

Translation of Japanese Original

**FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED MARCH 31, 2017 (REIT)**  
**(October 1, 2016 to March 31, 2017)**

May 18, 2017

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

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

Representative: Akihiro Asano, Executive Director  
 Asset Management Company: Kenedix Real Estate Fund Management, Inc.  
 Representative: Masahiko Tajima, CEO and President  
 Inquiries: Koichiro Nobata, General Manager of Planning Department, Retail REIT Division  
 TEL+81-3-5623-3868

Planned submission of semiannual securities report: June 29, 2017  
 Planned start of distribution payments: June 15, 2017  
 Preparing presentation material: Yes  
 Hold a financial brief meeting: Yes (for analysts and institutional investors)

(Amounts are rounded down to the nearest million yen)

**1. PERFORMANCE FOR THE FISCAL PERIOD ENDED MARCH 31, 2017 (October 1, 2016 to March 31, 2017)****(1) Business Results**

(Percentages show period-on-period changes)

Fiscal period ended	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	6,430	0.9	3,021	1.6	2,556	1.5	2,552	1.4
September 30, 2016	6,374	15.0	2,973	5.2	2,519	3.7	2,518	3.7

Fiscal period ended	Net income per Unit	Return on net assets	Ordinary income to total assets	Ordinary income to operating revenues
	Yen	%	%	%
March 31, 2017	6,043	2.6	1.4	39.8
September 30, 2016	6,069	2.8	1.5	39.5

**(2) Distribution**

Fiscal period ended	Distributions per unit (including excess of earnings)	Distributions per unit (excluding excess of earnings)	Distributions in excess of earnings per unit	Total distributions (including excess of earnings)	Total distributions (excluding excess of earnings)	Total distributions in excess of earnings	Payout ratio	Distribution ratio to net assets
				Millions of Yen	Millions of Yen	Millions of Yen		
March 31, 2017	Yen 6,044	Yen 6,044	Yen 0	2,553	2,553	0	100.0	2.6
September 30, 2016	Yen 5,974	Yen 5,888	Yen 86	2,523	2,487	36	98.8	2.6

Note 1: Total distributions in excess of earnings account for the distributions in regard to the allowance for temporary adjustment.

Note 2: Due to the issuance of new investment units, the payout ratio for the fiscal period ended September 30, 2016 is calculated as follows (rounded to the nearest tenth).

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

When calculated as follows, the payout ratio is 100.2% for the fiscal period ended September 30, 2016.

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

**(3) Financial Position**

As of	Total assets	Net assets	Net assets to total assets	Net asset per unit
	Millions of yen	Millions of yen	%	Yen
March 31, 2017	185,037	96,823	52.3	229,195
September 30, 2016	179,360	96,739	53.9	228,996

**(4) Cash Flows**

Fiscal period ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	4,211	(6,002)	2,857	14,296
September 30, 2016	3,234	(27,162)	25,901	13,229

This is an English-language translation of the original Japanese announcement on our website released on May 18, 2017. However, no assurance or warranties are given with respect to the accuracy or completeness of this English-language translation. The Japanese original shall prevail in the case of discrepancies between this translation and the Japanese original.

## 2. EARNINGS FORECASTS FOR THE FISCAL PERIODS ENDING SEPTEMBER 30, 2017 (April 1, 2017 to September 30, 2017) AND MARCH 31, 2018 (October 1, 2017 to March 31, 2018)

(Percentages show period-on-period changes)

Fiscal period ending	Operating revenues (Millions of yen)		Operating income (Millions of yen)		Ordinary income (Millions of yen)		Net income (Millions of yen)		Distributions per unit (excluding excess of earnings)	Distributions in excess of earnings per unit	Distributions per unit (including excess of earnings)
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	Yen	Yen
September 30, 2017	7,655	19.1	3,618	19.8	3,067	20.0	3,067	20.1	6,040	11	6,051
March 31, 2018	7,682	0.3	3,631	0.4	3,085	0.6	3,085	0.6	6,076	11	6,087

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

6,144 yen for the fiscal period ending September 30, 2017 and 6,076 yen for the fiscal period ending March 31, 2018

Note: Distributions per unit are calculated based on the number of investment units issued and outstanding totaled 507,700 as of today.

