -	¥9,754	-
Total		¥9,754	¥9,754	¥ -	¥ -	¥9,754	-

2. Method of reversal

	Method of reversal
Buildings in trust, Leasehold right in trust	Upon sale, the corresponding amount is scheduled to be reversed.

The following summarizes allowance for temporary difference adjustments as of September 30, 2017

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	¥9,754	¥9,754	¥ -	¥ -	¥9,754	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	30,838	30,838	-	(30,838)	-	Changes in fair value of derivative transactions
Total		¥40,593	¥40,593	¥ -	¥(30,838)	¥9,754	-

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 derivative transactions used as hedging instruments, the corresponding amount is scheduled to be reversed.

6. 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.

7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES

Rental and other operating revenues and property-related expenses for the periods from October 1, 2017 to March 31, 2018 and from April 1, 2017 to September 30, 2017 consist of the following:

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥5,697,578	¥5,361,334
Rental revenues from limited proprietary rights of land	953,536	938,809
Common area charges	340,476	337,034
Subtotal	6,991,591	6,637,179
Other lease business revenue:		
Parking space rental revenues	201,155	195,782
Utility charge reimbursement	617,448	661,928
Miscellaneous	316,141	302,783
Subtotal	1,134,746	1,160,494
Total rental and other operating revenues	8,126,338	7,797,673
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	846,915	808,367
Utilities	597,633	650,115
Taxes	563,751	563,716
Repairs and maintenance	259,834	189,071
Insurance	13,954	13,507
Trust fees	22,153	21,137
Depreciation	925,078	885,100
Others	380,258	337,504
Total property-related expenses	3,609,580	3,468,519
Net operating income from real estate rental business	¥4,516,757	¥4,329,153

8. UNITHOLDERS' EQUITY

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

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	507,700 units	507,700 units

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of March 31, 2018 and September 30, 2017:

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Cash and deposits	¥7,179,463	¥5,265,120
Cash and deposits in trust	14,045,452	13,908,498
Restricted bank deposits in trust *	(2,106,090)	(2,321,767)
Cash and cash equivalents	¥19,118,825	¥16,851,851

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

10. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and September 30, 2017 are as follows:

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	188,548	193,798
Total	¥199,048	¥204,298

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of March 31, 2018 and September 30, 2017 are as follows:

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Due within 1 year	¥8,798,586	¥8,424,336
Due after 1 year	61,221,050	63,081,778
Total	¥70,019,637	¥71,506,114

11. 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.

Investment securities represent equity investments in a silent partnership and are exposed to credit risk of the issuer, property value fluctuation risk and interest rate fluctuation risk.

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 10 years 6 months for loans payable and also have a redemption date of a maximum of 9 years and 5 months for investment corporation bonds as of March 31, 2018, the end of the sixth 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. Investment securities represent equity investments in a silent partnership and are exposed to credit risk of the issuer. To manage this credit risk, the Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. In utilizing derivatives, 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. While investment securities, which are equity investments in a silent partnership, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives and such transactions are 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

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

(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. Items whose fair values are difficult to determine are not included in the following table (*2).

As of March 31, 2018

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥7,179,463	¥7,179,463	¥ -
(2) Cash and deposits in trust	14,045,452	14,045,452	-
Total	21,224,916	21,224,916	-
(1) Short-term loans payable	12,920,000	12,920,000	-
(2) Current portion of long-term loans payable	5,650,000	5,650,527	527
(3) Investment corporation bonds	5,000,000	4,991,400	(8,600)
(4) Long-term loans payable	75,530,000	75,642,540	112,540
(5) Tenant leasehold and security deposits in trust	2,635,158	2,630,225	(4,933)
Total	101,735,158	101,834,693	99,534
Derivative transactions	¥19,879	¥19,879	¥ -

As of September 30, 2017

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥5,265,120	¥5,265,120	¥ -
(2) Cash and deposits in trust	13,908,498	13,908,498	-
Total	19,173,618	19,173,618	-
(1) Short-term loans payable	12,670,000	12,670,000	-
(2) Current portion of long-term loans payable	3,850,000	3,837,976	(12,023)
(3) Investment corporation bonds	5,000,000	4,976,700	(23,300)
(4) Long-term loans payable	76,380,000	76,284,508	(95,491)
(5) Tenant leasehold and security deposits in trust	2,887,549	2,886,747	(802)
Total	100,787,549	100,655,932	(131,617)
Derivative transactions	¥22,553	¥22,553	¥ -

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

(2) 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.)

