

Focused Investment in  
Shopping Centers for Daily Needs



**KDX**  
KENEDIX

Kenedix Retail REIT Corporation

Semi-annual Report  
for the 16th Period  
(From October 1, 2022  
to March 31, 2023)



## ◆ From the Executive Director

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

Thanks to your support, KRR has reported its results of operations for the 16th fiscal period (from October 1, 2022 to March 31, 2023).

During the 16th fiscal period, there was a movement toward normalization of economic activities as restrictions on activities due to the spread of COVID-19 infection were eased. On the other hand, the business environment remains uncertain due to the inflation in Japan including soaring utility charges, global inflation and rising interest rates, and geopolitical risks overseas. Even under these circumstances, shopping centers for daily needs with grocery supermarkets as core tenants have continued to act as vital retail infrastructure providing fundamental functions to maintain day-to-day life of consumers.

We conducted the 6th public offering at the beginning of the 16th fiscal period (from October 1, 2022 to March 31, 2023) and acquired two properties. Furthermore, "Kitera Plaza Aobadai," which we acquired in March last year on the premise of conversion, completed construction at the end of January this year on a commercial facility with a grocery supermarket as its core tenant, and began operations in March. As a result, KRR's portfolio totaled 270,381 million yen for 70 properties as of March 31, 2022.

With regard to soaring utilities costs, we had expected a decrease impact on distributions in the 16th and 17th fiscal periods (April 1, 2023 to September 30, 2023). However, due to prompt implementation of activities to minimize the impact on the KRR, such as reviewing contracts with tenants, distributions for the 16th fiscal period were 6,514 yen, an increase from 6,484 yen in the 15th fiscal period (April 1, 2022 to September 30, 2022).

We dedicate ourselves to promote the operation of retail and logistics facilities in order to respond to the confidence and expectations of investors even under the current environment. We respectfully look forward to your continued support.

Moyuru Watanabe

渡辺 萌

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



## ◆ Highlights

of the 16th fiscal period ended March 31, 2023

Distributions per unit

JPY 6,514

Forecast DPU

for the 17th fiscal period

JPY 6,570

Forecast DPU

for the 18th fiscal period

JPY 6,580

Total assets (by acquisition price) /  
Number of properties

JPY 270.3bn / 70

Number of tenants

608

Occupancy rate  
at the end of period

99.5%

## Financial Summary

Fiscal period		12th fiscal period (From October 1, 2020 to March 31, 2021)	13th fiscal period (From April 1, 2021 to September 30, 2021)	14th fiscal period (From October 1, 2021 to March 31, 2022)	15th fiscal period (From April 1, 2022 to September 30, 2022)	16th fiscal period (From October 1, 2022 to March 31, 2023)
Operating revenues	Millions of yen	8,717	9,576	10,254	9,357	9,924
Of which, property-related revenues	Millions of yen	8,263	8,901	8,956	9,357	9,924
Operating expenses	Millions of yen	4,338	4,694	5,497	4,951	5,359
Of which, property-related expenses	Millions of yen	3,377	3,662	3,588	3,949	4,445
Operating income	Millions of yen	4,379	4,881	4,756	4,406	4,565
Ordinary income	Millions of yen	3,799	4,262	4,131	3,778	3,926
Net income	Millions of yen	3,798	4,261	4,127	3,774	3,922
Total assets	Millions of yen	251,773	272,622	275,833	276,699	287,569
[Period-on-period changes]	%	(+0.0)	(+8.3)	(+1.2)	(+0.3)	(+3.9)
Total net assets	Millions of yen	124,701	137,052	137,354	137,428	142,566
[Period-on-period changes]	%	(+0.3)	(+9.9)	(+0.2)	(+0.1)	(+3.7)
Unitholders' capital <sup>(Note 2)</sup>	Millions of yen	121,183	133,103	133,103	133,103	133,058
Number of investment units issued and outstanding	Units	536,177	582,177	582,177	582,177	602,177
Net assets per unit	Yen	232,575	235,414	235,932	236,059	236,751
Distributions	Millions of yen	3,804	4,266	4,127	3,774	3,922
Distributions per unit	Yen	7,095	7,328	7,090	6,484	6,514
Of which, distributions of earnings	Yen	7,085	7,274	7,090	6,484	6,514
Of which, distributions in excess of retained earnings	Yen	10	54	-	-	-
Ordinary income to total assets <sup>(Note 3)</sup>	%	1.5	1.6	1.5	1.4	1.4
[Annualized] <sup>(Note 4)</sup>	%	(3.0)	(3.2)	(3.0)	(2.7)	(2.8)
Return on net assets <sup>(Note 5)</sup>	%	3.1	3.3	3.0	2.7	2.8
[Annualized] <sup>(Note 4)</sup>	%	(6.1)	(6.5)	(6.0)	(5.5)	(5.6)
Net assets to total assets <sup>(Note 6)</sup>	%	49.5	50.3	49.8	49.7	49.6
[Period-on-period changes]	%	(+0.1)	(+0.7)	(-0.5)	(-0.1)	(-0.1)
Operating days	Days	182	183	182	183	182
Payout ratio <sup>(Note 7)</sup>	%	100.0	99.4	100.0	100.0	100.0
Number of properties		64	66	66	68	70
Leasable area	m <sup>2</sup>	956,496.64	997,493.50	993,677.76	1,041,850.14	1,077,363.72
Number of tenants <sup>(Note 8)</sup>		502	528	519	524	608
Occupancy ratio	%	99.8	99.6	99.2	99.3	99.5
Depreciation	Millions of yen	1,068	1,166	1,189	1,244	1,351
Capital expenditures	Millions of yen	543	628	680	457	521
Rental NOI (Net operating income) <sup>(Note 9)</sup>	Millions of yen	5,954	6,405	6,557	6,652	6,830
FFO (Funds from operation) <sup>(Note 10)</sup>	Millions of yen	4,426	4,774	4,900	5,040	5,294
FFO per unit <sup>(Note 11)</sup>	Yen	8,254	8,200	8,418	8,658	8,791

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. The same applies hereafter.

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: Annualized values for the 12th fiscal period are calculated based on a period of 182 days, 183 days for the 13th fiscal period, 182 days for the 14th fiscal period, 183 days for the 15th fiscal period and 182 days for the 16th fiscal period.

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 100.1% for the 12th fiscal period and 100.1% for the 13th fiscal period.

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

Note 8: As for number of 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

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

# Financial Statements

(16th Fiscal Period: from October 1, 2022 to March 31, 2023)

Independent Auditor's Report

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Statement of Income and Retained Earnings

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## Kenedix Retail REIT Corporation

### Balance Sheet

As of March 31, 2023

	As of March 31, 2023	As of September 30, 2022
(in thousands of yen)		
Assets		
Current assets		
Cash and deposits (Notes 9)	¥4,800,305	¥10,003,221
Cash and deposits in trust (Notes 9)	9,743,638	10,833,639
Operating accounts receivable	253,117	238,068
Prepaid expenses	36,795	149,376
Consumption taxes receivable	563,310	-
Other	1,907	1,907
<b>Total current assets</b>	<b>15,399,074</b>	<b>21,226,213</b>
Non-current assets		
Property, plant and equipment (Notes 18 and 21)		
Buildings	788,457	773,703
Accumulated depreciation	(126,563)	(109,983)
Buildings, net	661,894	663,720
Structures	46,777	46,777
Accumulated depreciation	(9,632)	(8,230)
Structures, net	37,144	38,547
Land	2,956,465	2,956,465
Construction in progress	-	20,666
Buildings in trust	79,948,559	72,000,294
Accumulated depreciation	(12,636,690)	(11,403,948)
Buildings in trust, net (Note 3)	67,311,868	60,596,346
Structures in trust	3,940,441	3,646,089
Accumulated depreciation	(846,266)	(774,128)
Structures in trust, net (Note 3)	3,094,175	2,871,961
Machinery and equipment in trust	367,914	339,316
Accumulated depreciation	(81,196)	(70,931)
Machinery and equipment in trust, net	286,718	268,384
Tools, furniture and fixtures in trust	200,960	191,805
Accumulated depreciation	(114,079)	(99,843)
Tools, furniture and fixtures in trust, net	86,881	91,961
Land in trust (Note 3)	191,218,540	181,272,334
Construction in progress in trust	-	238,915
<b>Total property, plant and equipment, net</b>	<b>265,653,689</b>	<b>249,019,303</b>
Intangible assets (Note 21)		
Leasehold right in trust (Note 18)	4,709,965	4,713,944
Other	4,106	4,558
<b>Total intangible assets</b>	<b>4,714,071</b>	<b>4,718,502</b>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	62,927	62,927
Long-term prepaid expenses	861,843	900,180
Long-term deposits	140,010	98,080
Other	633,129	590,363
<b>Total investments and other assets</b>	<b>1,707,910</b>	<b>1,661,551</b>
<b>Total non-current assets</b>	<b>272,075,670</b>	<b>255,399,357</b>
Deferred assets		
Investment corporation bond issuance costs	45,943	50,674
Investment unit issuance costs	48,587	23,027
<b>Total deferred assets</b>	<b>94,530</b>	<b>73,702</b>
<b>Total assets</b>	<b>¥287,569,276</b>	<b>¥276,699,273</b>

See accompanying notes to financial statements.

