

KENEDIX

Retail REIT Corporation

Semi-annual Report for the 7th Period
(From April 1, 2018
to September 30, 2018)



Focused Investment in
Shopping Centers for Daily Needs



Kenedix Retail REIT Corporation

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

For the 7th fiscal period ended September 30, 2018

Distribution per unit

JPY 6,299

Forecast DPU for the 8th fiscal period

JPY 6,416

Total assets (by acquisition price)

JPY 212.8^{bn}

Number of properties

53 properties

Number of tenants

520 tenants

Occupancy rate at the end of period

99.4%

contents

I. Overview of KRR

From the Executive Director

Top Interview

Key Characteristics

ESG Initiatives

Close-up KRR Vol.7

MONA Shin-Urayasu

Financial Highlights

II. Asset Management Report

Overview of Asset Management

Profile of KRR

Status on Investment Properties

Capital Expenditures

Expenses and Liabilities

Acquisition and Disposition

Accounting

Others



Thanks to your support, Kenedix Retail REIT Corporation (“KRR”) has reported its results of operations for the seventh fiscal period (from April 1, 2018 to September 30, 2018). We also held the Second General Meeting of Unitholders on June 15, 2018.

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. In addition, we have decided to add distribution centers to our investment targets, to adapt to the retail environment where e-commerce has been growing.

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.



TOP INTERVIEW

Adapting to changing environment for sustainable growth

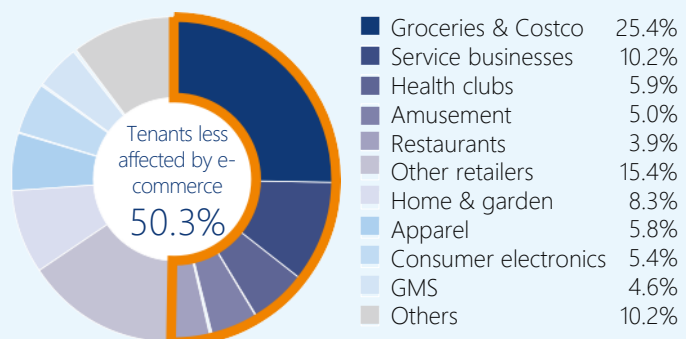
increase in unitholder’s value.

Grocery anchored shopping centers account for approximately 75% of our portfolio. People visit grocery supermarkets very frequently, which gives them a strong reason to come to our shopping centers. This often results in purchases at other tenants as well. Emphasizing on groceries also has the advantage of making our centers resilient to economic downturns and e-commerce penetration. In fact, the sales of our tenants have remained stable even as e-commerce has continued to grow.

What are the key characteristics of KRR?

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

Percentage of tenant category (based on rents)



What were the highlights of the seventh fiscal period ended September 2018?

This fiscal period was the beginning of our fourth year of operations. During the period from April to September, we recorded our first property sale since our initial public offering and purchased two properties: Konami Sports Club Shibuya and Costco Wholesale Sapporo Warehouse. Upon our listing, we acquired 18 properties with an acquisition price of 80,843 million yen. At the end of the seventh fiscal period, our portfolio had grown to 53 properties with an acquisition price of 212,897 million yen. Konami Sports Club Shibuya is a membership health club in a high-end residential district of central Tokyo with a high density of residents. Costco Wholesale Sapporo Warehouse is the only Hokkaido store of Costco, which operates members-only warehouse stores. As the only location in Hokkaido, this store draws a large number of people from the entire Sapporo region. During this fiscal period, we sold K's Denki Nakagawa Tomita (Land) in the city of Nagoya, at a price that was far above this property's book

value and appraised value.

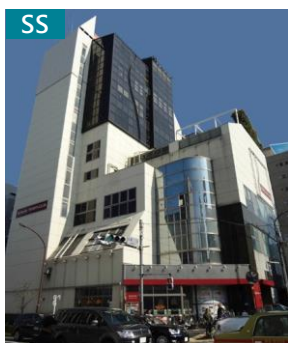
The performance of our properties was supported by numerous activities to improve profitability, including the major renovation of MONA Shin-Urayasu in Chiba prefecture. As a result, our performance was stable throughout the latest fiscal period with the occupancy rate for our entire portfolio remaining above 99%.

In the seventh fiscal period, operating revenue totaled 8,577 million yen, operating income was 3,816 million yen, ordinary income was 3,201 million yen and net income was 3,197 million yen. The distribution to unitholders was 6,299 yen per unit, which is 44 yen higher than the distribution in the sixth fiscal period.

Following the end of the seventh fiscal period, we announced the sale of Solala Plaza in the city of Sendai. Selling this property mitigates our exposure to potential risk factors that may emerge in the future and provides funds to acquire other properties. We believe asset reshuffling will improve the quality and profitability of our portfolio.

Assets acquired in the 7th fiscal period

T-24 Konami Sports Club Shibuya



SS	Location	Shibuya ward, Tokyo
	Acquisition Price	JPY 3,400 mn
	Appraisal Value	JPY 3,430 mn
	Appraisal NOI yield	4.0%

R-11 Costco Wholesale Sapporo Warehouse



SS	Location	Sapporo, Hokkaido	Appraisal Value	JPY 4,390 mn
	Acquisition Price	JPY 4,210 mn	Appraisal NOI yield	4.8%

Asset disposed in the 7th FP

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



SS	Location	Nagoya, Aichi	Appraisal Value	JPY 1,010 mn
	Disposition Price	JPY 1,128 mn	Acquisition Price	JPY 889 mn

Asset disposing in the 8th & 9th FP

R-7 Solala Plaza



	Location	Sendai, Miyagi
	Disposition Price	JPY 5,980 mn
	Appraisal Value	JPY 5,960 mn
	Acquisition Price	JPY 5,720 mn

Note: KRR plans to dispose 49% quasi co-ownership interests in the 8th fiscal period and 51% quasi co-ownership interests in the 9th fiscal period.

Why have you added distribution centers to your investment targets even though your performance has been consistently stable?

Purchasing food and other household necessities has always been a vital part of people's lives, and retail facilities are often the most convenient location where people can buy these goods.

Backed by advances in information technology, e-commerce has grown to account for a certain share of consumer spending. Merchandise purchased via the Internet is delivered from distribution centers directly to customers. KRR believes that shopping centers for daily needs are highly resistant to e-commerce. One reason is the strong demand among consumers to purchase groceries after directly checking their freshness. These shopping centers for daily needs have grocery stores as well as tenants where consumers can receive services (experiences). In addition, these shopping centers are in very convenient locations. However, the growth of e-commerce is adding distribution centers to retail facilities as channels and functions for providing consumers with merchandise.

In this changing retail environment, delivery activities are becoming more diverse as well. Merchandise that people order using the Internet is shipped not only from large distribution centers near major highways but also from stores located near residential areas. Furthermore, there is diversification in how people receive the goods they order. For example, people sometimes use delivery boxes at railway stations or retail facilities as well as stores to pick up merchandise. Another trend is the acquisition of conventional retailers by Internet retail companies and the formation of alliances between

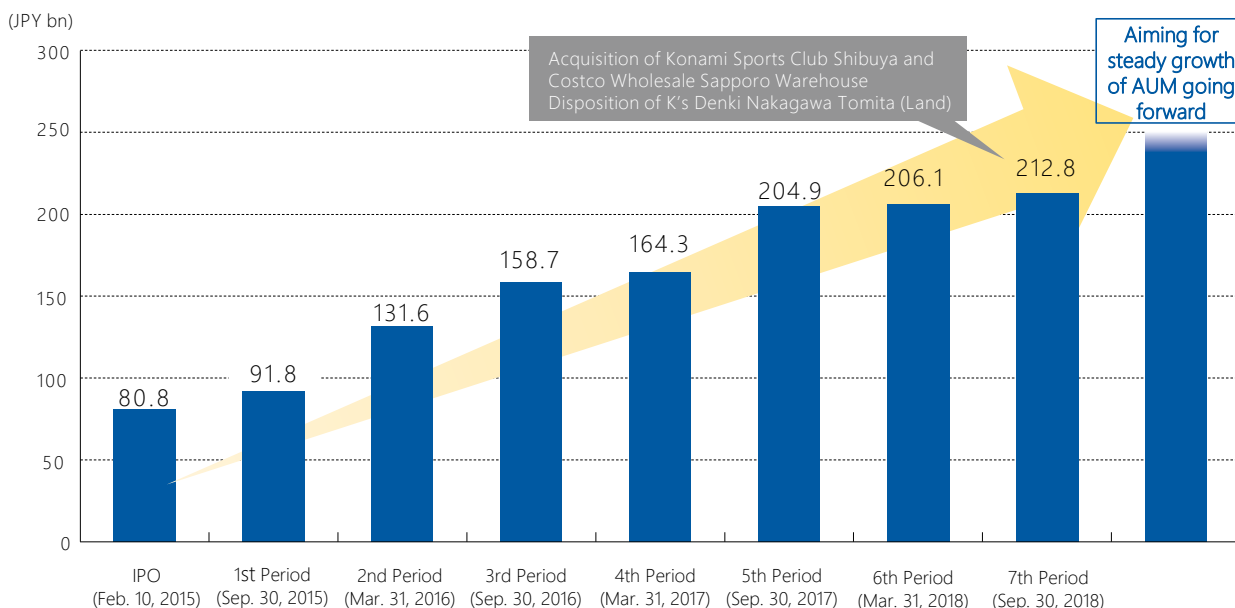


these companies. The growth of e-commerce is creating an increasing need for e-commerce delivery functions at shopping centers that are close to where people live.

These changes are making shopping and distribution centers increasingly similar from the standpoint of supplying merchandise to consumers. KRR views distribution centers as an extension of retail facilities as channels and functions for providing consumers with merchandise, reflecting shifts in consumer buying behavior. In addition, KRR anticipates more growth in demand for shopping centers for daily needs and for distribution centers, providing goods involving diversifying merchandise distribution channels and "the last-mile" delivery. This is why we decided to enlarge our investment targets to include distribution centers, which perform a role similar to retail stores as an alternative source of merchandise for consumers. Having made this change, KRR is positioned as a new type of retail REIT that can benefit from the growth of e-commerce as this category of the retail industry continues to expand.

We respectfully look forward to your continued support.