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

*2: Financial instruments whose fair values are extremely difficult to determine

Classification	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Investment securities (Note1)	¥ -	¥2,790
Tenant leasehold and security deposits in trust (Note2)	10,153,243	10,045,743
Total	¥10,153,243	¥10,048,533

(Note1) Fair values of investment securities are not subject to disclosure of fair value as they have no market price and their fair values are recognized to be extremely difficult to grasp.

(Note2) It is extremely difficult to determine their fair values based on estimated future cash flows because no quoted market price is available and the repayment dates of those deposits are not certain. Therefore, tenant leasehold and security deposits in trust are not included in the above quantitative information.

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

As of March 31, 2018

	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)					
Cash and deposits	¥7,179,463	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	14,045,452	-	-	-	-	-
Total	¥21,224,916	¥ -	¥ -	¥ -	¥ -	¥ -

As of September 30, 2017

	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)					
Cash and deposits	¥5,265,120	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	13,908,498	-	-	-	-	-
Total	¥19,173,618	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of March 31, 2018

	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)					
Short-term loans payable	¥12,920,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	1,000,000	1,000,000	3,000,000
Long-term loans payable	5,650,000	9,380,000	7,000,000	13,300,000	9,050,000	36,800,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	224,712	103,796
Total	¥19,005,430	¥9,815,430	¥7,435,430	¥14,735,430	¥10,274,712	¥39,903,796

As of September 30, 2017

	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)						
Short-term loans payable	¥12,670,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	-	2,000,000	3,000,000
Long-term loans payable	3,850,000	6,980,000	7,000,000	13,300,000	7,000,000	42,100,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	110,793
Total	¥16,955,430	¥7,415,430	¥7,435,430	¥13,735,430	¥9,435,430	¥45,210,793

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2018 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	¥19,490,000	¥19,490,000	¥19,879	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	41,050,000	35,400,000	*	-
Total			¥60,540,000	¥54,890,000	¥19,879	

*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 "11. 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 September 30, 2017 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	¥16,940,000	¥16,940,000	¥22,553	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	44,900,000	41,050,000	*	-
Total			¥61,840,000	¥57,990,000	¥22,553	

*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 "11. 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.)

13. RELATED PARTY TRANSACTIONS

1 . Parent Company, major corporate unitholders and other

6th Fiscal Period (October 1, 2017 to March 31, 2018) and 5th Fiscal Period (April 1, 2017 to September 30, 2017): Not applicable

2 . Affiliated companies and other

6th Fiscal Period (October 1, 2017 to March 31, 2018) and 5th Fiscal Period (April 1, 2017 to September 30, 2017): Not applicable

3 . Fellow subsidiary companies and other

6th Fiscal Period (October 1, 2017 to March 31, 2018) and 5th Fiscal Period (April 1, 2017 to September 30, 2017): Not applicable

4 . Directors, major individual unitholders and other

6th Fiscal Period (October 1, 2017 to March 31, 2018) and 5th Fiscal Period (April 1, 2017 to September 30, 2017): Not applicable

14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 35%. 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 ¥3,175 million and ¥3,104 million for the periods ended March 31, 2018 and September 30, 2017, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on KRR's income was 0.12% for the periods ended March 31, 2018 and September 30, 2017. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of March 31, 2018	As of September 30, 2017
Statutory tax rate	34.81%	34.81%
Deductible cash distributions	(34.77)	(34.77)
Others	0.08	0.08
Effective tax rate	0.12%	0.12%

The significant components of deferred tax assets and liabilities:

	As of March 31, 2018	As of September 30, 2017
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 234	¥ 222
Amortization of leasehold right in trust	7,959	6,703
Depreciation	2,865	2,412
Asset retirement obligations	7,464	7,418
Subtotal deferred tax assets	18,524	16,756
Valuation allowance	(18,524)	(16,756)
Total deferred tax assets	¥ -	¥ -

15. 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 two months based on the time period from the date of acquisition to the expiration of the agreement.