	As of March 31, 2023	As of September 30, 2022
	(in thousands of yen)	
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥916,863	¥823,979
Short-term loans payable (Notes 11 and 22)	3,150,000	750,000
Current portion of long-term loans payable (Notes 11 and 22)	7,500,000	8,500,000
Accounts payable-other	512,462	487,701
Accrued expenses	70,109	71,705
Income taxes payable	3,599	3,705
Accrued consumption taxes	54,327	126,797
Advances received	1,531,599	1,450,130
Deposits received	96,051	22,708
<b>Total current liabilities</b>	<b>13,835,013</b>	<b>12,236,728</b>
<b>Non-current liabilities</b>		
Investment corporation bonds (Notes 11 and 23)	10,000,000	10,000,000
Long-term loans payable (Notes 11 and 22)	108,650,000	105,050,000
Tenant leasehold and security deposits	148,083	156,083
Tenant leasehold and security deposits in trust (Note 3)	12,315,282	11,779,677
Asset retirement obligations (Note 15)	25,156	24,999
Other	29,185	23,554
<b>Total non-current liabilities</b>	<b>131,167,708</b>	<b>127,034,315</b>
<b>Total liabilities</b>	<b>145,002,721</b>	<b>139,271,043</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	138,058,250	133,103,750
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(40,522)	(40,522)
<b>Total deduction from unitholders' capital</b>	<b>(40,522)</b>	<b>(40,522)</b>
<b>Unitholders' capital, net</b>	<b>138,017,728</b>	<b>133,063,228</b>
<b>Surplus</b>		
Unappropriated retained earnings	3,922,702	3,775,141
<b>Total surplus</b>	<b>3,922,702</b>	<b>3,775,141</b>
<b>Total unitholders' equity</b>	<b>141,940,430</b>	<b>136,838,369</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges (Notes 11 and 12)	626,123	589,860
<b>Total valuation and translation adjustments</b>	<b>626,123</b>	<b>589,860</b>
<b>Total net assets (Note 6)</b>	<b>142,566,554</b>	<b>137,428,230</b>
<b>Total liabilities and net assets</b>	<b>¥287,569,276</b>	<b>¥276,699,273</b>

See accompanying notes to financial statements.

## Kenedix Retail REIT Corporation

### Statement of Income and Retained Earnings

For the period from October 1, 2022 to March 31, 2023

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥8,530,802	¥8,011,772
Other lease business revenue (Note 7)	1,394,083	1,346,195
Total operating revenues	9,924,885	9,357,967
Operating expenses		
Expenses related to rent business (Note 7)	4,445,452	3,949,838
Asset management fees	780,079	765,048
Asset custody fees	10,992	10,964
Administrative service fees	35,778	34,966
Directors' compensation	3,000	3,000
Other operating expenses	83,788	187,889
Total operating expenses	5,359,091	4,951,708
Operating income	4,565,794	4,406,259
Non-operating income		
Interest income	44	63
Gain on forfeiture of unclaimed dividends	284	258
Interest on refund	-	2
Total non-operating income	328	324
Non-operating expenses		
Interest expenses	483,162	471,585
Interest expenses on investment corporation bonds	28,615	27,635
Financing-related expenses	109,287	108,498
Amortization of investment corporation bond issuance costs	4,731	4,826
Amortization of investment unit issuance costs	14,322	15,402
Total non-operating expenses	640,119	627,948
Ordinary income	3,926,003	3,778,636
Income before income taxes	3,926,003	3,778,636
Income taxes		
Current	3,606	3,715
Total income taxes	3,606	3,715
Net income	3,922,396	3,774,920
Retained earnings brought forward	305	221
Unappropriated retained earnings	¥3,922,702	¥3,775,141

See accompanying notes to financial statements.

## Kenedix Retail REIT Corporation

### Statement of Changes in Net Assets

For the period from October 1, 2022 to March 31, 2023

	Unitholders' equity						
	Unitholders' capital				Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	Total unitholders' equity
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
	(in thousands of yen)						
Balance as of March 31, 2022 (Note 8)	¥133,103,750	¥(317,378)	¥(317,378)	¥132,786,372	¥4,404,711	¥4,404,711	¥137,191,084
Changes of items during the period							
Dividends from surplus					(4,127,634)	(4,127,634)	(4,127,634)
Reversal of allowance for temporary difference adjustments (Note 5)		276,855	276,855	276,855	(276,855)	(276,855)	-
Net income					3,774,920	3,774,920	3,774,920
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	276,855	276,855	276,855	(629,570)	(629,570)	(352,714)
Balance as of September 30, 2022 (Note 8)	¥133,103,750	¥(40,522)	¥(40,522)	¥133,063,228	¥3,775,141	¥3,775,141	¥136,838,369
Changes of items during the period							
Issuance of new investment units	4,954,500			4,954,500			4,954,500
Dividends from surplus					(3,774,835)	(3,774,835)	(3,774,835)
Net income					3,922,396	3,922,396	3,922,396
Net changes of items other than unitholders' equity							
Total changes of items during the period	4,954,500	-	-	4,954,500	147,560	147,560	5,102,060
Balance as of March 31, 2023 (Note 8)	¥138,058,250	¥(40,522)	¥(40,522)	¥138,017,728	¥3,922,702	¥3,922,702	¥141,940,430

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	(in thousands of yen)		
Balance as of March 31, 2022 (Note 8)	¥163,403	¥163,403	¥137,354,487
Changes of items during the period			
Dividends from surplus			(4,127,634)
Reversal of allowance for temporary difference adjustments (Note 5)			-
Net income			3,774,920
Net changes of items other than unitholders' equity	426,457	426,457	426,457
Total changes of items during the period	426,457	426,457	73,742
Balance as of September 30, 2022 (Note 8)	¥589,860	¥589,860	¥137,428,230
Changes of items during the period			
Issuance of new investment units			4,954,500
Dividends from surplus			(3,774,835)
Net income			3,922,396
Net changes of items other than unitholders' equity	36,263	36,263	36,263
Total changes of items during the period	36,263	36,263	5,138,324
Balance as of March 31, 2023 (Note 8)	¥626,123	¥626,123	¥142,566,554

See accompanying notes to financial statements.