Steady AUM growth



Focus on shopping centers for daily needs

1 Steady AUM growth

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

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

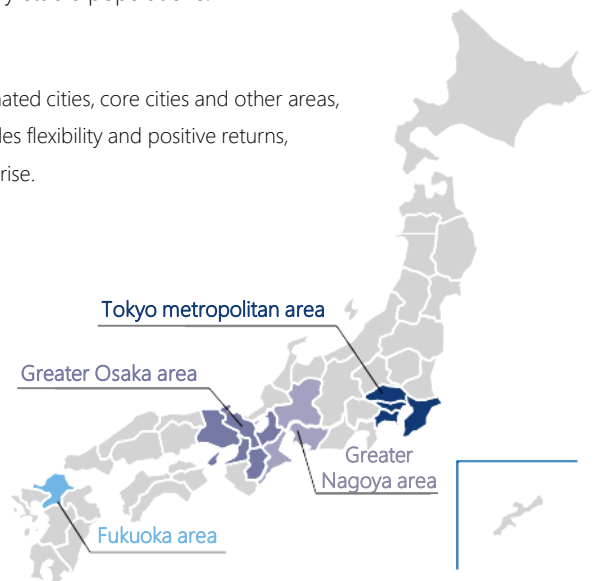
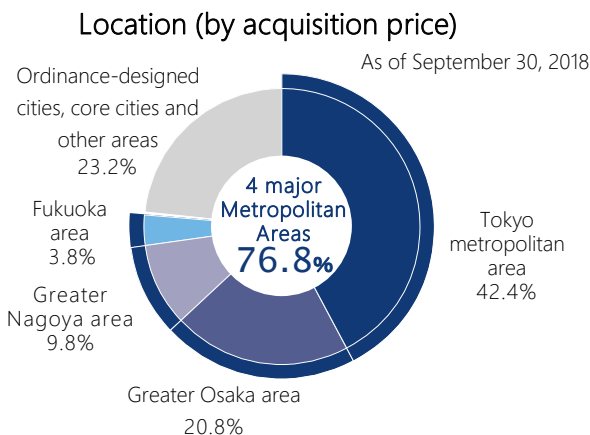
2 Investment in major metropolitan areas with population concentrations

Primary geographic target areas

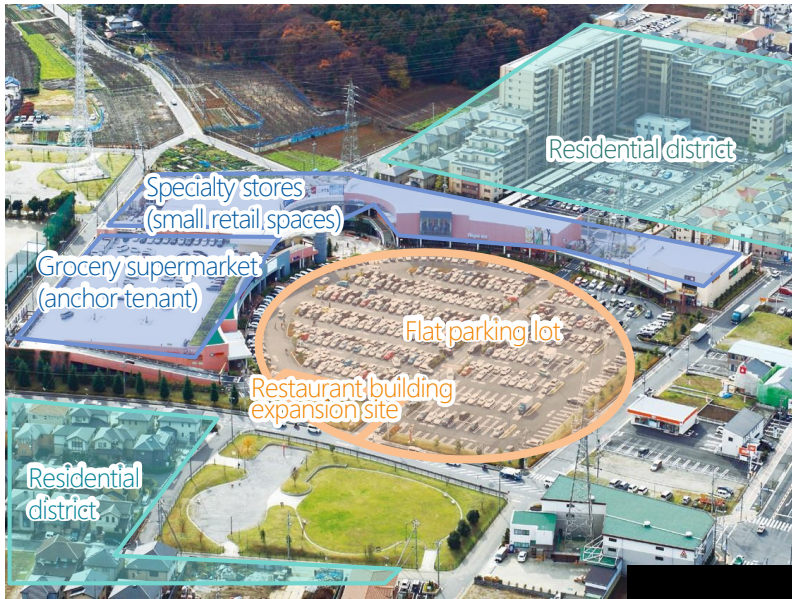
The four major metropolitan areas of Japan, which have relatively stable populations:

- 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.



Primary characteristics of shopping centers for daily needs



Location Located within residential areas of a metropolitan commuter district

- Retail trade area population
 - 1km radius: 10,000 people
 - 3km radius: 62,000 people
 - 5km radius: 247,000 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

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



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

3 Additional investment in distribution centers

KRR is positioned as a new type of retail REIT that can benefit from the growth of e-commerce by additionally investing in distribution centers

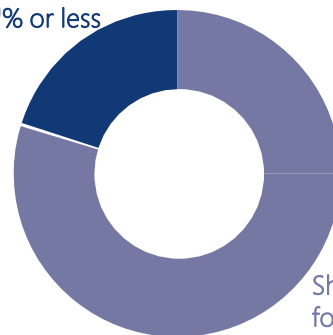
■ KRR's main target in logistics sector Key features of retail distribution centers

- Distribution centers for delivering goods to end consumers
- Distribution centers for delivering goods to consumption areas such as stores
- Relatively small-scale distribution centers
- Companies supplying goods may be in the same business sector as KRR's retail tenants; the business performance is stable
- Relatively long-term leases

■ Target portfolio distribution

Distribution centers
Other retail facilities

20% or less



Shopping centers for daily needs
80% or more

1 Sustainability Policies

The Asset Manager has positioned initiatives on ESG (Environmental, Social and Governance) awareness as an important business management issue. To promote initiatives on ESG, the Asset Manager has established the following Sustainability Policies.

1 Contribution to sustainable environment

We make positive contribution to sustainability by reducing the negative impact to the environment through continuously reducing energy and water consumption, CO2 emission and waste; and by eliminating and managing of hazardous materials to carry out the social mission of improving the environmental performance of properties we manage.

2 Commitment to diverse society

We contribute to realize the diverse society, considering the social impact of our properties. We endeavor to deliver built environment where safety, health and wellbeing and diversity of tenants and local community are secured.

3 Stakeholder engagement

We manage our properties as a responsible real estate asset management company by stressing the importance of engagement with our stakeholders such as investors, tenants, business partners, local communities and property management companies.

4 Attractive working environment

We aim to deliver attractive working environment by implementing measures to promote employees' health & wellbeing and diversity & equal opportunities. We develop capabilities of employees to help them achieve the best performance by providing various educational opportunities such as trainings.

5 Responsible organization

We ensure compliance and sound risk management in our entire business activities. We are committed to responsible property investment by a responsible organization by aligning with global ESG initiatives and proactively disclosing ESG information.

2 Initiatives at Unicucs Ina

Cooperation with local communities

Agreed with Ina Town to provide part of facility as a temporary shelter in case of a disaster



Greening of facilities

Awarded Green Award of Saitama Prefecture



Solar panel installation

Planned installation of solar panels to decrease CO2 emissions

Green lease agreements (Note)

KRR has entered into green lease agreements with tenant, P&D Consulting Co, Ltd.

Note: Green lease is an agreement specifying that property owners and tenants shall cooperate to reduce environmental burden.

3 Recognitions and certifications on environment

■ GRESB Real Estate Assessment 2018

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 (★★★)

- | | |
|--------------------------------|--------------------------|
| T-3 Passaggio Nishiarai | R-1 Roseo Mito |
| T-4 Daikanyama Address Dixsept | R-4 Ashico Town Ashikaga |
| O-4 Blumer HAT Kobe | |

Properties with high environmental & social awareness (★★)

- | | |
|--|--------------------------|
| T-5 Unicus Ina | O-1 Blumer Maitamon |
| T-7 Unicus Yoshikawa | O-5 Carino Esaka |
| T-19 Yumemachi Narashinodai Mall | R-10 Sun Street Hamakita |
| T-20 Kawamachi Yahagi Mall | |
| T-14 Gourmet City Chiba-Chuo NEW | |
| N-6 Resora Obu Shopping Terrace NEW | |

■ Certified properties and floor area ratio

The number of certified properties: 16 (39.0%)

Certified floor area: 462,015.35m² (65.3%)

(as of September 30, 2018)

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (707,294.75m², calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties). As of September 30, 2018, KRR owns 41 properties that are eligible for certification, excluding 12 land-only properties.



T-2 Urban Station-Front SC

MONA Shin-Urayasu

MONA Shin-Urayasu opened in November 1990 in front of Shin-Urayasu Station. Located in the city of Urayasu in Chiba prefecture, the station is on the JR Keiyo and Musashino lines, 17 minutes from Tokyo Station by express train, and next to Maihama Station, the gateway to Tokyo Disney Resort. MONA Shin-Urayasu is directly accessible from the station by a pedestrian walkway. In addition, a bus terminal is on the south side of the station.

MONA Shin-Urayasu is surrounded by a master-planned city centered on shopping and office buildings. This is a highly popular residential area and has been ranked by the Ministry of Land, Infrastructure, Transport and Tourism as one of Japan's 100 most attractive cities. The city of Urayasu has the highest average household income in Chiba prefecture, due partly to the high percentage of dual-income households. As a result, consumers in this area have very strong life style preferences. MONA Shin-Urayasu is a key element of the community atmosphere that defines this district. This shopping center also serves the people working in nearby office buildings and guests who stay at hotels in this area.

The recently completed project was the first major renovation of MONA Shin-Urayasu since its opening about 28 years ago. This renovation was made to

A shopping center in front of Shin-Urayasu Station where extensive renovations were completed in September 2018

make the shopping center more competitive and increase its value. Replacement of a first-floor supermarket and entrance area renovations were the first phase of renovations completed in July 2017. The second phase, which ended in September 2018, involved 23 tenants (six new tenants, 14 relocations within the shopping center and three store expansions), improvements to the sales floor environment, including a new look for floors, walls and ceilings of common areas, installation of LED lights and automatic doors, and changes to signboards. As a result, MONA Shin-Urayasu has become a shopping center that is even more appealing to people of all ages with a supermarket, large fast-fashion apparel store, household goods stores, cafés, restaurants and service providers.

To function as a shopping center for daily needs in Urayasu, MONA Shin-Urayasu is the site of various community events. For example, the shopping center provides spaces for events for Urayasu Festival of the city of Urayasu and gives retail tours to elementary school students to build strong ties with the public and private sectors. LED lights and a building energy management system make the shopping center energy efficient. In recognition of these activities, MonA Shin-Urayasu was awarded DBJ (Development Bank of Japan) Green Building Certification (four-star rank) in September 2017 as a property with exceptionally high environmental and social awareness.

MONA Shin-Urayasu will continue to build on its position as a community shopping center to reinforce its reputation as a place that is closely linked to the life styles of people living in this area.

Asset overview

Acquisition price	JPY 8,063 mn
Location	Urayasu, Chiba
Land area	15,875.86 m ²
Gross floor area	76,767.24 m ²
Main tenant	G.U. Co., Ltd.

Objective of the 2nd phase of the renewal project

Increase attractiveness

- Replacements and relocations of tenants at lease expiry
- Lease to fast fashion tenant, its first store in Urayasu
- Enhance outdoor signboards

Strengthen image of the SC

- Change the design of floors, walls and roofs
- Install LED lightings
- Install automatic doors

Improve access to shops

- Renewal of signboards and floor maps

Schedule of the renewal

July 2017

Completion of the 1st phase of the renewal



April 2018

Start of the 2nd phase of the renewal



September 2018

Completion of the renewal and reopening

Exterior



Entrance



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 September 30, 2018)

LTV 44.5%	Long-term debt ratio (Note) 96.7%	Fixed interest debt ratio 92.7%
Average remaining years to maturity 4.9 years	Number of lenders 12	Average interest rate (Note) 1.01%

Note: The borrowing Series 24-A on Sep. 28, 2018 is included in short-term borrowings.

2 Credit rating and commitment lines

Credit rating (JCR) A+ (Stable)	Commitment credit lines JPY 2.0 bn
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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

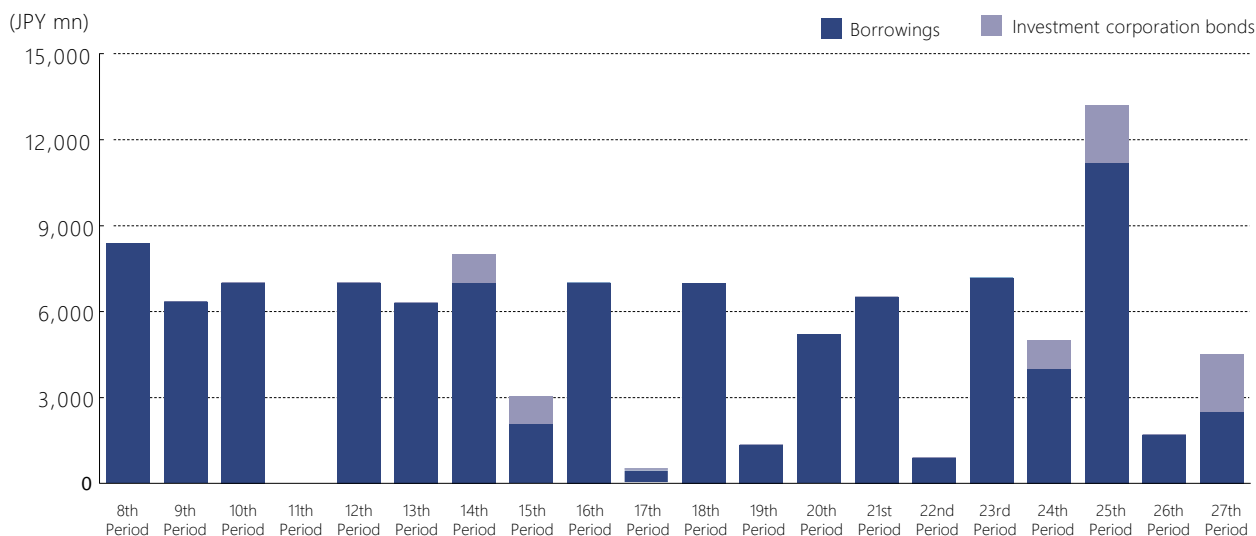
KRR intends to diversify its lenders through its first borrowing from Nippon Life Insurance Co. on Sep. 28, 2018.