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

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
	(in thousands of yen)	
Balance at the beginning of the period	¥23,482	¥23,335
Accretion adjustment	147	146
Balance at the end of the period	¥23,629	¥23,482

16. SEGMENT INFORMATION

Segment information for the periods from October 1, 2017 to March 31, 2018 and April 1, 2017 to September 30, 2017 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.

17. INVESTMENT AND RENTAL PROPERTIES

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

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

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥207,771,218	¥166,782,022
Changes during the period	605,105	40,989,196
Balance at the end of the period	208,376,323	207,771,218
Fair value at the end of the period	¥220,765,000	¥218,766,000

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

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period ended September 30, 2017, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 9 properties totaling 41,517,461 thousand yen and the principal decrease was due to depreciation amounting to 884,953 thousand yen and during the fiscal period ended March 31, 2018, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 1 property totaling 1,280,257 thousand yen and the principal decrease was due to depreciation amounting to 924,931 thousand yen.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers. In addition, the fair value of K's Denki Nakagawa Tomita (Land) as of March 31, 2018, which was sold on April 27, 2018, is based on the sales price (1,128,000 thousand yen) under the trust beneficiary interest sales contracts entered into on November 14, 2017.

The profit or loss for the periods ended March 31, 2018 and September 30, 2017 concerning investment and rental properties is included in Note "7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES."

18. PER UNIT INFORMATION

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
Net asset value per unit	¥229,633	¥229,498
Net income per unit	¥6,255	¥6,219

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 March 31, 2018 (507,700 units) and during the fiscal period ended September 30, 2017 (499,147 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 October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
Net income (in thousands of yen)	¥3,175,807	¥3,104,524
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,175,807	¥3,104,524
Weighted average number of units during the period (units)	507,700	499,147

19. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of March 31, 2018:

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 in trust	¥54,528,155	¥452,662	¥ -	¥54,980,817	¥4,053,797	¥856,629	¥50,927,020	
Structures in trust	2,797,067	7,157	-	2,804,224	249,855	53,458	2,554,369	
Machinery and equipment in trust	214,510	-	-	214,510	22,623	5,645	191,887	
Tools, furniture and fixtures in trust	71,172	8,746	-	79,918	20,383	5,218	59,534	
Land in trust	149,241,987	1,075,497	-	150,317,484	-	-	150,317,484	
Construction in progress in trust	14,291	378	14,291	378	-	-	378	
Subtotal	206,867,184	1,544,442	14,291	208,397,334	4,346,659	920,952	204,050,675	
Total	206,867,184	1,544,442	14,291	208,397,334	4,346,659	920,952	204,050,675	
Intangible assets								
Leasehold right in trust	4,349,916	-	-	4,349,916	25,197	3,978	4,324,719	
Other	4,455	-	-	4,455	2,124	445	2,331	
Total	¥4,354,372	¥ -	¥ -	¥4,354,372	¥27,322	¥4,424	¥4,327,050	

Property, plant and equipment and intangible assets consist of the following as of September 30, 2017:

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 in trust	¥42,757,457	¥11,770,697	¥ -	¥54,528,155	¥3,197,167	¥819,702	¥51,330,987	*
Structures in trust	1,822,887	974,180	-	2,797,067	196,396	51,214	2,600,670	
Machinery and equipment in trust	203,295	11,215	-	214,510	16,977	5,532	197,533	
Tools, furniture and fixtures in trust	60,635	10,536	-	71,172	15,164	4,525	56,007	
Land in trust	123,937,095	25,304,891	-	149,241,987	-	-	149,241,987	*
Construction in progress in trust	24,784	3,275	13,768	14,291	-	-	14,291	
Subtotal	168,806,155	38,074,797	13,768	206,867,184	3,425,706	880,975	203,441,477	
Total	168,806,155	38,074,797	13,768	206,867,184	3,425,706	880,975	203,441,477	
Intangible assets								
Leasehold right in trust	537,838	3,812,078	-	4,349,916	21,219	3,978	4,328,697	*
Other	3,314	1,141	-	4,455	1,679	429	2,776	
Total	¥541,153	¥3,813,219	¥ -	¥4,354,372	¥22,898	¥4,408	¥4,331,474	