## Kenedix Retail REIT Corporation

### Statement of Cash Flows

For the period from October 1, 2022 to March 31, 2023

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,926,003	¥3,778,636
Depreciation and amortization	1,352,642	1,245,780
Amortization of investment corporation bond issuance costs	4,731	4,826
Amortization of investment unit issuance costs	14,322	15,402
Interest income	(44)	(63)
Interest expenses	511,777	499,221
Decrease (increase) in operating accounts receivable	(15,048)	(63,712)
Decrease (increase) in consumption taxes receivable	(563,310)	-
Decrease (increase) in prepaid expenses	112,580	(124,628)
Increase (decrease) in operating accounts payable	74,870	31,418
Increase (decrease) in accounts payable-other	24,929	(114,574)
Increase (decrease) in accrued consumption taxes	(72,470)	(169,696)
Increase (decrease) in advances received	81,469	36,915
Increase (decrease) in deposits received	73,343	3,999
Decrease (increase) in long-term prepaid expenses	38,337	97,970
Decrease (increase) in long-term deposits	(41,930)	(2,400)
Other	(1,195)	(1,089)
<b>Subtotal</b>	<b>5,521,009</b>	<b>5,238,004</b>
Interest income received	44	63
Interest expenses paid	(513,333)	(491,822)
Income taxes paid	(3,712)	(4,055)
<b>Net cash provided by (used in) operating activities</b>	<b>5,004,007</b>	<b>4,742,191</b>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(19,198)	(34,327)
Purchase of property, plant and equipment in trust	(17,944,538)	(6,728,384)
Purchase of intangible assets	(690)	-
Purchase of intangible assets in trust	-	(425,032)
Repayments of lease and guarantee deposits in trust	-	(2,691)
Proceeds from tenant leasehold and security deposits	-	8,000
Repayments of tenant leasehold and security deposits in trust	(93,736)	(177,584)
Proceeds from tenant leasehold and security deposits in trust	621,341	370,751
Proceeds from restricted bank deposits in trust	15,000	15,000
<b>Net cash provided by (used in) investing activities</b>	<b>(17,421,822)</b>	<b>(6,974,268)</b>
Net cash provided by (used in) financing activities		
Proceeds of short-term loans payable	3,150,000	1,000,000
Repayments of short-term loans payable	(750,000)	(1,000,000)
Proceeds from long-term loans payable	10,600,000	2,050,000
Repayments of long-term loans payable	(8,000,000)	(2,050,000)
Proceeds from issuance of investment corporation bonds	-	1,986,826
Redemption of investment corporation bonds	-	(1,000,000)
Proceeds from issuance of investment units	4,914,617	-
Dividends paid	(3,774,720)	(4,128,380)
<b>Net cash provided by (used in) financing activities</b>	<b>6,139,897</b>	<b>(3,141,554)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,277,917)</b>	<b>(5,373,632)</b>
Cash and cash equivalents at the beginning of the period	20,674,361	26,047,993
<b>Cash and cash equivalents at the end of the period (Note 9)</b>	<b>¥14,396,443</b>	<b>¥20,674,361</b>

See accompanying notes to financial statements.

# Kenedix Retail REIT Corporation

## Notes to Financial Statements

For the period from October 1, 2022 to March 31, 2023

### 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 March 31, 2023 was 602,177 units.

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

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

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

In the previous period, KRR acquired three assets (Sun Street Hamakita (10% trust beneficiary quasi co-ownership interests) with acquisition price of 1,200 million yen, Higashimatsuyama Shopping Center with acquisition price of 4,080 million yen and Prima Meat Packers Kinki Center with acquisition price of 1,047 million yen). For the period ended September 30, 2022, the portfolio of 68 properties (total acquisition price of 253,619 million yen) as a whole performed well with an overall occupancy ratio of 99.3% as of September 30, 2022.

In the current period, KRR acquired two assets (Iias Kasugai (70% trust beneficiary quasi co-ownership interests) with acquisition price of 14,490 million yen, Coop Sapporo Shunko with acquisition price of 1,110 million yen. In addition, KRR completed an additional acquisition of a new building through a property expansion within Unicus Ina (acquisition price of 172 million yen). For the period ended March 31, 2023, the portfolio of 70 properties (total acquisition price of 270,381 million yen) as a whole performed well with an overall occupancy ratio of 99.5% as of March 31, 2023.

Furthermore, the portfolio was diversified in terms of tenants as there were 524 and 608 end-tenants as of September 30, 2022 and March 31, 2023 in KRR’s properties, respectively.

#### Basis of Presentation

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
Buildings	2-70 years	2-70 years
Structures	8-65 years	8-59 years
Machinery and equipment	2-25 years	2-25 years
Tools, furniture and fixtures	3-15 years	3-15 years

### (B) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

### (C) Long-term Prepaid Expenses

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

### (D) Investment Unit Issuance Costs

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

### (E) Investment Corporation Bond Issuance Costs

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

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

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

### (G) Revenue Recognition

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

### (H) Taxes on Property and Equipment

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

When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥22,301 thousand and ¥24,236 thousand as of September 30, 2022 and, March 31, 2023 respectively.

### (I) Accounting for Revenues

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

#### 1. Sale of real estate property

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

#### 2. Utility charge reimbursements

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

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

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

**(J) Income Taxes**

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

**(K) Non-deductible Consumption Taxes**

Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

**(L) Derivative Financial Instruments**

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

**(M) Cash and Cash Equivalents**

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

**(N) Presentation of Amounts**

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

### 3. COLLATERAL

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

Assets pledged as collateral	As of March 31, 2023	As of September 30, 2022
	(in thousands of yen)	
Buildings in trust	¥618,238	¥628,385
Structures in trust	16,769	17,972
Land in trust	2,709,001	2,709,001
Total	¥3,344,009	¥3,355,359
Secured liabilities	As of March 31, 2023	As of September 30, 2022
Tenant leasehold and security deposits in trust	¥326,080	¥348,077
Total	¥326,080	¥348,077

### 4. COMMITMENT LINE CONTRACTS

KRR has commitment line contracts with the following financial institutions.

	As of March 31, 2023	As of September 30, 2022
	(in thousands of yen)	
Total amount of commitment line contracts	¥3,000,000	¥3,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥3,000,000	¥3,000,000

## 5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of March 31, 2023

### 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	¥40,522	¥40,522	¥ -	¥ -	¥40,522	-
Total		¥40,522	¥40,522	¥ -	¥ -	¥40,522	-

### 2. Method of reversal

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

The following summarizes allowance for temporary difference adjustments as of September 30, 2022

### 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	¥40,522	¥40,522	¥ -	¥ -	¥40,522	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	276,855	276,855	-	(276,855)	-	Changes in fair value of derivative transactions
Total		¥317,378	¥317,378	¥ -	¥(276,855)	¥40,522	-

### 2. Method of reversal

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

## 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 October 1, 2022 to March 31, 2023 and April 1, 2022 to September 30, 2022 from consist of the following:

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥7,322,312	¥6,820,886
Rental revenues from limited proprietary rights of land	929,433	928,021
Common area charges	279,056	262,864
Subtotal	8,530,802	8,011,772
Other lease business revenue:		
Parking space rental revenues	198,616	178,905
Utility charge reimbursement	857,547	810,240
Miscellaneous	337,919	357,049
Subtotal	1,394,083	1,346,195
Total rental and other operating revenues	9,924,885	9,357,967
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	808,884	687,655
Utilities	970,172	824,618
Taxes	806,828	806,828
Repairs and maintenance	134,573	104,105
Insurance	24,458	22,564
Trust fees	27,301	27,351
Depreciation	1,351,499	1,244,644
Others	321,733	232,070
Total property-related expenses	4,445,452	3,949,838
Net operating income from real estate rental business	¥5,479,433	¥5,408,129

## 8. UNITHOLDERS' EQUITY

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

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	602,177 units	582,177 units

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of March 31, 2023 and September 30, 2022:

	As of March 31, 2023	As of September 30, 2022
(in thousands of yen)		
Cash and deposits	¥4,800,305	¥10,003,221
Cash and deposits in trust	9,743,638	10,833,639
Restricted bank deposits in trust *	(147,500)	(162,500)
Cash and cash equivalents	¥14,396,443	¥20,674,361

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

## 10. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of March 31, 2023 and September 30, 2022 are as follows:

	As of March 31, 2023	As of September 30, 2022
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	136,048	141,298
<b>Total</b>	<b>¥146,548</b>	<b>¥151,798</b>

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of March 31, 2023 and September 30, 2022 are as follows:

	As of March 31, 2023	As of September 30, 2022
	(in thousands of yen)	
Due within 1 year	¥10,838,715	¥10,389,207
Due after 1 year	53,175,672	52,938,573
<b>Total</b>	<b>¥64,014,387</b>	<b>¥63,327,781</b>

## 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. 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 8 years and 1 month for loans payable and also have a redemption date of a maximum of 8 years and 10 months for investment corporation bonds as of March 31, 2023, the end of the 16th fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, loans payable with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the loans payable.