### \*OTHERS

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

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

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

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

As of March 31, 2017: 422,450 units

As of September 30, 2016: 422,450 units

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

As of March 31, 2017: 0 units

As of September 30, 2016: 0 units

Note: Please refer to "Per Unit Information" on page 28 for the number of investment units used as the basis for calculating net income per unit.

#### \* Status of audit procedures

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

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

Forward-looking statements presented in this financial report, including forecasts of performance, are based on information currently available to KRR and on certain assumptions KRR deems to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of numerous factors. The above-mentioned forecasts are based on "Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending September 30, 2017 and March 31, 2018" on page 11 for calculation, and our judgment as of November 16, 2016. Actual operating revenues, operating income, ordinary income, net income, distributions per unit and distributions in excess of earnings per unit may vary according to changes in market conditions. These forecasts do not guarantee the distribution amount.

**1. KRR and Related Corporations**

As there have been no significant changes from the “Management structure of KRR” described in the Securities Registration Statement (submitted on December 26, 2016; prepared in Japanese only), the disclosure is omitted.

## 2. Investment Policies and Status of Asset Management

### (1) Investment Policies

KRR has changed the definition of LTV ratio on May 18, 2017 as follows, adopting the equation used by most other J-REITs.

(Before the change)

$$\text{LTV ratio} = (\text{Loans payable} + \text{Investment corporation bonds} + \text{Tenant leasehold and security deposits} - \text{Amounts reserved for return of tenant leasehold and security deposits}) / (\text{Total assets} - \text{Amounts reserved for return of tenant leasehold and security deposits})$$

(After the change)

$$\text{LTV ratio} = (\text{Loans payable} + \text{Investment corporation bonds}) / \text{Total assets}$$

Please refer “(2) Status of Asset Management, iii) Management Performance, (C) Financing” for the LTV ratios before and after the change from the end of the first period to the end of the third period.

Besides the above change, the disclosure is omitted as there have been no other significant changes from policies described in “Investment Policy,” “Investment Properties” and “Distribution Policy” in the Securities Registration Statement (submitted on December 26, 2016; prepared in Japanese only).

### (2) Status of Asset Management

#### (Overview of the Period ended March 31, 2017)

##### i) Transition of KRR

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the period ended March 31, 2017 was 422,450 units.

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

Note: For our management purposes and ease of classification, we define neighborhood, community and other shopping centers for daily needs as retail properties that generally have the following characteristics:

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

##### ii) Investment Environment

There were signs of a moderate economic rebound in Japan with recoveries in employment and income environment. Real GDP growth (2nd preliminary estimate) in the fourth quarter of 2016 was positive 1.2% on an annualized basis, with capital investment leading the growth. However, uncertainty in economy remains due to the policies of the new U.S. administration, a rise in protectionism, etc.

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

The financial environment remained unstable due to global market events such as the policies of the new U.S. administration. In addition, because of the Federal Reserve rate hike in the U.S. and the introduction of “Quantitative and Qualitative Monetary Easing with Yield Curve Control” including the negative interest rate policy by the Bank of Japan, the market got weak as expectation of additional monetary easing receded. On the other hand, in the real estate market, J-REITs continue to purchase a substantial number of properties because of monetary easing and brisk equity raising activities by J-REITs.

##### iii) Management Performance

###### (A) Acquisition of Assets

KRR acquired and started the operations of the following trust beneficiary interests in real estate (one property acquired on November 1, 2016 with acquisition price of 1,370 million yen and one property acquired on January 31, 2017 with acquisition price of 4,111 million yen). In addition, KRR completed an additional acquisition of a new building through a property expansion within Unicus Ina (acquisition price of 91 million yen) on January 16, 2017. As a result, the portfolio at the end of the period under review (March 31, 2017) consists 42 properties with the total acquisition price of 164,338 million yen.