Lender	Maturity	Amount
Nippon Life Insurance Co.	6.5 years	JPY 700 mn

4 Debt maturity schedule (as of September 30, 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 September 30, 2018

Total
acquisition price

JPY212,897_{mn}

Weighted average
occupancy rate

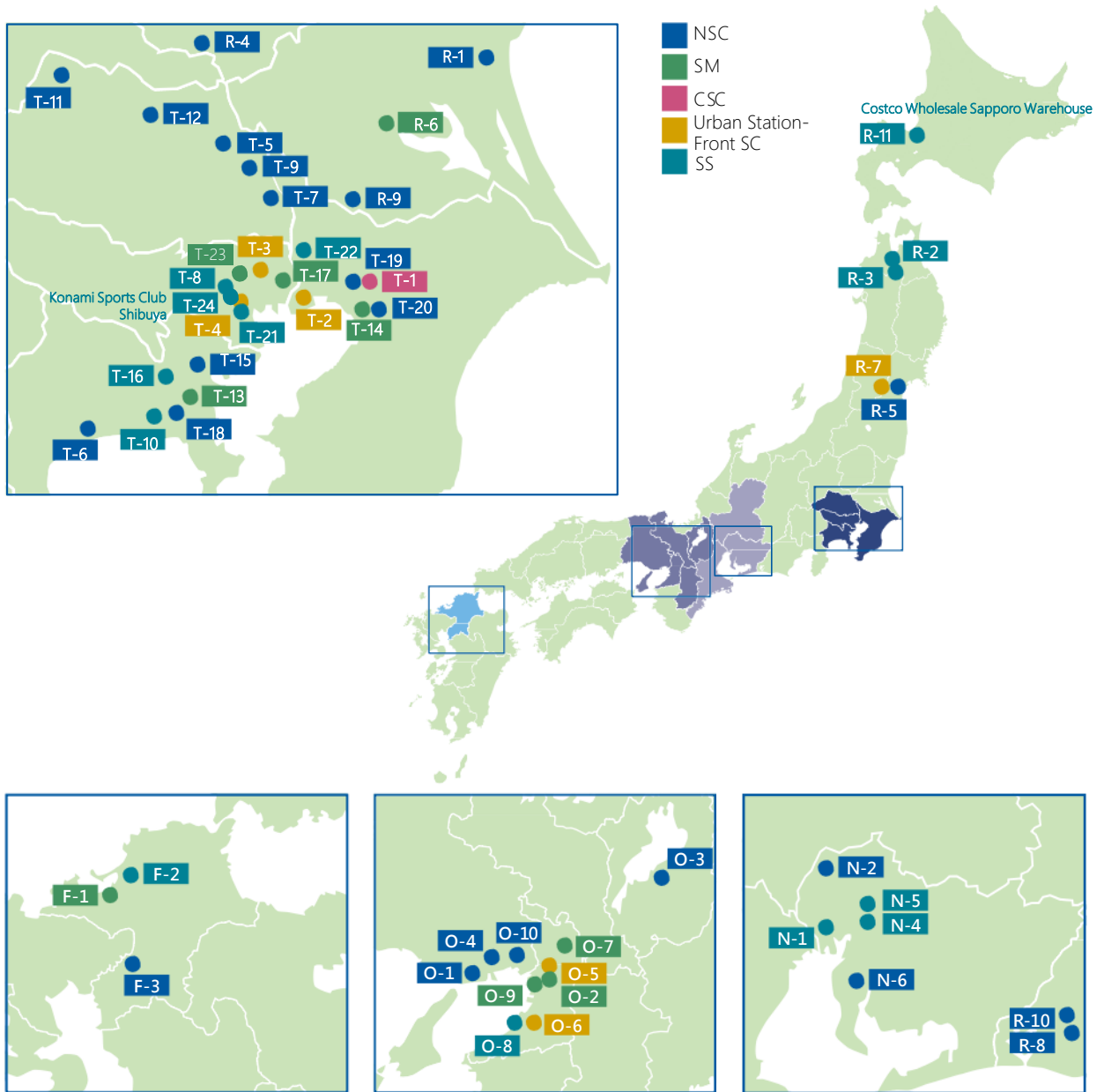
99.4%

Number of
Tenants

520

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) (Note 1)	Number of tenants (Note 2)
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	96.6	39
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	98.3	57
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	81.0	1
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	100.0	1
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	99.7	52
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	98.0	39
O-5	Carino Esaka	Suita, Osaka	6,555	99.5	30
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	99.0	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

Portfolio Map as of September 30, 2018



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) (Note 1)	Number of tenants (Note 2)
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	100.0	1
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	99.3	53
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	100.0	1
Total of assets acquired by the end of the 7th period (Note 3)			212,897	99.4	520

Note 1: "Occupancy rate" is as of September 30, 2018.

Note 2: "Number of tenants" indicates the number of end-tenants as of September 30, 2018.

Overview of portfolio (as of September 30, 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 Fujimidai



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.2 for the properties acquired in the seventh fiscal period.

O-5 Carino Esaka



O-6 COMBOX Komyoike



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



N-4 Homecenter Kohnan Sunadabashi



N-1 Kahma Home Center Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



F-1 Sunny Noma



N-6 Resora Obu Shopping Terrace



F-2 Round1 Stadium Hakata-Hanmichibashi



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-5 Yorktown Shinden-Higashi



R-6 Kasumi Technopark Sakura



R-7 Solala Plaza



R-8 P-1 Plaza Tenno



R-9 Seiyu Rakuichi Moriya (Land)



T-23 Ozeki Tokiwadai



R-1 Roseo Mito



R-10 Sun Street Hamakita



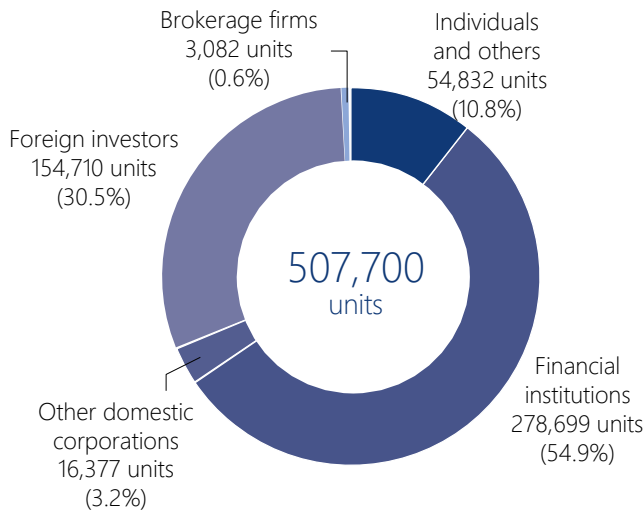
Unit Price and trading volume



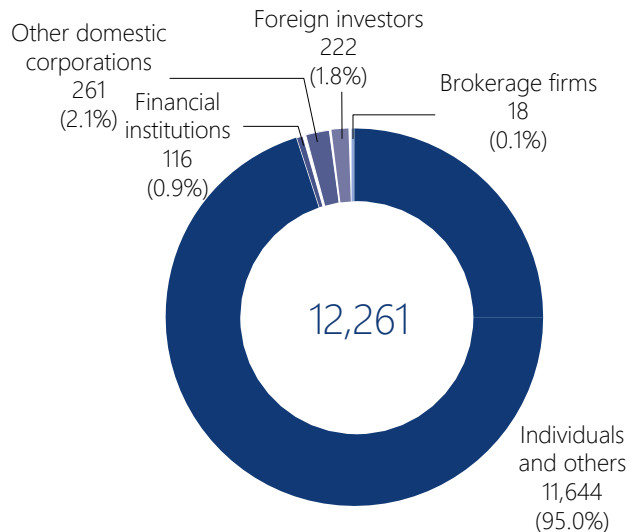
General breakdown of unitholders

As of September 30, 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		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)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)
Operating revenues	Millions of yen	6,374	6,430	7,803	8,126	8,577
Of which, property-related revenues	Millions of yen	6,374	6,427	7,797	8,126	8,364
Property-related expenses	Millions of yen	3,400	3,409	4,137	4,358	4,760
Of which, property-related expenses	Millions of yen	2,860	2,817	3,468	3,609	3,984
Operating income	Millions of yen	2,973	3,021	3,666	3,768	3,816
Ordinary income	Millions of yen	2,519	2,556	3,108	3,179	3,201
Net income	Millions of yen	2,518	2,552	3,104	3,175	3,197
Total assets	Millions of yen	179,360	185,037	229,628	231,107	238,490
[Period-on-period changes]	%	(+19.6)	(+3.2)	(+24.1)	(+0.6)	(+3.2)
Total net assets	Millions of yen	96,739	96,823	116,516	116,585	116,729
[Period-on-period changes]	%	(+20.9)	(+0.1)	(+20.3)	(+0.1)	(+0.1)
Unitholders' capital ^(Note 2)	Millions of yen	94,256	94,256	113,399	113,399	113,399
Number of investment units issued and outstanding	Units	422,450	422,450	507,700	507,700	507,700
Net assets per unit	Yen	228,996	229,195	229,498	229,633	229,918
Distributions	Millions of yen	2,523	2,553	3,104	3,175	3,198
Distributions per unit	Yen	5,974	6,044	6,115	6,255	6,299
Of which, distributions of earnings	Yen	5,888	6,044	6,115	6,255	6,299
Of which, distributions in excess of retained earnings	Yen	86	-	-	-	-
Ordinary income to total assets ^(Note 3)	%	1.5	1.4	1.5	1.4	1.4
[Annualized] ^(Note 4)	%	(3.1)	(2.8)	(3.0)	(2.8)	(2.7)
Return on net assets ^(Note 5)	%	2.8	2.6	2.9	2.7	2.7
[Annualized] ^(Note 4)	%	(5.7)	(5.3)	(5.8)	(5.5)	(5.5)
Net assets to total assets ^(Note 6)	%	53.9	52.3	50.7	50.4	48.9
[Period-on-period changes]	%	(+0.6)	(-1.6)	(-1.6)	(-0.3)	(-1.5)
Operating days	Days	183	182	183	182	183
Payout ratio ^(Note 7)	%	98.8	100.0	100.0	100.0	100.0
Number of properties		40	42	51	52	53
Leasable area	m ²	674,491.03	719,906.77	865,226.20	866,425.22	890,152.09
Number of tenants ^(Note 8)		405	409	542	522	520
Occupancy ratio	%	99.7	99.6	99.6	99.5	99.4
Depreciation expense	Millions of yen	714	721	885	925	971
Capital expenditures	Millions of yen	264	276	367	263	806
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	4,228	4,331	5,214	5,441	5,352
FFO (Funds from operation) ^(Note 10)	Millions of yen	3,315	3,358	4,093	4,194	4,028
FFO per unit ^(Note 11)	Yen	7,847	7,949	8,062	8,260	7,935

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 September 30, 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.