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

#### (3) Risk management for financial instruments

##### a. Credit risk

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

##### b. Market risk

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

##### c. Liquidity risk

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

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

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

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

### (B). Estimated Fair Value of Financial Instruments

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

As of March 31, 2023

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Current portion of investment corporation bonds	¥ -	¥ -	¥ -
(2) Current portion of long-term loans payable	7,500,000	7,540,755	40,755
(3) Investment corporation bonds	10,000,000	9,866,800	(133,200)
(4) Long-term loans payable	108,650,000	108,241,668	(408,331)
Total	126,150,000	125,649,223	(500,776)
Derivative transactions	¥626,123	¥626,123	¥ -



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

As of September 30, 2022

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Current portion of investment corporation bonds	¥ -	¥ -	¥ -
(2) Current portion of long-term loans payable	8,500,000	8,497,359	(2,640)
(3) Investment corporation bonds	10,000,000	9,874,800	(125,200)
(4) Long-term loans payable	105,050,000	104,897,191	(152,808)
Total	123,550,000	123,269,351	(280,648)
Derivative transactions	¥589,860	¥589,860	¥ -

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

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

#### Liabilities

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

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

(2) Current portion of long-term loans payable and (4) Long-term loans payable

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

#### Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

As of March 31, 2023

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Investment corporation bonds	¥ -	¥ -	¥1,000,000	¥1,000,000	¥4,000,000	¥4,000,000
Long-term loans payable	7,500,000	10,510,000	19,590,000	23,310,000	22,090,000	33,150,000
Total	¥7,500,000	¥10,510,000	¥20,590,000	¥24,310,000	¥26,090,000	¥37,150,000

As of September 30, 2022

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Investment corporation bonds	¥ -	¥ -	¥1,000,000	¥ -	¥3,000,000	¥6,000,000
Long-term loans payable	8,500,000	9,490,000	15,320,000	20,850,000	21,500,000	37,890,000
Total	¥8,500,000	¥9,490,000	¥16,320,000	¥20,850,000	¥24,500,000	¥43,890,000

## 12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2023 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	¥66,560,000	¥66,560,000	¥626,123	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	17,000,000	10,000,000	*	-
Total			¥83,560,000	¥76,560,000	¥626,123	

\*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to Note "11. FINANCIAL INSTRUMENTS" (\*1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions; Liabilities (2) Current portion of long-term loans payable and (4) Long-term loans payable.)

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2022 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	¥64,360,000	¥64,360,000	¥589,860	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	21,000,000	17,000,000	*	-
Total			¥85,360,000	¥81,360,000	¥589,860	

\*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

16th Fiscal Period (October 1, 2022 to March 31, 2023) and 15th Fiscal Period (April 1, 2022 to September 30, 2022) : Not applicable

2. Affiliated companies and other

16th Fiscal Period (October 1, 2022 to March 31, 2023) and 15th Fiscal Period (April 1, 2022 to September 30, 2022) : Not applicable

3. Fellow subsidiary companies and other

16th Fiscal Period (October 1, 2022 to March 31, 2023) and 15th Fiscal Period (April 1, 2022 to September 30, 2022) : Not applicable

4. Directors, major individual unitholders and other

16th Fiscal Period (October 1, 2022 to March 31, 2023) and 15th Fiscal Period (April 1, 2022 to September 30, 2022): Not applicable

## 14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 31%. However, KRR may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If KRR does not satisfy all of the requirements, the entire taxable income of KRR will be subject to regular corporate income taxes. Since KRR distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥3,922 million and ¥3,774million for the periods ended March 31, 2023 and September 30, 2022, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.09% and 0.10% for the periods ended March 31, 2023 and September 30, 2022, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of March 31, 2023	As of September 30, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.43)	(31.43)
Others	0.06	0.07
Effective tax rate	0.09%	0.10%

The significant components of deferred tax assets and liabilities:

	As of March 31, 2023	As of September 30, 2022
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 215	¥ 224
Amortization of leasehold right in trust	20,443	19,192
Depreciation	7,358	6,908
Asset retirement obligations	7,914	7,864
Subtotal deferred tax assets	35,932	34,189
Valuation allowance	(35,932)	(34,189)
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 2 months based on the time period from the date of acquisition to the expiration of the agreement.

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

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
	(in thousands of yen)	
Balance at the beginning of the period	¥24,999	¥24,843
Accretion adjustment	157	156
Balance at the end of the period	¥25,156	¥24,999

## 16. REVENUE RECOGNITION

### 1. Disaggregation of revenue from contracts with customers

16th Fiscal Period (From October 1, 2022 to March 31, 2023)

	Revenues generated from contracts with customers *1	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥ -	¥ -
Utility charge reimbursements	857,547	857,547
Other	-	9,067,337
Total	¥857,547	¥9,924,885

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

15th Fiscal Period (From April 1, 2022 to September 30, 2022)

	Revenues generated from contracts with customers *1	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥ -	¥ -
Utility charge reimbursements	810,240	810,240
Other	-	8,547,727
Total	¥810,240	¥9,357,967

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

and utility charge reimbursements.

## 2. Basis for understanding revenues generated from contracts with customers

16th Fiscal Period (October 1, 2022 to March 31, 2023) and 15th Fiscal Period (April 1, 2022 to September 30, 2022)

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

3. Information on relationship of fulfillment of performance obligations based on contracts with customers and cashflow generated from said contracts along with amount and period of revenue expected to be recognized in the next fiscal period or thereafter from contracts with customers existing at the end of the fiscal period.

16th Fiscal Period (From October 1, 2022 to March 31, 2023)

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

	From October 1, 2022 to March 31, 2023
	(in thousands of yen)
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥192,333
Receivables generated from contracts with customers (balance at end of fiscal period)	167,894
Contract assets (balance at beginning of fiscal period)	-
Contract assets (balance at end of fiscal period)	-
Contract liabilities (balance at beginning of fiscal period)	-
Contract liabilities (balance at end of fiscal period)	¥ -

### (2) Transaction price allocated to remaining performance obligations

Not applicable.

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

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

15th Fiscal Period (From April 1, 2022 to September 30, 2022)

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

	From April 1, 2022 to September 30, 2022
	(in thousands of yen)
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥124,784
Receivables generated from contracts with customers (balance at end of fiscal period)	192,333
Contract assets (balance at beginning of fiscal period)	-
Contract assets (balance at end of fiscal period)	-
Contract liabilities (balance at beginning of fiscal period)	-
Contract liabilities (balance at end of fiscal period)	¥ -

### (2) Transaction price allocated to remaining performance obligations

Not applicable.

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

Also, with regard to utility charge reimbursements, as KRR has the right to receive from customers an amount directly corresponding to the value for the lessees who are customers of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim according to

Paragraph 19 of the Implementation Guidelines of the Accounting Standard for Revenue Recognition is recognized as revenue. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

## 17. SEGMENT INFORMATION

Segment information for the periods from October 1, 2022 to March 31, 2023 and April 1, 2022 to September 30, 2022 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.

## 18. INVESTMENT AND RENTAL PROPERTIES

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

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

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥253,736,770	¥247,974,742
Changes during the period	16,630,209	5,762,028
Balance at the end of the period	270,366,979	253,736,770
Fair value at the end of the period	¥291,694,000	¥274,185,000

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 15th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interest in 2 properties totaling 5,221,986 thousand yen and the additional acquisition of 1 real estate trust beneficiary interest amounting to 1,221,185 thousand yen and the principal decrease was the depreciation of 1,244,488 thousand yen and during the 16th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interest in 2 properties totaling 16,300,622 thousand yen and additional acquisition of 1 real estate trust beneficiary interests amounting to 182,058 thousand yen and conversion work for 1 real estate trust amounted to 1,238,127 thousand yen and the principal decrease was the depreciation of 1,351,341 thousand yen.

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

The profit or loss for the periods ended March 31, 2023 and September 30, 2022 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."