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture)	Acquisition price (million yen) (Note 2)	Acquisition date
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	1,370	November 1, 2016
T-5	NSC	Unicus Ina (Note 3)	Kitaadachi-gun, Saitama	91	January 16, 2017
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	4,111	January 31, 2017
Total				5,572	

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

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

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

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

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

KRR also acquired a silent partnership equity interest (acquisition price: 100 million yen) of JRP8 GK, which acquired trust beneficiary interest of Yumemachi Narashinodai Mall, to secure flexible acquisition opportunities in the future as well as opportunities for additional revenues on October 31, 2016. Kenedix, Inc. acquired the rest of the silent partnership equity interest of JRP8 GK.

## (B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (March 31, 2017). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction. KRR invests primarily in neighborhood and community shopping centers that cater to the day-to-day needs of customers. The portfolio is diversified in terms of properties, tenants and other characteristics with a goal to generate consistent long-term cash flows. At the same time, a portion of the rent includes sales-linked rent to explore the upside potential (Note 1) for rental income. By using these measures, we aim to pursue a portfolio that achieves both stability and growth.

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.6%. Furthermore, the portfolio is diversified in terms of tenants as there are 409 end-tenants (Note 2) in our retail properties.

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

Note 2: The number of end-tenants is the sum of the number of end-tenants in a pass-through type master lease and the number of master leasees in a sublease type master lease.

## (C) Financing

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

### (Debt Finance)

During the fiscal period under review, KRR borrowed 4,000 million yen for the acquisition of properties and 6,500 million yen for refinancing. On the other hand, KRR prepaid 600 million yen using the proceeds from the issuance of investment corporation bonds. Consequently, borrowings totaled 72,700 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 74,700 million yen at the end of the fiscal period under review (March 31, 2017).

When undertaking borrowings, we seek to spread out repayment dates and lengthen borrowing periods. On the other hand, we partially borrowed short-term loans from the point of flexibility under the financing strategy, also controlling financing cost. We may use swaps to fix the interest payments to hedge against the risk of a rise in interest rates.

**(Investment Corporation Bonds)**

To diversify financing methods, KRR issued investment corporation bonds as follows. Investment corporation bonds at the end of the period under review (March 31, 2017) totaled 2,000 million yen. Of the total amount raised, 1,380 million yen was used for the acquisition of K's Denki Shin-Moriyama (Land) on November 1, 2016 and certain related costs pertaining to the acquisition, and 600 million yen was used for partial prepayment of borrowings with drawdown date of October 3, 2016.

Bonds	Issuance date	Balance as of March 31, 2017 (million yen)	Interest rate (%)	Maturity date	Redemption method	Remarks
1st Series Unsecured Investment Corporation Bonds	October 31, 2016	1,000	0.200	October 29, 2021	Full on maturity	(Note)
2nd Series Unsecured Investment Corporation Bonds	October 31, 2016	1,000	0.600	October 30, 2026		

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

As a result, the average remaining years to maturity is 4.5 years, the weighted average interest rate is 0.99%, the long-term debt ratio (Note 1) is 84.6% and the LTV ratio (Note 2) is 40.4%.

Note 1:  $\text{Long-term debt ratio} = (\text{Long-term borrowings} + \text{Investment corporation bonds}) / (\text{Borrowings} + \text{Investment corporation bonds})$

Note 2: KRR has changed the definition of LTV ratio on May 18, 2017 as follows.  
(Before the change)

$\text{LTV ratio} = (\text{Loans payable} + \text{Investment corporation bonds} + \text{Tenant leasehold and security deposits} - \text{Amounts reserved for return of tenant leasehold and security deposits}) / (\text{Total assets} - \text{Amounts reserved for return of tenant leasehold and security deposits})$

(After the change)

$\text{LTV ratio} = (\text{Loans payable} + \text{Investment corporation bonds}) / \text{Total assets}$

LTV ratios before and after the definition change from the end of the first fiscal period to the end of the third fiscal period are as follows.