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

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2018:

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	¥3,900,000	¥ -	¥3,900,000	¥ -	0.485	October 3, 2017		
Sumitomo Mitsui Banking Corporation	450,000	-	450,000	-				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	450,000	-	450,000	-				
Mizuho Bank, Ltd.	400,000	-	400,000	-	0.443	February 10, 2018		
Resona Bank, Limited	250,000	-	250,000	-				
Aozora Bank, Ltd.	250,000	-	250,000	-				
Sumitomo Mitsui Trust Bank, Limited	200,000	-	200,000	-				
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.447	April 19, 2018		
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Short-term loans payable	2,600,000	-	-	2,600,000			(Note 5)	Unsecured/ Non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,070,000	-	-	1,070,000				
Aozora Bank, Ltd.	640,000	-	-	640,000				
Resona Bank, Limited	400,000	-	-	400,000	0.447	April 21, 2018		
Mizuho Bank, Ltd.	360,000	-	-	360,000				
Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
Mitsubishi UFJ Trust and Banking Corporation (Note 9)	200,000	-	-	200,000				
Sumitomo Mitsui Banking Corporation	-	3,400,000	-	3,400,000	0.446	September 30, 2018		
Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.455	February 13, 2019		
Subtotal	12,670,000	6,150,000	5,900,000	12,920,000				
Sumitomo Mitsui Banking Corporation	2,300,000	-	2,300,000	-				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	800,000	-	800,000	-	0.545	February 10, 2018		
Mizuho Bank, Ltd.	400,000	-	400,000	-				
Mizuho Trust & Banking Co., Ltd.	350,000	-	350,000	-				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 7 and 8)	750,000	-	-	750,000				
Aozora Bank, Ltd. (Note 7)	500,000	-	-	500,000				
Mizuho Bank, Ltd. (Note 7)	400,000	-	-	400,000	0.534	March 31, 2019		
Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000				
Resona Bank, Limited (Note 7)	200,000	-	-	200,000				
The Musashino Bank, Ltd. (Note 7)	150,000	-	-	150,000				
Current portion of long-term loans payable							(Note 5)	Unsecured/ Non-guaranteed

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)	(%)			
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation (Note 7)	1,850,000	-	-	1,850,000	0.545	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 7 and 8)	550,000	-	-	550,000				
	Sumitomo Mitsui Trust Bank, Limited (Note 7)	500,000	-	-	500,000				
	Resona Bank, Limited (Note 7)	300,000	-	-	300,000				
	The Musashino Bank, Ltd. (Note 7)	250,000	-	-	250,000				
	Subtotal	9,500,000	-	3,850,000	5,650,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	800,000	-	-	800,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 9)	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	The Gunma Bank, Ltd.	400,000	-	-	400,000				
	The Musashino Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021	(Note 5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Limited	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Limited	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, Limited	300,000	-	-	300,000					
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.925				
Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022			
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025			

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	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	0.975	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 9)	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	Mitsubishi UFJ Trust and Banking Corporation (Note 9)	450,000	-	-	450,000	0.987	March 31, 2023		
	Resona Bank, Limited	200,000	-	-	200,000				
	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	1.110	March 31, 2024		
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000				
	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Limited	620,000	-	-	620,000	0.368	September 30, 2019		
	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		
	Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049	January 31, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049			
	Resona Bank, Limited	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.485	April 27, 2021		
Aozora Bank, Ltd.	500,000	-	-	500,000					
Mitsubishi UFJ Trust and Banking Corporation (Note 9)	400,000	-	-	400,000					
Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000					
Resona Bank, Limited	300,000	-	-	300,000					