## 19. PER UNIT INFORMATION

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
Net asset value per unit	¥236,751	¥236,059
Net income per unit	¥6,535	¥6,484

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended March 31, 2023 (600,199 units) and during the fiscal period ended September 30, 2022 (582,177 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
Net income (in thousands of yen)	¥3,922,396	¥3,774,920
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,922,396	¥3,774,920
Weighted average number of units during the period (units)	600,199	582,177

## 20. SIGNIFICANT SUBSEQUENT EVENTS

Kenedix Office Investment Corporation (“KDO”), Kenedix Residential Next Investment Corporation (“KDR”) and Kenedix Retail REIT Corporation (“KRR”; and KRR, KDO, and KDR are collectively referred to as “Each REIT”) announced that each of them has, at Each REIT’s Board of Directors Meeting held on June 13, 2023, resolved to undertake an absorption-type merger, with November 1, 2023 as the effective date, whereby KDO will be the surviving corporation and KDR and KRR will be the dissolving corporations in the merger (the “Merger”), and have today also executed a merger agreement (the “Merger Agreement”) as follows.

### 1. Purpose of the Merger

The Japanese economy is making a moderate recovery as movement restrictions to prevent the spread of COVID-19 infections was removed, and its economic and social activities are being normalized. However, there are uncertain factors in the economic conditions in and outside Japan such as changes in the global affairs, emergence of geopolitical risks and effects of economic sanctions related to these risks as a result of the invasion of Ukraine by Russia, continuous global inflation related to rising commodity prices and fuel costs, increase of the policy interest rates by major countries, and bankruptcies of overseas financial institutions.

In such environment, the current real estate investment trust securities market (the “J-REIT market”) is unstable and affected by the concern for rising operational costs due to inflation and the fear for the rise in the long-term interest rates due to future changes of the monetary policies by the Bank of Japan.

The asset management company of Each REIT, Kenedix Real Estate Fund Management, Inc. (“KFM”), was established as follows: Kenedix Residential Partners, Inc. established in March 2011 merged with Kenedix Office Partners, Inc. and Kenedix Advisors, Inc. (both established in November 2003) in October 2013 in an absorption-type merger, and changed its corporate name to the current name of the asset management company. Each REIT has received sponsor support from Kenedix, Inc., the parent company of KFM, and its group companies and has achieved operational results.

Each REIT has implemented various measures to ensure the acquisition of stable profits and the continued growth of investment assets by leveraging each characteristic.

However, the real estate market’s evaluations of the mid-sized office buildings, which are KDO’s main investment target, have not changed because of their scarcity and liquidity. Thus, the capitalization rate remains low and it remains hard to acquire mid-sized office buildings. Moreover, recently, unit prices of KDO are significantly below NAV per unit due to the concern for the market outlook regarding secondary vacancies and rent decline due to large supplies of large office buildings, and there are limited opportunities for external growth that involve public offering. Therefore, there are issues with ensuring continued future growth. As for KDR, although KDR has conducted public offerings for five consecutive years, there is the possibility that the acquisition competition may escalate and the acquisition opportunities may decrease due to the relatively stable profitability of residential properties, and recently unit price is below NAV per unit. Moreover, KDR’s LTV is relatively high in the J-REIT market, and KDR has concerns regarding the increase in costs when interest rates are rising. As for KRR, although KRR has a rich real estate pipeline, it has been increasingly

difficult to acquire shopping centers for daily needs since the COVID-19 pandemic. In addition, there are concerns over increase in costs caused by inflation, and there are issues such as limited room for the future internal growth as a whole due to the long-term fixed rents.

Moreover, Each REIT is watching the trends of interest levels and price levels such as costs of utilities, which may have an impact on the profitability of their portfolios in the future, and Each REIT recognizes this situation as their common issues.

In such circumstances, Each REIT agreed to start negotiation for merger and carefully deliberated on the issues in order to deal with the issues described above, respond flexibly to environmental changes and attain continued growth. As a result, Each REIT came to the same conclusion that the Merger will contribute to maximize unitholders' value by leading to the continued growth by expanding investment target sectors, improving their presence and stability in the market by increasing the sizes of their assets, and enabling more commitment for sustainability. Therefore, the Merger Agreement was made and entered into by and among Each REIT today.

Each REIT considers that the Merger has the following rationale:

i) Sustainable growth driven by expansion of investment universe

The New REIT (defined below) will continue to focus on their main investment target, i.e. mid-sized office buildings, residential properties, healthcare facilities, and shopping centers for daily needs, and it will start to additionally focus on logistics facilities and hotels, in which Each REIT has conducted only limited investments until now, to increase opportunities for acquisitions. In addition, the Merger will enable asset reshuffling among different asset types, disposing of properties with less competitiveness or profitability, allow flexibly to the changes of the external environment surrounding the real estate market, and activate the investments in the investment target sectors that are expected to grow, and thus leading to the improvement of portfolio profitability. As described above, the New REIT aims to attain continued growth beyond the boundary of the strategic management for the existing specialized REIT through a strategic management that ensures a wide range of opportunities for acquisitions and flexibility related to the expansion of the investment target sectors.

ii) Improvement in the market presence and ability

Through the Merger, the asset size of the investment corporation after the Merger (the "New REIT") will be ranked third in the J-REIT market<sup>(Note 1)</sup> and this will significantly improve the presence in the market and liquidity of investment units, and the portfolio is expected to own a total of 350<sup>(Note 2)</sup> properties after the Merger. Having the largest expected number of properties in the J-REIT market will enhance diversification and contribute to improve the stability of the portfolio. In addition, a property manager that leverages the advantage of its scale will contribute to increase resilience against the pressure of the rising costs.

iii) Further commitment to sustainability

Each REIT has recognized sustainability as a significant issue and has taken the initiative in implementing various initiatives. Specifically, KDO has become the first investment corporation in the J-REIT market to participate in GRESB Real Estate Assessment, KDR was the first J-REIT to issue social bonds, and KRR was the first J-REIT to introduce investment unit performance fee. The New REIT plans to integrate and elevate expertise accumulated by Each REIT through the Merger and aims to be a leading company in the sustainability initiatives. Moreover, the New REIT plans to further enforce the sustainability initiatives under the management system with a high degree of specialization and diversity by introducing a new management fee structure that is linked to unitholder value and sustainability metric, improving governance through the enhancement of supervisory officers, and promoting diversity.

(Note 1) The amount of asset size after the Merger is calculated by totaling the asset size of Each REIT. The asset size of KDO is assumed to be the total of acquisition price of the properties in the portfolio as of April 30, 2023, plus the acquisition (scheduled) price reflecting the acquisitions and sales (including one that are scheduled) of the properties from May 1, 2023 to the effective date of the Merger. The asset size of KDR and KRR is considered to be the appraisal values of the properties as of the end of the latest fiscal period (relating to KDR, as of January 31, 2023 (provided, however, that, this includes the acquisitions of Sunny Life Tachikawa and Rehabili-home Bon Sejour Minamiszokuzoku; relating to KRR, as of March 31, 2023). The asset sizes of the other investment corporations in the J-REIT market are calculated based on the asset sizes including any properties that the other investment corporations announced the acquisition and sale thereof in the J-REIT market as of April 30, 2023 (acquisition (scheduled) price basis). Therefore, it is not guaranteed that the New REIT after the Merger will have the third largest asset size in the J-REIT market as of the effective date of the Merger. In regard to the asset size after the Merger, because it is planned that assets of KDR and KRR will be succeeded at market price based on the purchase method by KDO as the acquiring corporation, the asset size will not be a simple sum of the total (scheduled) acquisition price of KDO and the total appraisal values of KDR and KRR as of the end of the latest accounting period.

(Note 2) The number of properties of the portfolio after the Merger is based on the number of properties of KDO, KDR and KRR as of the date hereof and reflecting the change in the number of the acquisitions and sales of the properties (including ones that are scheduled) by the effective date of the Merger. KDX Chofu Building is treated as one property in the calculation of the number of



properties of the portfolio after the Merger though KDO owns its office tower and KRR owns its retail wing respectively as of today. The numbers of the properties of the other investment corporations in the J-REIT market is calculated based on the number of properties including those that the other investment corporations announced acquisition and sale thereof in the J-REIT market as of April 30, 2023. Therefore, it is not guaranteed that the portfolio of the New REIT after the Merger will have the largest number of properties in the J-REIT market as of the effective date of the Merger.