Consumer spending seems to be stable due to recoveries in employment and income environment. Real GDP growth was negative in the first quarter of 2018 but rebounded in the second quarter of 2018.

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. Interest rates in Japan rose slightly after the Bank of Japan decided to take more flexible stance on fluctuation of long-term interest rates at its Monetary Policy Meeting in July 2018. However, the Bank of Japan’s framework for continuous powerful monetary easing is keeping the interest rates in Japan low.

Under these conditions, the real estate sales market remained strong with high investment demand to invest from domestic and overseas investors. The real estate leasing market is also kept strong, making the J-REIT market stable.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired two assets (Konami Sports Club Shibuya with acquisition price of 3,400 million yen and Costco Wholesale Sapporo Warehouse with acquisition price of 4,210 million yen), and disposed one asset (K's Denki Nakagawa Tomita (Land) with sale price of 1,128 million yen).

As a result, the portfolio at the end of the period under review (September 30, 2018) consists 53 properties with the total acquisition price of 212,897 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 (September 30, 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 and distribution centers management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction.

KRR invests primarily in neighborhood and community shopping centers that cater to the day-to-day needs of customers. The portfolio is diversified in terms of properties, tenants and other characteristics with a goal to generate consistent long-term cash flows. At the same time, a portion of the rent includes sales-linked rent to explore the upside potential (Note 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 period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.4%. Furthermore, the portfolio is diversified in terms of tenants as there are 520 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 with the objectives 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 7,000 million yen for the acquisition of properties and 8,170 million yen for refinancing. KRR also issued investment corporation bonds to partially prepay borrowings of 2,000 million yen. Consequently, borrowings totaled 99,100 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 106,100 million yen at the end of the fiscal period under review (September 30, 2018).

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

As a result, the average maturity of debt is 4.9 years, the weighted average interest rate is 1.01%, the long-term debt ratio (Note 1) is 97.4% and the LTV ratio (Note 2) is 44.5%.

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

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

(Credit Ratings)

The status of the credit ratings as of September 30, 2018 is as follows.

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

(Shelf Registration)

KRR filed a shelf registration statement for investment corporation bonds (excluding short-term investment corporation bonds) on 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, 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, and 5th Series Unsecured Investment Corporation Bonds (2,000 million yen) on April 26, 2018, based on this shelf registration statement.

iv) Results of Operations

For this period, revenue was 8,577 million yen, operating income was 3,816 million yen, ordinary income was 3,201 million yen and net income was 3,197 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 3,198,002,300 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 6,299 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	Third fiscal period September 30, 2016	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018
Highest	JPY 296,100	JPY 275,000	JPY 251,100	JPY 251,700	JPY 249,200
Lowest	JPY 240,000	JPY 235,200	JPY 228,900	JPY 223,000	JPY 227,600

(4) Distributions

In accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 3,198,002,300 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 6,299 yen.

(in thousands of yen)

Fiscal period For the fiscal period ended	Third fiscal period September 30, 2016	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018
Unappropriated retained earnings	2,518,802	2,584,343	3,104,740	3,175,962	3,198,151
Retained earnings carried forward	31,417	216	155	299	149
Total distributions	2,523,716	2,553,287	3,104,585	3,175,663	3,198,002
[Distributions per unit]	[5,974 yen]	[6,044 yen]	[6,115 yen]	[6,255 yen]	[6,299 yen]
Of which, distributions of earnings	2,487,385	2,553,287	3,104,585	3,175,663	3,198,002
[Distributions of earnings per unit]	[5,888 yen]	[6,044 yen]	[6,115 yen]	[6,255 yen]	[6,299 yen]
Of which, distributions in excess of retained earnings	36,330	—	—	—	—
[Distributions in excess of retained earnings per unit]	[86 yen]	[—]	[—]	[—]	[—]
Total distributions in excess of earnings for the allowance for temporary adjustment	36,330	—	—	—	—
[Distributions per unit]	[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 and the Bank of Japan's interest rate policy.

As for Japan's retail sector environment, supermarkets and drugstores are performing well, and we anticipate 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, we anticipate the integration of "brick and mortar" and the Internet will advance as both retail companies and Internet companies try to adopt to such environment.

In the real estate trading market, we anticipate 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 especially 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 our assets and establish a suitable financial position, KRR will continue to manage assets based on the following policies.

(A) Investment Strategy for New Properties and Disposition Policy

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 distribution centers and pursue internal growth. Furthermore, this integrated management framework facilitates activities to enliven local communities where KRR's properties are located, enabling us to aim for medium to long-term growth in asset value.

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

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

"One-stop" asset management and property management services

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

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

KFM provides property management services for all of KRR's properties. KRR does this for the purposes of performing retail property management that better reflects the needs of the tenants as well as accumulating know-how and improving tenant satisfaction. Specifically, KRR uses direct contact with tenant companies at our properties in order to strengthen tenant relationships and make properties more profitable. To this end, KRR maintains periodic communication with tenants and perform questionnaire surveys to customers for monitoring of market conditions, so that KRR can identify the needs of tenants and the customers visiting their sites. This process makes it possible to find issues that stand in the way of achieving greater satisfaction for tenants and their customers. Once KRR has discovered

points that require attention, KRR takes actions that take full advantage of the resources and knowledge regarding retail properties within the Kenedix Group. Solutions include measures such as the effectively utilizing capital expenditures, optimizing tenant mix, realizing growth in asset value by pursuing property expansions, and cutting costs, to improve tenant satisfaction and acquire more know-how.

Pursuit of internal growth through management of retail properties

KRR seeks to improve the profitability and value of its portfolio through proper management of retail properties.

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

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

iii. Realize growth in asset value by pursuing property expansions

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

Note: The underutilized space is defined as the area that is calculated by multiplying the floor space ratio, or the ratio of total area of the building to the site area, which is prescribed in Article 52 of the Building Standards Act (Act No.201 of 1950, including subsequent amendments.) and applied to each retail property in accordance with the Building Standards Act, City Planning Act (Act No.100 of 1968, including subsequent amendments.) and other laws and regulations, by the land area that is allowed to be used as a retail property site, and subtracting from this figure the actual gross floor area of the building.

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

At KRR's properties, KRR seeks tenants that provide services, holds community involved events and uses other measures to help enliven the local communities where KRR's properties are located. KRR believes these activities will contribute to the medium to long-term growth in the asset value of these properties.

Implementing distribution center management

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

(C) Financing

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

(D) Disclosure of Information

KRR's policy concerning disclosure activities is to use extensive investor relations activities to distribute a broad range of information to investors and other related parties as well as to announce information as soon and as accurately as possible. KRR also distribute information with awareness on ESG (Environmental, Social and Governance) for sustainable growth of unitholder interest. KRR uses TDnet (Timely Disclosure network) and press releases to meet the timely-disclosure requirements of the Tokyo Stock Exchange. In addition, KRR proactively posts information on its website (<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 REITs, which may incur conflicts of interests in acquisition of assets. In order to prevent the improper allocation of acquisition opportunities, KFM uses a "preferential right for acquisition opportunities" system for the property acquisition process. KFM has a pipeline committee, which includes a compliance officer, and operates in accordance with rules. This system is structured to prevent improper allocation of acquisition opportunities, and thus, managing conflicts of interest among the REITs managed by KFM. Through these measures, KFM is taking suitable actions regarding conflicts of interest.

(6) Important Subsequent Events

Not applicable.

(Reference Material)**i) Disposition of Assets**

KRR has contracted a purchase and sale agreement (Note 1) on November 14, 2018 to dispose the following asset.

Property number	Property type (Note 2)	Property name	Location	Buyer	Sale price (million yen) (Note 3)	Sale date
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	GK KRF74	5,980	December 21, 2018 (49%) and April 5, 2019 (51%)

Note 1: The purchase and sale agreement with the buyer on the sale 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 sale price (excluding consumption taxes and local consumption taxes) to the other party.

Note 2: For the details of each type of retail properties, please refer “Section 5. Reference Information, (2) Overview of the Portfolio (Note 1).”

Note 3: “Sale price” represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, etc.) required in the sale of the asset.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	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)	Seventh fiscal period (From April 1, 2018 to September 30, 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	422,450 units	422,450 units	507,700 units	507,700 units	507,700 units
Unitholders' capital	94,256 million yen	94,256 million yen	113,399 million yen	113,399 million yen	113,399 million yen
Number of unitholders	10,618	10,072	12,301	12,545	12,261

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of September 30, 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	85,789	16.89
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11, Harumi, Chuo-ku, Tokyo	66,977	13.19
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	23,501	4.62
JP MORGAN CHASE BANK 385628	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	14,841	2.92
MIZUHO TRUST & BANKING CO., LTD.	1-2-1, Yaesu, Chuo-ku, Tokyo	10,519	2.07
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	2-11-3, Hamamatsucho, Minato-ku, Tokyo Standing proxy: The Master Trust Bank of Japan, Ltd.	8,841	1.74
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.	8,746	1.72
BNYM AS AGT/CLTS 10 PERCENT	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	8,579	1.68
STATE STREET BANK WEST CLIENT-TREATY 505234	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	7,338	1.44
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	6-27-30 Shinjyuku, Shinjuku-ku, Tokyo Standing proxy: Citibank, Ltd.	6,744	1.32
Total		241,875	47.64

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

(3) Matters Concerning Directors and Auditor

i) Executive Director, Supervisory Director, and Independent Auditor as of September 30, 2018

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	750
	Akiko Yamakawa	Member of the Basic Sub-committee of Labour Policy Council, Ministry of Health, Labour and Welfare Partner of Vanguard Lawyers Tokyo	750
Independent Auditor	Ernst & Young ShinNihon LLC	—	13,000

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 September 30, 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. MUFG Bank, Ltd.

Status on Investment Properties

(1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Sixth fiscal period as of March 31, 2018		Seventh fiscal period as of September 30, 2018	
			Total amount held (Millions of yen)	Ratio (%) (Note 3)	Total amount held (Millions of yen)	Ratio (%) (Note 3)
Trust beneficiary interest in real estate	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan area	87,734	38.0	91,497	38.4
		Greater Osaka area	44,818	19.4	44,735	18.8
		Greater Nagoya area	22,085	9.6	21,142	8.9
		Fukuoka area	8,092	3.5	8,052	3.4
		Ordinance-designated cities, core cities and other areas	45,645	19.8	49,842	20.9
	Other retail properties	—	—	—	—	
Total of trust beneficiary interests in real estate			208,376	90.2	215,2270	90.3
Bank deposits and other assets			22,730	9.8	23,219	9.7
Total assets			231,107	100.0	238,490	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.