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 (Note 4)	Use	Remarks
						(Note 2) (Note 3)			
					(in thousands of yen)	(%)			
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	600,000	-	-	600,000	0.400			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553	April 27, 2021		
	Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
	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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	600,000	-	-	600,000	0.696			
	Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815	October 31, 2024		
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	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	(Note 5)	Unsecured/ Non-guaranteed
	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			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	-	1,200,000	-	1,200,000	1.000	February 10, 2028		
	Mizuho Trust & Banking Co., Ltd.	-	350,000	-	350,000				
	Aozora Bank, Ltd.	-	250,000	-	250,000	0.480	August 31, 2019		
	Resona Bank, Limited	-	250,000	-	250,000				
	Sumitomo Mitsui Trust Bank, Limited	-	200,000	-	200,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	-	1,250,000	-	1,250,000	0.603	August 31, 2022	(Note 5)	Unsecured/ Non-guaranteed	
Mizuho Bank, Ltd.	-	800,000	-	800,000					
Subtotal	70,730,000	4,800,000	-	75,530,000					
Total	¥92,900,000	¥10,950,000	¥9,750,000	¥94,100,000					

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	¥9,380,000	¥7,000,000	¥13,300,000	¥9,050,000	¥36,800,000

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: Loans payable 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.

Note 8: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd. on April 1, 2018.

Note 9: MUFG Bank, Ltd. succeeded to the status of lender from Mitsubishi UFJ Trust and Banking Corporation on April 16, 2018.

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2017:

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	¥4,140,000	¥ -	¥4,140,000	¥ -	0.480	April 21, 2017		
Mizuho Bank, Ltd.	360,000	-	360,000	-				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	1,070,000	-	1,070,000	-	0.480	April 21, 2017		
Sumitomo Mitsui Banking Corporation	3,900,000	-	-	3,900,000	0.480	October 3, 2017		
Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	450,000	-	-	450,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.430	February 10, 2018		
Resona Bank, Limited	250,000	-	-	250,000				
Aozora Bank, Ltd.	250,000	-	-	250,000				
Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000				
Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.430	April 19, 2018	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	-	300,000	-	300,000				
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	-	1,070,000	-	1,070,000				
Aozora Bank, Ltd.	-	640,000	-	640,000				
Resona Bank, Limited	-	400,000	-	400,000	0.430	April 21, 2018		
Mizuho Bank, Ltd.	-	360,000	-	360,000				
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000				
Mitsubishi UFJ Trust and Banking Corporation (Note 10)	-	200,000	-	200,000				
Sumitomo Mitsui Banking Corporation (Note 7)	-	1,000,000	1,000,000	-	0.430	April 27, 2018		
Sumitomo Mitsui Trust Bank, Limited (Note 8)	-	8,500,000	8,500,000	-	0.430	July 31, 2018		
Subtotal	11,470,000	16,270,000	15,070,000	12,670,000				
Sumitomo Mitsui Banking Corporation	2,300,000	-	-	2,300,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	800,000	-	-	800,000	0.545	February 10, 2018	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
Subtotal	3,850,000	-	-	3,850,000				

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 4)						
					(in thousands of yen)	(Note 3)							
						(%)							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020	(Note 5)	Unsecured/ Non-guaranteed				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	800,000	-	-	800,000								
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)	800,000	-	-	800,000								
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000								
	Aozora Bank, Ltd.	500,000	-	-	500,000								
	Resona Bank, Limited	500,000	-	-	500,000								
	The Gunma Bank, Ltd.	400,000	-	-	400,000								
	The Musashino Bank, Ltd.	400,000	-	-	400,000								
	Mizuho Bank, Ltd.	350,000	-	-	350,000								
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000								
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000					0.865	February 10, 2021	(Note 5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	700,000	-	-	700,000								
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000								
	Aozora Bank, Ltd.	450,000	-	-	450,000								
	Resona Bank, Limited	450,000	-	-	450,000								
	Mizuho Bank, Ltd.	400,000	-	-	400,000								
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022	(Note 5)	Unsecured/ Non-guaranteed				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	800,000	-	-	800,000								
	Sumitomo Mitsui Trust Bank, Limited	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, Limited	300,000	-	-	300,000								
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000					0.925	February 10, 2021	(Note 5)	Unsecured/ Non-guaranteed
	Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000					1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000					1.366	April 16, 2025	0.534	March 31, 2019
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	750,000	-	-	750,000									
Aozora Bank, Ltd.	500,000	-	-	500,000									
Mizuho Bank, Ltd.	400,000	-	-	400,000									
Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000									
Resona Bank, Limited	200,000	-	-	200,000									
The Musashino Bank, Ltd.	150,000	-	-	150,000									