	First fiscal period as of September 30, 2015	Second fiscal period as of March 31, 2016	Third fiscal period as of September 30, 2016
LTV (Before the change)	40.6%	42.7%	42.5%
LTV (After the change)	35.4%	38.3%	38.6%

**(Credit Ratings)**

The status of the credit ratings as of March 31, 2017 is as follows.

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

**(Shelf Registration)**

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

Planned issue amount	100,000,000,000 yen
Planned issuance period	October 7, 2016 to October 6, 2018
Use of funds	Acquisition funds for specified assets (as defined in Article 2, Paragraph 1 of the Investment Trust Law), repayment funds for borrowings, repayment funds for investment corporation bonds (including short-term investment corporation bonds), refund funds for lease and guarantee deposits, funds to pay for repairs and maintenance, working capital, etc.

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

**iv) Results of Operations**

For this period, revenue was 6,430 million yen, operating income was 3,021 million yen, ordinary income was 2,556 million yen and net income was 2,552 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 2,553,287,800 yen which is almost equivalent to the earnings (as defined in Article 136-1 of Act of Investment Trust and Investment Corporations)

excluding the reversals of allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

Consequently, the distribution per unit for the fiscal period was 6,044 yen.

**(Outlook)****i) Outlook for Asset Management**

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

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

In the real estate trading market, we anticipate the high level of transaction volume to continue because of the strong appetite of J-REITs and other investors to acquire properties. The Bank of Japan’s monetary easing measures will help provide continuous supply of adequate funds in the real estate market. However, investors should also keep in mind the risk of changes in banks’ lending attitude towards real estate sector, as amount of banks’ outstanding loans towards real estate sector reached new highs.

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

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

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

When acquiring properties, we make decisions based on all applicable factors with emphasis on four parameters: the retail property’s attractiveness, location, profitability and the tenant mix. By using this selection process, we invest in retail properties with a competitive edge, and good prospects for consistent rental revenue and growth in asset value. We also invest in land ownership interests underlying retail properties. Regarding land-only properties, we make these investments after examining the terms of the land leasing agreement, the characteristics of the tenant, the asset value of the land, and the proportion of land-only properties in our portfolio. We may also consider making an equity investment in a tokumei kumiai (silent partnership) for the acquisition of preferential negotiation rights and opportunities for additional revenues, provided that we are given an opportunity to acquire them in the future.

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

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

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

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

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

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

**“One-stop” asset management and property management services**

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

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

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

Pursuit of internal growth through management of retail properties

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

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

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

iii. Realize growth in asset value by pursuing property expansions

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

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

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

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

**(C) Financing**

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

**(D) Disclosure of Information**

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

**(E) Conflicts of Interest**

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

**(F) Important Subsequent Events**

KRR passed resolutions at the Board of Directors Meeting held on March 31, 2017 and April 11, 2017, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party



allotment have been completed on April 18, 2017 and May 17, 2017, respectively. KRR plans to use the net proceeds through third-party allotment for the repayment of the short-term loans payable.

As a result, unitholders' capital totaled 113,399,022,050 yen and total number of investment units issued and outstanding increased to 507,700 as of May 17, 2017.

Issuance of new investment units through public offerings

Total number of units issued:	81,250 units (Domestic 44,592 units, International 36,658 units)
Issue price (offer price):	232,537 yen per unit
Total amount of issue price (total offer price):	18,893,631,250 yen
Paid-in amount (issue amount):	224,547 yen per unit
Total paid-in amount (total issue amount):	18,244,443,750 yen
Payment date:	April 18, 2017

Issuance of new investment units through third-party allotment

Total number of units issued:	4,000 units
Paid-in amount (issue amount):	224,547 yen per unit
Total paid-in amount (total issue amount):	898,188,000 yen
Payment date:	May 17, 2017
Allottee:	SMBC Nikko Securities Inc.