## 2. Form of the Merger

KDO will be the surviving corporation under an absorption-type merger and KDR and KRR will be dissolved in the Merger.

## 3. Allocation of Investment Units under the Merger

	KDO (Surviving corporation in the absorption-type merger)	KDR (Dissolving corporation in the absorption-type merger)	KRR (Dissolving corporation in the absorption-type merger)
Allocation of investment units under the Merger	1	1.34	1.68
		(Reference) Before the Investment Unit Split 0.67	(Reference) Before the Investment Unit Split 0.84

(Note 1) The number of new KDO investment units to be issued as a result of the Merger (the number of units taking into account the Investment Unit Split of KDO):  
2,446,037

(Note 2) KDO plans to split one investment unit into 2 investment units with October 31, 2023 as the record date for splitting the investment units and November 1, 2023 as the effective date of the split; the allocation ratio shown above and the number of the New Investment units KDO will allocate and deliver are subject to the Investment Unit Split taking effect. If 0.67 KDO investment units are allocated and delivered against 1 KDR investment unit and 0.84 KDO investment units are allocated and delivered against 1 KRR investment unit on the basis of the merger ratio before the Investment Unit Split, there will be many unitholders of KDR and KRR being allocated fractions of less than one KDO investment unit. To make it possible for unitholders of KDR and KRR to continue holding KDO investment units after the Merger, a split of KDO investment units will be carried out before the allocation towards unitholders of KDR and KRR, in the ratio of two KDO investment units to one KDO investment unit for the purpose of delivering to all unitholders of KDR and KRR at least one KDO investment unit, and 1.34 KDO investment unit post- Investment Unit Split will be allocated and delivered for every one KDR investment unit and 1.68 KDO investment unit post- Investment Unit Split will be allocated and delivered every one KRR investment unit.

## 4. Delivery of Payment upon the Merger

In addition to the above mentioned investment units, KDO intends to pay unitholders of KDR and KRR (the unitholders stated or recorded in the final unitholders' registers of KDR and KRR on the day before the effective date of the Merger (excluding Each REIT and unitholders of KDR and KRR who has demanded the purchase of their investment units pursuant to Article 149-3 of the Act on Investment Trusts and Investment Corporations (excluding those who have withdrawn such demand for purchase) (hereinafter referred to as the "Unitholders Subject to Allocation")), in lieu of cash distributions (distributions of profits) for the last fiscal period of KDR and KRR which ends the day before the effective date of the Merger, the Payment upon the Merger in the form of cash distributions based on distributable income of KDR and KRR for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of distributable income of KDR and KRR on the date before the effective date of the Merger by the number of issued investment units of KDR and KRR on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The Payment upon the Merger will be paid within a reasonable period from the effective date of the Merger.

## 5. Overview of the Previous Fiscal Period for KDO and KDR

### Overview of the Previous Fiscal Period (ending April 30, 2023) for KDO

Business	: To invest assets mainly in specified assets as set forth in the Investment Trust Act
Operating Revenue	: 17,290 million yen
Net Profit	: 7,205 million yen
Total Assets	: 474,274 million yen
Total Liabilities	: 243,791 million yen
Net Assets	: 230,482 million yen

### Overview of the Previous Fiscal Period (ending January 31, 2023) for KDR

Business	: To invest assets mainly in specified assets as set forth in the Investment Trust Act
Operating Revenue	: 9,936 million yen
Net Profit	: 4,593 million yen
Total Assets	: 327,014 million yen
Total Liabilities	: 175,381 million yen
Net Assets	: 151,632 million yen

## 6. Time of the Merger

Effective date of the Merger : November 1, 2023 (planned)

## 21. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of March 31, 2023

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	¥773,703	¥14,754	¥ --	¥788,457	¥126,563	¥16,580	¥661,894		
Structures	46,777	-	-	46,777	9,632	1,402	37,144		
Land	2,956,465	-	-	2,956,465	-	-	2,956,465		
Construction in progress	20,666	-	20,666	-	-	-	-		
Subtotal	3,797,612	14,754	20,666	3,791,700	136,195	17,982	3,655,504		
Property, plant and equipment	Buildings in trust	72,000,294	7,948,265	-	79,948,559	12,636,690	1,232,742	67,311,868	*1
	Structures in trust	3,646,089	294,351	-	3,940,441	846,266	72,137	3,094,175	
	Machinery and equipment in trust	339,316	28,598	-	367,914	81,196	10,264	286,718	
	Tools, furniture, and fixtures in trust	191,805	9,155	-	200,960	114,079	14,235	86,881	
	Land in trust	181,272,334	9,946,206	-	191,218,540	-	-	191,218,540	*1
	Construction in progress in trust	238,915	-	238,915	-	-	-	-	
	Subtotal	257,688,755	18,226,576	238,915	275,676,417	13,678,232	1,329,380	261,998,184	
Total	261,486,368	18,241,331	259,582	279,468,117	13,814,428	1,347,363	265,653,689		
Intangible assets	Leasehold right in trust	4,774,948	-	-	4,774,948	64,983	3,978	4,709,965	
	Other	16,719	690	-	17,410	13,303	1,143	4,106	
Total	¥4,791,668	¥690	¥ -	¥4,792,358	¥78,287	¥5,121	¥4,714,071		

\*1 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 September 30, 2022

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	¥764,808	¥8,895	¥ -	¥773,703	¥109,983	¥16,051	¥663,720		
Structures	46,777	-	-	46,777	8,230	1,402	38,547		
Land	2,956,465	-	-	2,956,465	-	-	2,956,465		
Construction in progress	-	20,666	-	20,666	-	-	20,666		
Subtotal	3,768,051	29,561	-	3,797,612	118,213	17,454	3,679,399		
Property, plant and equipment	Buildings in trust	70,054,703	1,945,590	-	72,000,294	11,403,948	1,131,721	60,596,346	
	Structures in trust	3,495,870	150,219	-	3,646,089	774,128	68,310	2,871,961	
	Machinery and equipment in trust	308,571	30,744	-	339,316	70,931	9,367	268,384	
	Tools, furniture and fixtures in trust	183,512	8,293	-	191,805	99,843	13,656	91,961	
	Land in trust	176,940,236	4,332,098	-	181,272,334	-	-	181,272,334	*1
	Construction in progress in trust	153,057	92,254	6,397	238,915	-	-	238,915	
	Subtotal	251,135,951	6,559,201	6,397	257,688,755	12,348,851	1,223,055	245,339,903	
Total	254,904,002	6,588,763	6,397	261,486,368	12,467,065	1,240,509	249,019,303		
Intangible assets	Leasehold right in trust	4,349,916	425,032	-	4,774,948	61,004	3,978	4,713,944	
	Other	16,719	-	-	16,719	12,160	1,136	4,558	
Total	¥4,366,636	¥ 425,032	¥ -	¥4,791,668	¥73,165	¥5,114	¥4,718,502		

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

## 22. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 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 (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
		(in thousands of yen)				(%)			
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	750,000	-	750,000	-	0.463	January 31, 2023		
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.412	October 31, 2023		
	Sumitomo Mitsui Banking Corporation	-	750,000	-	750,000	0.402	January 31, 2024	(Note 5)	Unsecured/Unguaranteed
	Sumitomo Mitsui Trust Bank, Ltd.	-	600,000	-	600,000				
	Mizuho Bank, Ltd.	-	400,000	-	400,000	0.363	March 31, 2024		
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000				
	Sub Total	750,000	3,150,000	750,000	3,150,000				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.467	October 31, 2022		
	MUFG Bank, Ltd.	1,000,000	-	1,000,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	600,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-				
	Resona Bank, Ltd.	400,000	-	400,000	-	0.975	March 31, 2023		
	Mizuho Trust & Banking Co., Ltd.	400,000	-	400,000	-				
	MUFG Bank, Ltd.	400,000	-	400,000	-				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	1,500,000	-	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	450,000	-				
	Resona Bank, Ltd.	200,000	-	200,000	-	0.987	March 31, 2023	(Note 5)	Unsecured/Non-guaranteed
	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		
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
	Sumitomo Mitsui Banking Corporation (Note 7)	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd. (Note 7)	1,150,000	-	-	1,150,000				
MUFG Bank, Ltd. (Note 7)	1,000,000	-	-	1,000,000					
Mizuho Trust & Banking Co., Ltd. (Note 7)	700,000	-	-	700,000	1.110	March 31, 2024			
Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	650,000	-	-	650,000					
Resona Bank, Ltd. (Note 7)	500,000	-	-	500,000					
	Sub Total	15,500,000	-	8,000,000	7,500,000				