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 4)		
					(in thousands of yen)	(Note 3)	(%)		
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	1,000,000	-	-	1,000,000	0.975	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)	400,000	-	-	400,000				
	Development Bank of Japan Inc.(Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	550,000	-	-	550,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	The Musashino Bank, Ltd.	250,000	-	-	250,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)	450,000	-	-	450,000				
	Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
	The Musashino Bank, Ltd.	150,000	-	-	150,000	1.013	March 31, 2023		
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000	1.110	March 31, 2024		
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Limited	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.368	September 30, 2019		
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.803	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.760	September 30, 2024		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	890,000	-	-	890,000	0.932	April 21, 2026		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.888	October 31, 2025			
Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	0.550	September 30, 2021			
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	1.049				
					1.002				

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	-	2,600,000	-	2,600,000				
	Aozora Bank, Ltd.	-	500,000	-	500,000				
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)	-	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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 9)	-	600,000	-	600,000	0.400			
	Development Bank of Japan Inc. (Note 6)	-	500,000	-	500,000	0.553	April 27, 2021		
	Mizuho Bank, Ltd. (Note 6)	-	400,000	-	400,000	0.553			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	-	200,000	-	200,000	0.553			
	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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 9)	-	600,000	-	600,000	0.696			
	Mizuho Bank, Ltd. (Note 6)	-	600,000	-	600,000	0.815	October 31, 2024	(Note 5)	Unsecured/ Non-guaranteed
	Development Bank of Japan Inc. (Note 6)	-	500,000	-	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	-	200,000	-	200,000	0.814			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 9)	-	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			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 9)	-	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 9)	-	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			
Subtotal		57,380,000	19,000,000	-	76,380,000				
Total		¥72,700,000	¥35,270,000	¥15,070,000	¥92,900,000				

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	¥6,980,000	¥7,000,000	¥13,300,000	¥7,000,000	¥42,100,000

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 except for the following Note 7 and Note 8 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: Prepayment was made on May 31, 2017.

Note 8: Prepayment of 3,000,000 thousand yen and 5,500,000 thousand yen was made on August 31, 2017 and September 29, 2017, respectively.

Note 9: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd. on April 1, 2018.

Note 10: MUFG Bank, Ltd. succeeded to the status of lender from Mitsubishi UFJ Trust and Banking Corporation on April 16, 2018.

22. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of March 31, 2018 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	(Note2)	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	(Note3)	
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027		
Total		¥5,000,000	¥ -	¥5,000,000				

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

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Investment corporation bonds were used as the funds for repayment of debts.

Note 4: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

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

Outstanding Investment corporation bonds as of September 30, 2017 are as follows.

Series	Date of issue	Balance at	Decrease	Balance at the	Interest rate	Repayment date	Use	Remarks
		the beginning	during the	end of period				
		of period	period		(%)			
(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		
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026	(Note2)	
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	-	-	1,000,000	0.320	August 31, 2022	(Note3)	Unsecured
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	-	-	2,000,000	0.700	August 31, 2027		
Total		¥2,000,000	¥ -	¥5,000,000				

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

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Investment corporation bonds were used as the funds for repayment of debts.

Note 4: 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

23. DISTRIBUTIONS

	From October 1, 2017 to March 31, 2018	From April 1, 2017 to September 30, 2017
I. Retained earnings at the end of period	¥3,175,962,601	¥3,104,740,879
II. Total distributions	¥3,175,663,500	¥3,104,585,500
Distributions per unit	¥6,255	¥6,115
III. Retained earnings brought forward to the next period	¥299,101	¥155,379

Method of calculating distribution amount

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 ¥3,175,663,500 which is almost the entire amount of retained earnings as the distributions of earnings.

Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the sixth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.

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 ¥3,104,585,500 which is almost the entire amount of retained earnings as the distributions of earnings.

Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the fifth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.

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