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of September 30, 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	14,820	77,057.56	74,400.60	96.6	8.8	Retail
O-4	Blumer HAT Kobe	11,449	23,775.88	23,308.29	98.0	6.3	Retail
R-10	Sun Street Hamakita	10,714	49,023.34 (Note 5)	48,678.40 (Note 5)	99.3	6.4	Retail
R-1	Roseo Mito	9,895	48,296.15	48,161.79	99.7	4.6	Retail
T-2	MONA Shin-Urayasu	8,805	9,953.98	9,782.30	98.3	5.6	Retail
O-1	Blumer Maitamon	8,318	30,290.55	30,187.39	99.7	6.0	Retail
N-6	Resora Obu Shopping Terrace	8,196	19,909.33	19,716.62	99.0	3.8	Retail
N-4	Homecenter Kohnan Sunadabashi	7,045	20,329.07	20,329.07	100.0	— (Note 7)	Retail
O-5	Carino Esaka	6,634	7,540.58	7,504.90	99.5	3.7	Retail
O-6	COMBOX Komyoike	6,338	25,530.44 (Note 6)	25,530.44	100.0	2.7	Retail
Total		92,218	311,706.88	307,599.80	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 September 30, 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 September 30, 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 September 30, 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 September 30, 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	14,820	15,200
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,805	9,410
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,792	6,710
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,400	6,370
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,384	5,050
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,961	4,350
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,576	3,840
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,516	2,760
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,510
	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	1,770
	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	741	792
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,412	3,810
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,771	1,890
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,494	1,520
	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	3,431	3,510
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,113	3,210
	T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,990	2,830
	T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,886	1,970
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,282	1,350
	T-24	SS	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,551	3,420
O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,318	9,370
	O-2	SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,150
	O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,130	2,470
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,449	11,500
	O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,634	7,040
	O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,338	6,790
	O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,312	1,330
	O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488

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-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,553	1,690
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,950
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,700
	N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,158	2,330
	N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,045	7,290
	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	8,196	7,950
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,443	1,620
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	5,037	5,500
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,571	1,720
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,895	11,700
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,461	1,580
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	883	938
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,302	5,040
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,289	3,340
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	846	876
	R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	Trust beneficiary interest in real estate	5,595	5,960
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,154	4,50
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,230
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,714	11,160
	R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Trust beneficiary interest in real estate	4,378	4,410
Total						215,270	229,484

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	Sixth fiscal period as of March 31, 2018				Seventh fiscal period as of September 30, 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	40	98.8	755	9.3	39	96.6	736	8.8
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(58)	87.8	489	6.0	1(57)	98.3	471	5.6
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(41)	98.6	310	3.8	1(41)	98.6	321	3.8
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(27)	97.9	264	3.3	1(27)	97.9	279	3.3
	T-5	NSC	Unicus Ina	1	100.0	139	1.7	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	133	1.6	1(11)	100.0	134	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	0.7	1	81.0	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	140	1.7	1(14)	100.0	140	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0	118	1.5	1(12)	100.0	119	1.4
	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			1	100.0		
	T-24	SS	Konami Sports Club Shibuya	—	—	—	—	1	100.0	—	—
O	O-1	NSC	Blumer Maitamon	51	98.4	481	5.9	52	99.7	502	6.0
	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(39)	97.2	475	5.8	1(39)	98.0	529	6.3
	O-5	Urban Station-Front SC	Carino Esaka	1(31)	100.0	320	3.9	1(30)	99.5	311	3.7
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	226	2.8	1	100.0	226	2.7
	O-7	SM	Hankyu Oasis Hirakatadeguchi	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		

Area	Property number	Property type	Property name	Sixth fiscal period as of March 31, 2018				Seventh fiscal period as of September 30, 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 (%)
O	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
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			—	—		
	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(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			51	0.6		
R	R-1	NSC	Roseo Mito	1(22)	99.7	378	4.7	1(22)	99.7	383	4.6
	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			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		
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-10	NSC	Sun Street Hamakita	1(53)	99.2	518	6.4	1(53)	99.3	533	6.4
	R-11	SS	Costco Wholesale Sapporo Warehouse	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
Total				522	99.5	8,126	100.0	520	99.4	8,364	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 September 30, 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	71,240	64,260	142
Total	—	71,240	64,260	142

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 March 31, 2019. 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
O-1	Blumer Maitamon	Kobe, Hyogo	Rooftop waterproof	From October 2018 to March 2019	147	—	—
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Toilet and partial exterior wall repair	From September 2018 to December 2018	145	—	—
O-5	Carino Esaka	Suita, Osaka	Automatic fire alarm replacement	From October 2018 to February 2019	69	—	—
T-5	Unicus Ina	Kobe, Hyogo	Solar panel installation	From October 2018 to March 2019	63	—	—
N-6	Resora Obu Shopping Terrace	Obu, Aichi	LED installation to common area	From October 2018 to March 2019	31	—	—

(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 806 million yen. There were also expenditures of 399 million yen that were recorded as repair expenses. In total KRR spent 1,146 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Second phase of renewal	From April 2018 to September 2018	303
T-21	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Interior repair	From March 2018 to April 2018	69
T-5	Unicus Ina	Kitaadachi-gun, Saitama	Exterior wall repair	From May 2018 to August 2018	41
O-1	Blumer Maitamon	Kobe, Hyogo	LED installation to common area	From August 2018 to September 2018	40
O-4	Blumer HAT Kobe	Kobe, Hyogo	Changing of layout	From February 2018 to April 2018	37
Others					314
Total					806

(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)	
	Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)
Asset management fees ^(Note)	628,807	638,549
Asset custody fees	9,411	9,463
Administrative service fees	29,713	29,733
Directors' compensation	4,500	4,500
Other operating expenses	76,233	93,385
Total	748,665	775,631

Note: The amount of asset management fees capitalized in addition to the amount above are 12,630 thousand yen for the sixth fiscal period and 76,100 thousand yen for the seventh fiscal period.

(2) Status of Borrowings

Borrowings on a financial institution basis as of September 30, 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	900,000	-	900,000	-	0.455	April 19, 2018	(Note 4)	Unsecured/ Unguaranteed
	Mizubo Bank, Ltd.	300,000	-	300,000	-				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	2,600,000	-	0.455	April 21, 2018		
	MUFG Bank, Ltd.	1,070,000	-	1,070,000	-				
	Aozora Bank, Ltd.	640,000	-	640,000	-				
	Resona Bank, Ltd.	400,000	-	400,000	-				
	Mizubo Bank, Ltd.	360,000	-	360,000	-				
	Mizubo Trust & Banking Co., Ltd.	300,000	-	300,000	-				
	MUFG Bank, Ltd.	200,000	-	200,000	-				
	Sumitomo Mitsui Banking Corporation (Note 7)	3,400,000	-	3,400,000	-	0.455	September 30, 2018		
	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019		
Sub Total	12,920,000	-	10,170,000	2,750,000					
Current Portion of Long-Term Loans Payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 4)	Unsecured/ Unguaranteed
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizubo Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000	0.545	March 31, 2019		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000				
	MUFG Bank, Ltd.	550,000	-	-	550,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	The Musashino Bank, Ltd.	250,000	-	-	250,000				
	Mizubo Bank, Ltd. (Note 6)	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Ltd. (Note 6)	620,000	-	-	620,000				
	Mizubo Trust & Banking Co., Ltd. (Note 6)	350,000	-	-	350,000	0.481	August 31, 2019		
	Aozora Bank, Ltd. (Note 6)	250,000	-	-	250,000				
	Resona Bank, Ltd. (Note 6)	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd. (Note 6)	200,000	-	-	200,000				
	Mizubo Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019		
	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019		
	Aozora Bank, Ltd.	-	640,000	-	640,000				
	Resona Bank, Ltd.	-	400,000	-	400,000				
Mizubo Bank, Ltd.	-	360,000	-	360,000					
Mizubo Trust & Banking Co., Ltd.	-	300,000	-	300,000					
Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	0.465			September 30, 2019	
Sub Total	8,030,000	3,970,000	-	12,000,000					
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020	(Note 4)	Unsecured/ Unguaranteed
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	MUFG Bank, Ltd.	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				
	Mizubo Bank, Ltd.	350,000	-	-	350,000				
	Mizubo Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021		
	MUFG Bank, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizubo Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
Mizubo Trust & Banking Co., Ltd.	400,000	-	-	400,000					
Mizubo 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			

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	Development Bank of Japan Inc. (Note 5)	1,600,000	-	-	1,600,000	1.033	February 10, 2022	(Note 4)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	-	450,000	0.987	March 31, 2023		
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Masashino 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				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	-	-	650,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000	1.243	April 16, 2025		
	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		
	MUFG Bank, Ltd.	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	January 31, 2027		
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.485			
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 5)	600,000	-	-	600,000		0.400		
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	0.553			
	Mizuho Bank, Ltd. (Note 5)	400,000	-	-	400,000	0.553			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.553			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.772	October 31, 2024		
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 5)	600,000	-	-	600,000				
	Mizuho Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.815	October 31, 2024		
	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			
	MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.903	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.033	May 18, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	1.050	May 18, 2027			
Mizuho Bank, Ltd. (Note 5)	500,000	-	-	500,000	1.049				
Mizuho Trust & Banking Co., Ltd. (Note 5)	300,000	-	-	300,000	1.050				
MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.670	September 29, 2023			
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026			
MUFG Bank, Ltd. (Note 5)	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			
MUFG Bank, Ltd. (Note 5)	1,200,000	-	-	1,200,000	1.000	February 10, 2028			
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022			
Mizuho Bank, Ltd.	800,000	-	-	800,000					
Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000			0.988	April 30, 2027	

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	Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.985	April 30, 2027	(Note 4)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	2,000,000	-	2,000,000	0.902	April 30, 2026		
	Mizuho Bank, Ltd.	-	1,000,000	-	1,000,000	1.090	April 30, 2028		
	The Bank of Fukuoka, Ltd.	-	1,000,000	-	1,000,000	0.907	May 31, 2026		
	Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.999	May 31, 2027		
	MUFG Bank, Ltd. (Note 5)	-	500,000	-	500,000	0.900			
	Mizuho Bank, Ltd.	-	500,000	-	500,000	0.999			
	Mizuho Trust & Banking Co., Ltd.	-	500,000	-	500,000	0.999	March 31, 2025		
	Nippon Life Insurance Company	-	700,000	-	700,000	0.913			
Sub Total	73,150,000	11,200,000	-	84,350,000					
Total	94,100,000	15,170,000	10,170,000	99,100,000					

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: Partial prepayment of 2,000,000 thousand yen was made on April 27, 2018.

(3) Status of Investment Corporation Bonds

Bonds	Issuance date	Balance as of April 1, 2018 (million yen)	Balance as of September 30, 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			
5th Series Unsecured Investment Corporation Bonds	April 26, 2018	-	2,000	0.700	April 26, 2028			
Total		5,000	7,000					

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-24	Konami Sports Club Shibuya	April 27, 2018	3,400	—	—	—	—
Trust beneficiary interest in real estate	R-11	Costco Wholesale Spporo Warehouse	May 31, 2018	4,210	—	—	—	—
Trust beneficiary interest in real estate	N-3	K's Denki Nakagawa-Tomita (Land)	—	—	April 27, 2018	1,128	907	212

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/disposition date	Acquisition/disposition price (in millions) (Note 1)	Appraisal value (in millions) (Note 2)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	T-24	Konami Sports Club Shibuya	April 27, 2018	3,400	3,430	The Tanizawa Sōgō Appraisal Co., Ltd.	March 1, 2018
		R-11	Costco Wholesale Spporo Warehouse	May 31, 2018	4,210	4,390	Japan Real Estate Institute	March 1, 2018
Disposition	Trust beneficiary interest in real estate	N-3	K's Denki Nakagawa-Tomita (Land)	April 27, 2018	1,128	995	The Tanizawa Sōgō Appraisal Co., Ltd.	September 30, 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 April 1, 2018 to September 30, 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

Not applicable

ii) Amounts of Fees Paid

	Total amount of fee paid (A) (in million)	Related-Party Transaction		Ratio (B) / (A) (%)
			Amount of fee paid (B) (in million)	
Brokerage	228	Kenedix, Inc.	102	44.7

Note 1: 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.

Note 2: The fee paid for renovation placing orders to related party is as follows.
Kenedix Engineering, Inc. JPY 44 million

(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.