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	4,600,000	-	-	4,600,000	1.366	April 16, 2025	
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025	
	MUFG Bank, Ltd.	400,000	-	-	400,000			
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024	
	Development Bank of Japan Inc.(Note 6)	890,000	-	-	890,000	0.760	September 30, 2024	
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026	
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025	
	Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027	
	Resona Bank, Ltd.	500,000	-	-	500,000	1.002		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000			
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000	0.772	October 31, 2024	
	Aozora Bank, Ltd.	400,000	-	-	400,000			
Long-Term Loans Payable	Resona Bank, Ltd.	300,000	-	-	300,000			(Note 5) Unsecured/ Non-guaranteed
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696		
	Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815		
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024	
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814		
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026	
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000			
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000	1.033	May 18, 2027	
	Resona Bank, Ltd.	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		
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026	
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930		
	Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029	September 29, 2027	
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	1.100	September 29, 2028	

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
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		
Sumitomo Mitsui Trust Bank, Ltd.	700,000	-	-	700,000	0.726			
Resona Bank, Ltd.	500,000	-	-	500,000	0.676			
Aozora Bank, Ltd.	500,000	-	-	500,000	0.726	March 31, 2026	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.726			
The Musashino Bank, Ltd.	400,000	-	-	400,000	0.676			
Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.910	March 31, 2028		
MUFG Bank, Ltd.	1,300,000	-	-	1,300,000	0.860			
Resona Bank, Ltd.	650,000	-	-	650,000	0.460	August 31, 2024		
Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026		
Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028		
Sumitomo Mitsui Trust Bank, Ltd.	820,000	-	-	820,000	0.550	October 31, 2024		
MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.750	January 31, 2028		
Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028		
MUFG Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	0.520			
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.644			
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.644	October 31, 2026		
Mizuho Trust & Banking Co., Ltd. (Note 6)	500,000	-	-	500,000	0.550			
Resona Bank, Ltd.	300,000	-	-	300,000	0.644			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.830	October 31, 2029		

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)				(%)			
Long-term loans payable	The Gunma Bank, Ltd.	400,000	-	-	400,000	0.498	January 31, 2025		
	The Musashino Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.478	January 31, 2025		
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
	Aozora Bank, Ltd.	450,000	-	-	450,000	0.725	January 31, 2029		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	MUFG Bank, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000	0.809	January 31, 2030		
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.888	January 31, 2031		
	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
	MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Resona Bank, Ltd.	500,000	-	-	500,000	0.535	February 28, 2026		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				(Note 5)
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000				Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.407	April 30, 2025		
	Resona Bank, Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.400	April 30, 2025		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000	0.461	April 30, 2026		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.490	October 31, 2026		
	MUFG Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.475	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	1,600,000	-	-	1,600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.548	October 31, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.525	October 31, 2027		
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.856	April 30, 2031			
The 77 Bank, Ltd.	500,000	-	-	500,000	0.426				
The Musashino Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.350	April 30, 2026			

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks	
Lender	(in thousands of yen)				(%)				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000	0.601	April 30, 2028	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Ltd.	700,000	-	-	700,000				
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	600,000	-	-	600,000	0.601	April 30, 2028		
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	April 30, 2028		
	SUMITOMO LIFE INSURANCE COMPANY (Note 6)	500,000	-	-	500,000				
	Development Bank of Japan Inc. (Note 6)	300,000	-	-	300,000	0.824	April 30, 2031		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.357	April 30, 2024		
	MUFG Bank, Ltd. (Note 6)	200,000	-	-	200,000	0.525	October 31, 2027		
	Aozora Bank, Ltd.	200,000	-	-	200,000	0.601	April 30, 2028		
	The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.450	September 30, 2026		
	The Bank of Fukuoka, Ltd.	500,000	-	-	500,000				
	The Nishi-Nippon City Bank, Ltd.	500,000	-	-	500,000	0.387	March 31, 2026		
	SBI Shinsei Bank, Ltd. (Note 8)	800,000	-	-	800,000				
	The Yamaguchi Bank, Ltd.	700,000	-	-	700,000	0.599	September 30, 2029		
	The Higo Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.722	January 31, 2029		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	800,000	-	-	800,000					
Development Bank of Japan Inc.	1,600,000	-	-	1,600,000					
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000					
MUFG Bank, Ltd. (Note 6)	950,000	-	-	950,000					
SUMITOMO LIFE INSURANCE COMPANY (Note 6)	500,000	-	-	500,000	0.720	August 31, 2029			
Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	0.387	April 30, 2024			
Sumitomo Mitsui Trust Bank, Ltd.	-	400,000	-	400,000					
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000					
Shinkin Central Bank	-	500,000	-	500,000					
					0.720	September 30, 2026			



Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Resona Bank, Ltd.	-	400,000	-	400,000	0.720	September		
MUFG Bank, Ltd. (Note 6)	-	500,000	-	500,000	0.647	30, 2026		
Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	0.897	April 30, 2028		
Shinkin Central Bank	-	500,000	-	500,000				
Mizuho Bank, Ltd.	-	300,000	-	300,000	0.897	April 30, 2028		
SBI Shinsei Bank, Ltd. (Note 6) (Note 8)	-	500,000	-	500,000	0.790	October 31, 2028		
Kansai Mirai Bank, Ltd. (Note 6)	-	600,000	-	600,000	0.620	September 30, 2030	(Note 5)	Unsecured/ Non-guaranteed
SBI Shinsei Bank, Ltd. (Note 6) (Note 8)	-	500,000	-	500,000	0.430	March 31, 2026		
MUFG Bank, Ltd. (Note 6)	-	1,350,000	-	1,350,000	0.549	March 31, 2027		
Development Bank of Japan Inc. (Note 6)	-	1,500,000	-	1,500,000	0.717	September 30, 2028		
Development Bank of Japan Inc. (Note 6)	-	1,500,000	-	1,500,000	0.840	September 30, 2029		
Resona Bank, Ltd. (Note 6)	-	600,000	-	600,000				
The Musashino Bank, Ltd. (Note 6)	-	150,000	-	150,000	0.703	March 31, 2030		
Sub Total	98,050,000	10,600,000	-	108,650,000				
Total	¥ 114,300,000	¥13,750,000	¥ 8,750,000	¥119,300,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥ 10,510,000	¥19,590,000	¥ 23,310,000	¥ 22,090,000	¥ 33,150,000

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

Note 8: SBI Shinsei Bank, Limited. changed its trade name from "Shinsei Bank, Limited." on January 4, 2023.

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2022:

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
		(in thousands of yen)				(%)			
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	750,000	-	-	750,000	0.477	January 31, 2023	(Note 5)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 8)	-	1,000,000	1,000,000	-	0.425	August 31, 2022		
	Sub Total	750,000	1,000,000	1,000,000	750,000				
Current portion of long-term loans payable	MUFG Bank, Ltd.	1,250,000	-	1,250,000	-	0.603	August 31, 2022	(Note 5)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	800,000	-	800,000	-				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.467	October 31, 2022		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023		
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	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		
	MUFG Bank, Ltd. (Note 6)(Note 7)	500,000	-	-	500,000	0.670	September 29, 2023		
Sub Total	10,550,000	-	2,050,000	8,500,000					
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.110	March 31, 2024		
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	-	-	650,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
MUFG Bank, Ltd.	400,000	-	-	400,000					

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)				(%)			
Long-Term Loans Payable	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc.(Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
	Resona Bank, Ltd.	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000	0.772	October 31, 2024		
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696			
	Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815		(Note 5)	Unsecured/ Non-guaranteed
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000	1.033	May 18, 2027		
	Resona Bank, Ltd.	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			
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930				
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029	September 29, 2027			
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	1.100	September 29, 2028			