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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 September 30, 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 September 30, 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

December 27, 2018
Tokyo, Japan

Financial Statements

(7th Fiscal Period: from April 1, 2018 to September 30, 2018)

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

Kenedix Retail REIT Corporation

Balance Sheet

As of September 30, 2018

	As of September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥7,582,764	¥7,179,463
Cash and deposits in trust (Notes 9 and 11)	13,710,471	14,045,452
Operating accounts receivable	247,664	231,067
Prepaid expenses	151,397	51,788
Consumption taxes receivable	175,068	-
Other	4,618	4,255
Total current assets	21,871,984	21,512,027
Non-current assets		
Property, plant and equipment (Notes 17 and 20)		
Buildings in trust	57,984,991	54,980,817
Accumulated depreciation	(4,955,253)	(4,053,797)
Buildings in trust, net (Note 3)	53,029,737	50,927,020
Structures in trust	2,872,268	2,804,224
Accumulated depreciation	(304,244)	(249,855)
Structures in trust, net (Note 3)	2,568,023	2,554,369
Machinery and equipment in trust	214,971	214,510
Accumulated depreciation	(28,383)	(22,623)
Machinery and equipment in trust, net	186,587	191,887
Tools, furniture and fixtures in trust	96,472	79,918
Accumulated depreciation	(26,501)	(20,383)
Tools, furniture and fixtures in trust, net (Note 3)	69,971	59,534
Land in trust (Note 3)	155,092,322	150,317,484
Construction in progress in trust	378	378
Total property, plant and equipment, net	210,947,020	204,050,675
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,320,740	4,324,719
Other	5,103	2,331
Total intangible assets	4,325,844	4,327,050
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,256	60,256
Long-term prepaid expenses	840,462	780,184
Long-term deposits	157,110	157,110
Other	142,159	19,879
Total investments and other assets	1,209,988	1,027,429
Total non-current assets	216,482,854	209,405,155
Deferred assets		
Organization costs	10,160	15,226
Investment corporation bond issuance costs	47,759	35,396
Investment unit issuance costs	77,413	139,404
Total deferred assets	135,333	190,027
Total assets	¥238,490,172	¥231,107,209

See accompanying notes to financial statements.

	As of September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥1,118,827	¥646,507
Short-term loans payable (Notes 11 and 21)	2,750,000	12,920,000
Current portion of long-term loans payable (Notes 11 and 21)	12,000,000	5,650,000
Accounts payable-other	367,074	359,858
Accrued expenses	26,751	18,530
Income taxes payable	3,434	3,641
Accrued consumption taxes	52,088	312,160
Advances received	1,163,601	1,121,432
Deposits received	77,211	117,043
Total current liabilities	17,558,988	21,149,173
Non-current liabilities		
Investment corporation bonds (Notes 11 and 22)	7,000,000	5,000,000
Long-term loans payable (Notes 11 and 21)	84,350,000	75,530,000
Tenant leasehold and security deposits in trust (Notes 3 and 11)	12,797,802	12,788,402
Asset retirement obligations (Note 15)	23,778	23,629
Other	30,024	30,895
Total non-current liabilities	104,201,604	93,372,927
Total liabilities	121,760,593	114,522,100
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	3,198,151	3,175,962
Total surplus	3,198,151	3,175,962
Total unitholders' equity	116,587,418	116,565,229
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	142,159	19,879
Total valuation and translation adjustments	142,159	19,879
Total net assets (Note 6)	116,729,578	116,585,108
Total liabilities and net assets	¥238,490,172	¥231,107,209

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Income and Retained Earnings

For the period from April 1, 2018 to September 30, 2018

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥7,066,950	¥6,991,591
Other lease business revenue (Note 7)	1,298,047	1,134,746
Gain on sales of real estate property (Note 7)	212,130	-
Total operating revenues	8,577,129	8,126,338
Operating expenses		
Expenses related to rent business (Note 7)	3,984,558	3,609,580
Asset management fees	638,549	628,807
Asset custody fees	9,463	9,411
Administrative service fees	29,733	29,713
Directors' compensation	4,500	4,500
Other operating expenses	93,385	76,233
Total operating expenses	4,760,189	4,358,245
Operating income	3,816,939	3,768,092
Non-operating income		
Interest income	61	63
Interest on refund	-	1,472
Total non-operating income	61	1,535
Non-operating expenses		
Interest expenses	434,188	398,485
Interest expenses on investment corporation bonds	18,540	12,634
Financing-related expenses	92,203	86,123
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	3,714	2,910
Amortization of investment unit issuance costs	61,990	84,780
Total non-operating expenses	615,704	589,972
Ordinary income	3,201,296	3,179,655
Income before income taxes	3,201,296	3,179,655
Income taxes		
Current	3,443	3,848
Total income taxes	3,443	3,848
Net income	3,197,852	3,175,807
Retained earnings brought forward	299	155
Unappropriated retained earnings	¥3,198,151	¥3,175,962

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Changes in Net Assets

For the period from April 1, 2018 to September 30, 2018

	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 September 30, 2017	¥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
Changes of items during the period							
Dividends from surplus					(3,175,663)	(3,175,663)	(3,175,663)
Net income					3,197,852	3,197,852	3,197,852
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	-	-	22,188	22,188	22,188
Balance as of September 30, 2018 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,198,151	¥3,198,151	¥116,587,418

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
(in thousands of yen)			
Balance as of September 30, 2017	¥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
Changes of items during the period			
Dividends from surplus			(3,175,663)
Net income			3,197,852
Net changes of items other than unitholders' equity	122,280	122,280	122,280
Total changes of items during the period	122,280	122,280	144,469
Balance as of September 30, 2018 (Note 8)	¥142,159	¥142,159	¥116,729,578

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Cash Flows

For the period from April 1, 2018 to September 30, 2018

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,201,296	¥3,179,655
Depreciation and amortization	972,385	925,524
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	3,714	2,910
Amortization of investment unit issuance costs	61,990	84,780
Interest income	(61)	(63)
Interest expenses	452,729	411,119
Decrease (increase) in operating accounts receivable	(16,596)	18,765
Decrease (increase) in consumption taxes receivable	(175,068)	947,707
Decrease (increase) in prepaid expenses	(99,609)	84,586
Increase (decrease) in operating accounts payable	162,653	(324)
Increase (decrease) in accounts payable-other	7,007	18,937
Increase (decrease) in accrued consumption taxes	(260,071)	271,114
Increase (decrease) in advances received	42,169	16,792
Increase (decrease) in deposits received	(39,832)	(25,736)
Decrease (increase) in long-term prepaid expenses	(60,278)	28,740
Decrease in net property, plant and equipment held in trust due to sale	907,424	-
Other	(2,207)	14,532
Subtotal	5,162,711	5,984,080
Interest income received	61	63
Interest expenses paid	(444,535)	(410,726)
Income taxes paid	(3,650)	(2,910)
Net cash provided by (used in) operating activities	4,714,587	5,570,507
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(8,461,827)	(1,471,805)
Purchase of intangible assets	(2,307)	-
Proceeds from investment securities	-	966
Repayments of tenant leasehold and security deposits in trust	(515,495)	(299,385)
Proceeds from tenant leasehold and security deposits in trust	524,895	154,494
Proceeds from restricted bank deposits in trust	215,676	215,676
Net cash provided by (used in) investing activities	(8,239,058)	(1,400,052)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	-	6,150,000
Decrease in short-term loans payable	(10,170,000)	(5,900,000)
Proceeds from long-term loans payable	15,170,000	4,800,000
Repayments of long-term loans payable	-	(3,850,000)
Proceeds from issuance of investment corporation bonds	1,983,922	-
Dividends paid	(3,175,454)	(3,103,480)
Net cash provided by (used in) financing activities	3,808,468	(1,903,480)
Net increase (decrease) in cash and cash equivalents	283,996	2,266,973
Cash and cash equivalents at the beginning of the period	19,118,825	16,851,851
Cash and cash equivalents at the end of the period (Note 9)	¥ 19,402,822	¥19,118,825

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from April 1, 2018 to September 30, 2018

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Retail REIT Corporation (“KRR”) was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On February 10, 2015, KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453). Subsequently, KRR raised funds through public offerings, including international offerings. As a result, the number of investment units issued as of September 30, 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, and also seeks to invest in distribution centers, which supplement shopping centers in providing goods to consumers, in order to provide stable investment returns over the long term. Sponsored by Kenedix, Inc., KRR entrusts its asset management and investment operations to Kenedix Real Estate Fund Management, Inc. (“KFM”), with the following strategies.

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

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

KRR acquired one property (Ozeki Tokiwadai with acquisition price of 1,263 million yen). For the period ended March 31, 2018, the portfolio of 52 properties (total acquisition prices of 206,176 million yen) as a whole performed well with an overall occupancy ratio of 99.5% as of March 31, 2018.

KRR acquired two properties (Konami Sports Club Shibuya with acquisition price of 3,400 million yen and Costco Wholesale Sapporo Warehouse with acquisition price of 4,210 million yen), and sold one property (K’s Denki Nakagawa Tomita (Land) with sale price of 1,128 million yen). For the period ended September 30, 2018, the portfolio of 53 properties (total acquisition prices of 212,897 million yen) as a whole performed well with an overall occupancy ratio of 99.4% as of September 30, 2018.

Furthermore, the portfolio was diversified in terms of tenants as there were 522 and 520 end-tenants as of March 31, 2018 and September 30, 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 April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
Buildings	2-70 years	2-70 years
Structures	8-59 years	8-59 years
Machinery and equipment	2-25 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. There were no capitalized property-related taxes as of March 31, 2018. Capitalized property-related taxes amounted to ¥39,223 thousand as of September 30, 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 September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Buildings in trust	¥2,688,066	¥2,708,512
Structures in trust	47,581	49,172
Tools, furniture and fixtures in trust	1,757	2,058
Land in trust	7,811,297	7,811,297
Total	10,548,702	10,571,041

Secured liabilities	As of September 30, 2018	As of March 31, 2018
Tenant leasehold and security deposits in trust	2,577,920	2,800,594
Total	¥2,577,920	¥2,800,594

4. COMMITMENT LINE CONTRACTS

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

	As of September 30, 2018	As of March 31, 2018
	(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 September 30, 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 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.

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, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY

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

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥5,807,967	¥5,697,578
Rental revenues from limited proprietary rights of land	929,815	953,536
Common area charges	329,167	340,476
Subtotal	7,066,950	6,991,591
Other lease business revenue:		
Parking space rental revenues	204,954	201,155
Utility charge reimbursement	710,167	617,448
Miscellaneous	382,926	316,141
Subtotal	1,298,047	1,134,746
Total rental and other operating revenues	8,364,998	8,126,338
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	847,105	846,915
Utilities	682,433	597,633
Taxes	690,135	563,751
Repairs and maintenance	339,258	259,834
Insurance	13,191	13,954
Trust fees	22,846	22,153
Depreciation	971,850	925,078
Others	417,737	380,258
Total property-related expenses	3,984,558	3,609,580
Net operating income from real estate rental business	¥4,380,440	¥4,516,757

Gain on sales of real estate property:

From April 1, 2018 to September 30, 2018

	(in thousands of yen)
K's Denki Nakagawa Tomita (Land)	
Revenue from sales of real estate property	¥1,128,000
Cost of real estate property	907,424
Other sales expenses	8,444
Gain on sales of real estate property	¥212,130

From October 1, 2017 to March 31, 2018

Not applicable

8. UNITHOLDERS' EQUITY

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

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
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 September 30, 2018 and March 31, 2018:

	As of September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Cash and deposits	¥7,582,764	¥7,179,463
Cash and deposits in trust	13,710,471	14,045,452
Restricted bank deposits in trust *	(1,890,414)	(2,106,090)
Cash and cash equivalents	¥19,402,822	¥19,118,825

*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 September 30, 2018 and March 31, 2018 are as follows:

	As of September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	183,298	188,548
Total	¥193,798	¥199,048

(As lessor)

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

	As of September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Due within 1 year	¥9,188,950	¥8,798,586
Due after 1 year	59,957,431	61,221,050
Total	¥69,146,381	¥70,019,637

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 for loans payable and also have a redemption date of a maximum of 9 years and 7 months for investment corporation bonds as of September 30, 2018, the end of the seventh 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 September 30, 2018

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥7,582,764	¥7,582,764	¥ -
(2) Cash and deposits in trust	13,710,471	13,710,471	-
Total	21,293,236	21,293,236	-
(1) Short-term loans payable	2,750,000	2,750,000	-
(2) Current portion of long-term loans payable	12,000,000	11,985,151	(14,848)
(3) Investment corporation bonds	7,000,000	6,951,700	(48,300)
(4) Long-term loans payable	84,350,000	84,172,853	(177,146)
(5) Tenant leasehold and security deposits in trust	2,383,685	2,376,485	(7,199)
Total	108,483,685	108,236,191	(247,493)
Derivative transactions	¥142,159	¥142,159	¥ -

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	¥ -

*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 September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Tenant leasehold and security deposits in trust (Note)	¥10,414,116	¥10,153,243
Total	¥10,414,116	¥10,153,243

(Note) 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 September 30, 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	¥7,582,764	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	13,710,471	-	-	-	-	-
Total	¥21,293,236	¥ -	¥ -	¥ -	¥ -	¥ -

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	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of September 30, 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	¥2,750,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	2,000,000	-	5,000,000
Long-term loans payable	12,000,000	7,000,000	13,300,000	9,050,000	7,500,000	47,500,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	13,995	96,798
Total	¥15,185,430	¥7,435,430	¥13,735,430	¥11,485,430	¥7,513,995	¥52,596,798

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

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of September 30, 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	¥26,690,000	¥25,360,000	¥142,159	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	44,550,000	38,900,000	*	-
Total			¥71,240,000	¥64,260,000	¥142,159	

*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 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.)

13. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

7th Fiscal Period (April 1, 2018 to September 30, 2018) and 6th Fiscal Period (October 1, 2017 to March 31, 2018): Not applicable

2. Affiliated companies and other

7th Fiscal Period (April 1, 2018 to September 30, 2018) and 6th Fiscal Period (October 1, 2017 to March 31, 2018): Not applicable

3. Fellow subsidiary companies and other

7th Fiscal Period (April 1, 2018 to September 30, 2018) and 6th Fiscal Period (October 1, 2017 to March 31, 2018): Not applicable

4. Directors, major individual unitholders and other

7th Fiscal Period (April 1, 2018 to September 30, 2018) and 6th Fiscal Period (October 1, 2017 to March 31, 2018): 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 ¥3,198 million and ¥3,175 million for the periods ended September 30, 2018 and March 31, 2018, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.11% and 0.12% for the periods ended September 30, 2018 and March 31, 2018, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of September 30, 2018	As of March 31, 2018
Statutory tax rate	34.59%	34.81%
Deductible cash distributions	(34.55)	(34.77)
Others	0.07	0.08
Effective tax rate	0.11%	0.12%

The significant components of deferred tax assets and liabilities:

	As of September 30, 2018	As of March 31, 2018
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 210	¥ 234
Amortization of leasehold right in trust	9,216	7,959
Depreciation	3,317	2,865
Asset retirement obligations	7,511	7,464
Subtotal deferred tax assets	20,256	18,524
Valuation allowance	(20,256)	(18,524)
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 April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
	(in thousands of yen)	
Balance at the beginning of the period	¥23,629	¥23,482
Accretion adjustment	148	147
Balance at the end of the period	¥23,778	¥23,629

16. SEGMENT INFORMATION

Segment information for the periods from April 1, 2018 to September 30, 2018 and October 1, 2017 to March 31, 2018 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 April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥208,376,323	¥207,771,218
Changes during the period	6,894,504	605,105
Balance at the end of the period	215,270,828	208,376,323
Fair value at the end of the period	¥229,504,000	¥220,765,000

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 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 and during the fiscal period ended September 30, 2018, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 2 properties totaling 7,961,786 thousand yen and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling 907,424 thousand yen and depreciation of 971,702 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 Solala Plaza as of September 30, 2018, is based on the sales price (5,980,000 thousand yen) under the trust beneficiary interest sales contracts entered into on November 14, 2018.

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

18. PER UNIT INFORMATION

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
Net asset value per unit	¥229,918	¥229,633
Net income per unit	¥6,298	¥6,255

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended September 30, 2018 (507,700 units) and during the fiscal period ended March 31, 2018 (507,700 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
Net income (in thousands of yen)	¥3,197,852	¥3,175,807
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,197,852	¥3,175,807
Weighted average number of units during the period (units)	507,700	507,700

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 September 30, 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	¥54,980,817	¥3,004,173	¥ -	¥57,984,991	¥4,955,253	¥901,455	¥53,029,737	*
Structures in trust	2,804,224	68,043	-	2,872,268	304,244	54,389	2,568,023	
Machinery and equipment in trust	214,510	460	-	214,971	28,383	5,760	186,587	
Tools, furniture and fixtures in trust	79,918	16,554	-	96,472	26,501	6,118	69,971	
Land in trust	150,317,484	5,682,262	907,424	155,092,322	-	-	155,092,322	*
Construction in progress in trust	378	-	-	378	-	-	378	
Subtotal	208,397,334	8,771,494	907,424	216,261,403	5,314,383	967,723	210,947,020	
Total	208,397,334	8,771,494	907,424	216,261,403	5,314,383	967,723	210,947,020	
Intangible assets	Leasehold right in trust	4,349,916	-	4,349,916	29,176	3,978	4,320,740	
	Other	4,455	3,307	7,763	2,659	534	5,103	
Total	¥ 4,354,372	¥ 3,307	¥ -	¥ 4,357,679	¥ 31,835	¥ 4,513	¥ 4,325,844	

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

Property, plant and equipment 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	

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 September 30, 2018:

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																																																																																																																																																																																																																
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Short-term loans payable	Sumitomo Mitsui Banking Corporation	¥900,000	¥ -	¥900,000	¥ -	0.455	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	-	MUFG Bank, Ltd.	1,070,000	-	1,070,000	-	Aozora Bank, Ltd.	640,000	-	640,000	-	Resona Bank, Limited	400,000	-	400,000	-	0.455	April 21, 2018	Mizuho Bank, Ltd.	360,000	-	360,000	-	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000										
	Sumitomo Mitsui Banking Corporation	2,600,000	-	2,600,000	-	MUFG Bank, Ltd.	1,070,000			-	1,070,000	-	Aozora Bank, Ltd.	640,000	-	640,000	-	Resona Bank, Limited	400,000	-	400,000	-	0.455	April 21, 2018	Mizuho Bank, Ltd.	360,000	-	360,000	-			Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-		750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed					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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000			0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-			-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)			250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-			200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-			640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000
	MUFG Bank, Ltd.	1,070,000	-	1,070,000	-	Aozora Bank, Ltd.	640,000			-	640,000	-	Resona Bank, Limited	400,000	-	400,000	-	0.455	April 21, 2018	Mizuho Bank, Ltd.	360,000	-			360,000	-	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-		750,000	0.534	March 31, 2019	(Note 5)		Unsecured/ Non-guaranteed									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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000					0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000			0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000			0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000			0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000			-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal
	Aozora Bank, Ltd.	640,000	-	640,000	-	Resona Bank, Limited	400,000			-	400,000	-	0.455	April 21, 2018	Mizuho Bank, Ltd.	360,000	-			360,000	-	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-		750,000	0.534	March 31, 2019	(Note 5)		Unsecured/ Non-guaranteed														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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000							0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000			0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000			0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000			0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000			-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited			-	400,000			-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-
	Resona Bank, Limited	400,000	-	400,000	-	0.455	April 21, 2018			Mizuho Bank, Ltd.	360,000	-			360,000	-	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-		750,000	0.534	March 31, 2019	(Note 5)		Unsecured/ Non-guaranteed																			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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000									0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000			0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000			0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000			0.481	August 31, 2019	MUFG Bank, Ltd.			-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-			640,000	Resona Bank, Limited			-	400,000			-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000
	Mizuho Bank, Ltd.	360,000	-	360,000	-					Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534		March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-			620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-			250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-			1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000			0.481	August 31, 2019			Mizuho Bank, Ltd.	-			360,000	-			360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-
	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000			-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534		March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000			-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000			-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-			1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-					360,000	Mizuho Trust & Banking Co., Ltd.			-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal
	MUFG Bank, Ltd.	200,000	-	200,000	-	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000			-	3,400,000	-	0.455	September 30, 2018	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-		750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed						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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019			MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019			Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019			Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019			MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019			Mizuho Bank, Ltd.	-	360,000	-			360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000			Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000
	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	0.455	September 30, 2018			Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019	Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-		750,000	0.534	March 31, 2019	(Note 5)		Unsecured/ Non-guaranteed										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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019					MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019			Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019			Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019			MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019					Mizuho Bank, Ltd.	-	360,000	-			360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-			700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000
	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	0.456	February 13, 2019			Subtotal	12,920,000	-	10,170,000	2,750,000			Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534		March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000			-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000			-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-			1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-							360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.			-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000				
	Subtotal	12,920,000	-	10,170,000	2,750,000					Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534		March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	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	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000			-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000			-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-			1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-			360,000	-							360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000								
	Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534				March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed																																																																																																																																																																																																												
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	Sumitomo Mitsui Banking Corporation				1,850,000	-				-	1,850,000				0.545	March 31, 2019			MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																						
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			Sumitomo Mitsui Banking Corporation	1,850,000	-		-			1,850,000		0.545	March 31, 2019	MUFG Bank, Ltd.				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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000			Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-			-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.			-	1,270,000	-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481			August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-			12,000,000																																			
Sumitomo Mitsui Trust Bank, Limited		200,000	-	-	200,000	Resona Bank, Limited		200,000	-					-	200,000						The Musashino Bank, Ltd.	150,000	-		-			150,000		Sumitomo Mitsui Banking Corporation	1,850,000	-				-	1,850,000			0.545		March 31, 2019			MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000			-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000			Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000					Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																										
Resona Bank, Limited		200,000	-	-	200,000	The Musashino Bank, Ltd.		150,000	-					-	150,000	Sumitomo Mitsui Banking Corporation		1,850,000			-	-	1,850,000		0.545			March 31, 2019		MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000			Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000					Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																															
The Musashino Bank, Ltd.		150,000	-	-	150,000	Sumitomo Mitsui Banking Corporation	1,850,000	-	-		1,850,000			0.545	March 31, 2019	MUFG Bank, Ltd.		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								Mizuho Bank, Ltd. (Note 7)	710,000			-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-			-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-			-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000			-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000			-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000					-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																		
Sumitomo Mitsui Banking Corporation		1,850,000	-	-	1,850,000	0.545	March 31, 2019	MUFG Bank, Ltd.	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	Mizuho Bank, Ltd. (Note 7)				710,000	-				-	710,000			0.368	September 30, 2019			Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-			-	620,000	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-			-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000			-	1,270,000	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000			-	360,000	Mizuho Trust & Banking Co., Ltd.			-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation			-	700,000	-	700,000	Subtotal		8,030,000	3,970,000		-	12,000,000																																																							
MUFG Bank, Ltd.		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	Mizuho Bank, Ltd. (Note 7)		710,000			-		-	710,000	0.368				September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)				620,000	-				-	620,000							Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation			-	700,000	-	700,000	Subtotal			8,030,000	3,970,000	-	12,000,000																																																														
Sumitomo Mitsui Trust Bank, Limited		500,000	-	-	500,000			Resona Bank, Limited	300,000		-					-		300,000			The Musashino Bank, Ltd.	250,000	-							-	250,000	Mizuho Bank, Ltd. (Note 7)				710,000	-			-		710,000			0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)		620,000			-		-	620,000						Mizuho Trust & Banking Co., Ltd. (Note 7)				350,000	-				-	350,000			Aozora Bank, Ltd. (Note 7)	250,000			-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000			Sumitomo Mitsui Banking Corporation	-	700,000			-	700,000	Subtotal			8,030,000	3,970,000	-	12,000,000																																																																					
Resona Bank, Limited		300,000	-	-	300,000			The Musashino Bank, Ltd.	250,000		-					-		250,000			Mizuho Bank, Ltd. (Note 7)	710,000	-		-			710,000		0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)				620,000	-			-		620,000					Mizuho Trust & Banking Co., Ltd. (Note 7)		350,000			-		-	350,000	Aozora Bank, Ltd. (Note 7)				250,000	-				-	250,000				0.481	August 31, 2019			Resona Bank, Limited (Note 7)	250,000			-	-	250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000			Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000			Subtotal	8,030,000	3,970,000			-	12,000,000																																																																												
The Musashino Bank, Ltd.		250,000	-	-	250,000			Mizuho Bank, Ltd. (Note 7)	710,000		-			-	710,000	0.368		September 30, 2019			Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-		-			620,000				Mizuho Trust & Banking Co., Ltd. (Note 7)				350,000	-			-		350,000			Aozora Bank, Ltd. (Note 7)	250,000	-		-			250,000		0.481	August 31, 2019	Resona Bank, Limited (Note 7)				250,000	-				-	250,000								Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000			-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000			Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000			Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																					
Mizuho Bank, Ltd. (Note 7)		710,000	-	-	710,000	0.368	September 30, 2019	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000		-			-	620,000						Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-		-			350,000		Aozora Bank, Ltd. (Note 7)	250,000	-				-	250,000			0.481		August 31, 2019			Resona Bank, Limited (Note 7)	250,000	-		-			250,000				Sumitomo Mitsui Trust Bank, Limited (Note 7)				200,000	-				-	200,000				Mizuho Bank, Ltd.	-			300,000	-			300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000			Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000			Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																												
Sumitomo Mitsui Trust Bank, Ltd. (Note 7)		620,000	-	-	620,000			Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000		-			-	350,000	Aozora Bank, Ltd. (Note 7)		250,000			-	-	250,000		0.481			August 31, 2019		Resona Bank, Limited (Note 7)	250,000	-				-	250,000								Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-		-			200,000		Mizuho Bank, Ltd.	-	300,000				-	300,000				0.481	August 31, 2019		MUFG Bank, Ltd.		-	1,270,000			-	1,270,000	Aozora Bank, Ltd.	-	640,000			-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000			-	700,000	Subtotal	8,030,000	3,970,000			-	12,000,000																																																																																																						
Mizuho Trust & Banking Co., Ltd. (Note 7)		350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-		250,000			0.481	August 31, 2019	Resona Bank, Limited (Note 7)		250,000			-	-	250,000							Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-				-	200,000			Mizuho Bank, Ltd.		-			300,000	-	300,000		0.481			August 31, 2019		MUFG Bank, Ltd.	-	1,270,000				-	1,270,000		Aozora Bank, Ltd.					-		640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal			8,030,000	3,970,000	-	12,000,000																																																																																																																		
Aozora Bank, Ltd. (Note 7)		250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000		-					-		250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-		-			200,000		Mizuho Bank, Ltd.	-	300,000				-	300,000			0.481		August 31, 2019			MUFG Bank, Ltd.	-	1,270,000							-	1,270,000	Aozora Bank, Ltd.		-		640,000	-		640,000		Resona Bank, Limited	-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.			-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-			700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																										
Resona Bank, Limited (Note 7)		250,000	-	-	250,000			Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000		-			-	200,000	Mizuho Bank, Ltd.		-			300,000	-	300,000		0.481			August 31, 2019		MUFG Bank, Ltd.	-	1,270,000				-	1,270,000								Aozora Bank, Ltd.	-	640,000		-			640,000	Resona Bank, Limited	-	400,000	-		400,000		0.481	August 31, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-			700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																				
Sumitomo Mitsui Trust Bank, Limited (Note 7)		200,000	-	-	200,000	Mizuho Bank, Ltd.	-	300,000	-		300,000			0.481	August 31, 2019	MUFG Bank, Ltd.		-			1,270,000	-	1,270,000							Aozora Bank, Ltd.	-	640,000				-	640,000			Resona Bank, Limited		-			400,000	-	400,000	0.481	August 31, 2019			Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000			-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal			8,030,000	3,970,000	-	12,000,000																																																																																																																																														
Mizuho Bank, Ltd.		-	300,000	-	300,000	0.481	August 31, 2019	MUFG Bank, Ltd.	-		1,270,000					-		1,270,000			Aozora Bank, Ltd.	-	640,000		-			640,000		Resona Bank, Limited	-	400,000				-	400,000			0.481	August 31, 2019	Mizuho Bank, Ltd.			-	360,000	-			360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-			700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																						
MUFG Bank, Ltd.		-	1,270,000	-	1,270,000			Aozora Bank, Ltd.	-		640,000			-	640,000	Resona Bank, Limited		-			400,000	-	400,000		0.481			August 31, 2019		Mizuho Bank, Ltd.	-	360,000		-		360,000	Mizuho Trust & Banking Co., Ltd.					-	300,000	-	300,000	Sumitomo Mitsui Banking Corporation	-			700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																																
Aozora Bank, Ltd.		-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-		400,000			0.481	August 31, 2019	Mizuho Bank, Ltd.		-			360,000	-	360,000						Mizuho Trust & Banking Co., Ltd.	-	300,000	-		300,000		Sumitomo Mitsui Banking Corporation	-	700,000	-			700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																																										
Resona Bank, Limited		-	400,000	-	400,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-		360,000					-		360,000			Mizuho Trust & Banking Co., Ltd.	-	300,000	-					300,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																																																		
Mizuho Bank, Ltd.		-	360,000	-	360,000			Mizuho Trust & Banking Co., Ltd.	-		300,000					-	300,000	Sumitomo Mitsui Banking Corporation			-	700,000	-	700,000		Subtotal	8,030,000		3,970,000	-	12,000,000																																																																																																																																																																																										
Mizuho Trust & Banking Co., Ltd.		-	300,000	-	300,000			Sumitomo Mitsui Banking Corporation	-	700,000	-					700,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																																																																				
Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	Subtotal			8,030,000	3,970,000	-	12,000,000																																																																																																																																																																																																														
Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																																																																																					

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	2,400,000	-	-	2,400,000				
MUFG Bank, Ltd.	800,000	-	-	800,000				
MUFG Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
Aozora Bank, Ltd.	500,000	-	-	500,000	0.751	February 10, 2020		
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		
MUFG Bank, Ltd.	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		
MUFG Bank, Ltd.	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			(Note 5)	Unsecured/ Non-guaranteed
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		
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		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023		
Resona Bank, Limited	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
MUFG Bank, Ltd.	450,000	-	-	450,000				
Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
The Musashino Bank, Ltd.	150,000	-	-	150,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000	1.110	March 31, 2024		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				

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 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	1.243	April 16, 2025		
MUFG Bank, Ltd.	400,000	-	-	400,000				
Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
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			
Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
Resona Bank, Limited	500,000	-	-	500,000	1.002			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
Aozora Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd.	400,000	-	-	400,000	0.485	April 27, 2021		
Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (Notes 6)	600,000	-	-	600,000	0.400			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553			
Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021	(Note 5)	Unsecured/ Non-guaranteed
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				
MUFG Bank, Ltd. (Notes 6)	600,000	-	-	600,000	0.696			
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
MUFG Bank, Ltd. (Notes 6)	500,000	-	-	500,000	0.903	October 31, 2026		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027		
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			

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)				(%)			
MUFG Bank, Ltd. (Notes 6)	500,000	-	-	500,000	0.670	September 29, 2023		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Notes 6)	500,000	-	-	500,000	0.930	September 29, 2027		
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029			
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Notes 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022		
Mizuho Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.988	April 30, 2027	(Note 5)	Unsecured/ Non-guaranteed
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	-	2,000,000	-	2,000,000	0.902	April 30, 2026		
Mizuho Bank, Ltd.	-	1,000,000	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	-	1,000,000	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.999			
MUFG Bank, Ltd. (Note 6)	-	500,000	-	500,000	0.900	May 31, 2027		
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.999			
Mizuho Trust & Banking Co., Ltd.	-	500,000	-	500,000	0.999			
Nippon Life Insurance Company	-	700,000	-	700,000	0.913	March 31, 2025		
Subtotal	73,150,000	11,200,000	-	84,350,000				
Total	¥94,100,000	¥15,170,000	¥10,170,000	¥99,100,000				

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	¥7,000,000	¥13,300,000	¥9,050,000	¥7,500,000	¥47,500,000

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: Partial repayment of 2,000,000 thousand yen was made on April 27, 2018.

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

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)	(%)			
Short-term loans payable	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				
	Sumitomo Mitsui Banking Corporation	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					
Current portion of long-term loans payable	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	(Note 5)	Unsecured/ Non-guaranteed
	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				
	Sumitomo Mitsui Banking Corporation (Note 7)	1,850,000	-	-	1,850,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 7 and 8)	550,000	-	-	550,000	0.545	March 31, 2019			
Sumitomo Mitsui Trust Bank, Limited (Note 7)	500,000	-	-	500,000					

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 (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks				
		(in thousands of yen)				(%)							
Current portion of long-term loans payable	Resona Bank, Limited (Note 7)	300,000	-	-	300,000	0.545	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed				
	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		
	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	(Note 5)	Unsecured/ Non-guaranteed				
	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	February 10, 2021		
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			
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	0.975					March 31, 2023			
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						

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date	Use	Remarks
						(Note 2) (Note 3)			
(in thousands of yen)						(%)			
Long-term loans payable	Mitsubishi UFJ Trust and Banking Corporation (Note 9)	450,000	-	-	450,000	0.987	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
	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	1.243	April 16, 2025		
	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	0.368	September 30, 2019		
	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	0.803	September 30, 2024		
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.760	September 30, 2024		
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.932	April 21, 2026		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	890,000	-	-	890,000				
	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	1.049	January 31, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	1.002			
	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	0.485	April 27, 2021		
	Resona Bank, Limited	300,000	-	-	300,000	0.400			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Notes 6 and 8)	600,000	-	-	600,000				
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000				
	Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553				
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000					
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000					
Aozora Bank, Ltd.	400,000	-	-	400,000	0.772	October 31, 2024			

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)				(%)			
Resona Bank, Limited	300,000	-	-	300,000	0.772	October 31, 2024		
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		
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	(Note 5)	Unsecured/ Non-guaranteed
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		
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.

22. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of September 30, 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		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note3)	
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	-	-	2,000,000	0.700	April 26, 2028		
Total		¥5,000,000	¥ -	¥7,000,000				

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	¥ -

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		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note3)	
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

23. DISTRIBUTIONS

	From April 1, 2018 to September 30, 2018	From October 1, 2017 to March 31, 2018
I. Retained earnings at the end of period	¥3,198,151,440	¥3,175,962,601
II. Total distributions	¥3,198,002,300	¥3,175,663,500
Distributions per unit	¥6,299	¥6,255
III. Retained earnings brought forward to the next period	¥149,140	¥299,101

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 ¥3,198,002,300 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 seventh 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 ¥3,175,663,500 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.