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)				(%)			
Long-term loans payable	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
	MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
	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		
	Sumitomo Mitsui Trust Bank, Ltd.	700,000	-	-	700,000	0.726			
	Resona Bank, Ltd.	500,000	-	-	500,000	0.676			
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.726	March 31, 2026		
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.726			
	The Musashino Bank, Ltd.	400,000	-	-	400,000	0.676		(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.910	March 31, 2028		
	MUFG Bank, Ltd.	1,300,000	-	-	1,300,000	0.860			
	Resona Bank, Ltd.	650,000	-	-	650,000	0.460	August 31, 2024		
	Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026		
	Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028		
	Sumitomo Mitsui Trust Bank, Ltd.	820,000	-	-	820,000	0.550	October 31, 2024		
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.750	January 31, 2028		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028		
	MUFG Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	0.520			
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.644			
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.644	October 31, 2026			
Mizuho Trust & Banking Co., Ltd. (Note 6)	500,000	-	-	500,000	0.550				
Resona Bank, Ltd.	300,000	-	-	300,000	0.644				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.830	October 31, 2029			
The Gunma Bank, Ltd.	400,000	-	-	400,000	0.498	January 31, 2025			

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)				(%)			
	The Musashino Bank, Ltd.(Note 6)	400,000	-	-	400,000	0.478	January 31, 2025		
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
	Aozora Bank, Ltd.	450,000	-	-	450,000	0.725	January 31, 2029		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	MUFG Bank, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000	0.809	January 31, 2030		
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.888	January 31, 2031		
	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
	MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Resona Bank, Ltd.	500,000	-	-	500,000	0.535	February 28, 2026		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.407	April 30, 2025	(Note 5)	Unsecured/ Non-guaranteed
Long-term loans payable	Resona Bank, Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.400	April 30, 2025		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000	0.461	April 30, 2026		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.490	October 31, 2026		
	MUFG Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.475	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	1,600,000	-	-	1,600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.548	October 31, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.525	October 31, 2027		
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.856	April 30, 2031		
	The 77 Bank, Ltd.	500,000	-	-	500,000	0.426	April 30, 2026		
	The Musashino Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.350	April 30, 2026		
	Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	700,000	-	-	700,000	0.601	April 30, 2028		
	Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				

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)				(%)			
Aozora Bank, Ltd.	600,000	-	-	600,000	0.601	April 30, 2028		
Mizuho Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000				
SUMITOMO LIFE INSURANCE COMPANY (Note 6)	500,000	-	-	500,000	0.550	April 30, 2028		
Development Bank of Japan Inc. (Note 6)	300,000	-	-	300,000	0.824	April 30, 2031		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.357	April 30, 2024		
MUFG Bank, Ltd. (Note 6)	200,000	-	-	200,000	0.525	October 31, 2027		
Aozora Bank, Ltd.	200,000	-	-	200,000	0.601	April 30, 2028		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.450	September 30, 2026		
The Bank of Fukuoka, Ltd.	500,000	-	-	500,000	0.387	March 31, 2026		
The Nishi-Nippon City Bank, Ltd.	500,000	-	-	500,000				
Shinsei Bank, Ltd.	800,000	-	-	800,000				
The Yamaguchi Bank, Ltd.	700,000	-	-	700,000	0.599	September 30, 2029	(Note 5)	Unsecured/ Non-guaranteed
The Higo Bank, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000	0.722	January 31, 2029		
Aozora Bank, Ltd.	400,000	-	-	400,000				
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Ltd.	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	800,000	-	-	800,000	0.640	January 31, 2029		
Development Bank of Japan Inc.	1,600,000	-	-	1,600,000	0.879	January 31, 2031		
Mizuho Bank, Ltd. (Note 6)	-	600,000	-	600,000	0.604	February 28, 2027		
MUFG Bank, Ltd. (Note 6)	-	950,000	-	950,000	0.800			
SUMITOMO LIFE INSURANCE COMPANY (Note 6)	-	500,000	-	500,000	0.720	August 31, 2029		
Sub Total	103,000,000	2,050,000	-	105,050,000				
Total	¥114,300,000	¥3,050,000	¥ 3,050,000	¥114,300,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥ 9,490,000	¥15,320,000	¥20,850,000	¥21,500,000	¥ 37,890,000

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

Note 8: Full prepayment of 1,000,000 thousand yen was made on June 30, 2022.

### 23. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of March 31, 2023 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)						
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	¥1,000,000	-	¥1,000,000	0.600	October 30, 2026	(Note3)	
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027		
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	2,000,000	-	2,000,000	0.700	April 26, 2028	(Note4)	
Sixth series of unsecured investment corporation bonds (Note 2)	April 30, 2020	1,000,000	-	1,000,000	0.400	April 30, 2025		Unsecured
Seventh Series Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	January 28, 2022	2,000,000	-	2,000,000	0.460	January 28, 2032	(Note5)	
Eighth Series Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	June 22, 2022	2,000,000	-	2,000,000	0.500	October 29, 2027	(Note5)	
<b>Total</b>		<b>¥10,000,000</b>	<b>¥ -</b>	<b>¥10,000,000</b>				

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

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

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

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

Note 5: Investment corporation bonds were used as the funds for repayment of debts that were borrowed for the purpose to acquire the eligible green assets.

Note 6: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

Investment corporation bonds	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)				
	¥ -	¥ -	¥1,000,000	¥1,000,000	¥4,000,000

Outstanding investment corporation bonds as of September 30, 2022 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)						
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026	(Note3)	
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	1,000,000	1,000,000	-	0.320	August 31, 2022		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note4)	
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	2,000,000	-	2,000,000	0.700	April 26, 2028		Unsecured
Sixth series of unsecured investment corporation bonds (Note 2)	April 30, 2020	1,000,000	-	1,000,000	0.400	April 30, 2025		
Seventh Series Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	January 28, 2022	2,000,000	-	2,000,000	0.460	January 28, 2032	(Note5)	
Eighth Series Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	June 22, 2022	-	-	2,000,000	0.500	October 29, 2027	(Note6)	
<b>Total</b>		<b>¥9,000,000</b>	<b>¥1,000,000</b>	<b>¥10,000,000</b>				

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

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

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



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

Note 5: Investment corporation bonds were used as the funds for repayment of debts that were borrowed for the purpose to acquire the eligible green assets.

Note 6: Investment corporation bonds were used as the funds for repayment of investment corporation bonds and debts that were borrowed for the purpose to acquire the eligible green assets.

Note 7: 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	¥ -	¥3,000,000

## 24. DISTRIBUTIONS

	From October 1, 2022 to March 31, 2023	From April 1, 2022 to September 30, 2022
I. Retained earnings at the end of period	¥3,922,702,444	¥3,775,141,552
II. Total distributions	¥3,922,580,978	¥3,774,835,668
Distributions per unit	¥6,514	¥6,484
III. Retained earnings brought forward to the next period	¥121,466	¥305,884
Method of calculating distribution amount	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute 3,922,580,978 yen which is almost the entire amount of retained earnings as the distributions of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the 15th fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,774,835,668 which is almost the entire amount of retained earnings as the distributions of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the 15th fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>

## Independent Auditor's Report

The Board of Directors  
Kenedix Retail REIT Corporation

### Opinion

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation (the Company), which comprise the balance sheet as at March 31, 2023, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Note 20. SIGNIFICANT SUBSEQUENT EVENTS to the financial statements, which describes that the Company, at its Board of Directors meeting held on June 13, 2023, resolved to undertake an absorption-type merger, with November 1, 2023 as the effective date, whereby Kenedix Office Investment Corporation will be the surviving corporation and the Company and Kenedix Residential Next Investment Corporation will be the dissolving corporations in the merger, and also executed a merger agreement on June 13, 2023. Our opinion is not modified in respect of this matter.

### Other Information

The other information comprises the information included in the Semi-annual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. the Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Supervisory Director for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

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

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

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

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

Ernst & Young ShinNihon LLC

Tokyo, Japan  
June 22, 2023

/s/ Hitoshi Sakurai

Hitoshi Sakurai  
Designated Engagement Partner  
Certified Public Accountant

/s/ Masahiro Yawata

Masahiro Yawata  
Designated Engagement Partner  
Certified Public Accountant