**(Reference Material)**

**(A) Acquisition of Assets**

KRR acquired 8 assets (acquisition price of 32,664 million yen).

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

Property number	Property type	Property name	Location	Seller	Acquisition price (million yen)	Appraisal value (million yen)	Acquisition date
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Sumitomo Mitsui Finance and Leasing Co., Ltd.	4,170	4,290	April 19, 2017
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	JRP8 GK	3,416	3,520	April 19, 2017
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	GK KRF63	3,097	3,220	May 18, 2017
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Undisclosed (Note)	2,820	2,850	April 19, 2017
T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Sumitomo Mitsui Finance and Leasing Co., Ltd.	1,880	1,970	April 19, 2017
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Sumitomo Mitsui Finance and Leasing Co., Ltd.	5,020	5,190	April 19, 2017
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	M&K Tokutei Mokuteki Kaisha	1,515	1,600	April 19, 2017
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	JRP9 GK	10,746	10,890	April 27, 2017
Total			-	-	32,664	33,530	-

Note : Undisclosed as KRR has not obtained consent from the previous owner.

**(B) Financing**

KRR borrowed funds for the acquisitions on April 19, 2017 (1,200 million yen for Series 11), on April 27, 2017 (11,300 million yen for Series 13) and on May 18, 2017 (3,200 million yen for Series 14) and for the repayment of the borrowings on April 21, 2017 (5,570 million yen for Series 12).

KRR also entered into agreements on commitment lines on March 31, 2017 to secure flexibility and stability in financing method, for potential needs of funds as follows.

Counterparty	Limit of maximum amount (million yen)	Contract period	Remarks
Sumitomo Mitsui Banking Corporation	1,000	April 1, 2017 to March 31, 2018	Unsecured, unguaranteed
Mizuho Bank, Ltd	1,000	April 1, 2017 to March 31, 2019	Unsecured, unguaranteed

**ii) Earnings Forecasts**

For the fiscal period ending September 30, 2017 (from April 1, 2017 to September 30, 2017) and the fiscal period ending March 31, 2018 (from October 1, 2017 to March 31, 2018), the earnings forecasts are estimated as set forth below.

Fiscal period ending September 30, 2017

Operating revenues	7,655 million yen
Operating Income	3,618 million yen
Ordinary income	3,067 million yen
Net Income	3,067 million yen
Distributions per unit	6,051 yen
Of the above, distributions in excess of earnings	11 yen

Fiscal period ending March 31, 2018

Operating revenues	7,682 million yen
Operating Income	3,631 million yen
Ordinary income	3,085 million yen
Net Income	3,085 million yen
Distributions per unit	6,087 yen
Of the above, distributions in excess of earnings	11 yen

Please refer to “Assumptions for the Earnings Forecasts for the Fiscal Periods Ending September 30, 2017 and March 31, 2018” set forth below for information on current assumptions for the forecasts of operating results.

After the end of the fourth fiscal period, KRR issued new units, made new borrowings and acquired properties. Accordingly, KRR has updated the assumptions for the “Forecasts of Financial Results and Distributions for the Fiscal Periods Ending September 30, 2017, and the Forecast of Financial Results and Distributions for the Fiscal Period Ending March 31, 2018” released on March 31, 2017, but there are no changes in the forecast figures.

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

**Assumptions for the Earnings Forecasts for the Fiscal Periods Ending September 30, 2017 and March 31, 2018**

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>• The 5th fiscal period: April 1, 2017 to September 30, 2017 (183 days)</li> <li>• The 6th fiscal period: October 1, 2017 to March 31, 2018 (182 days)</li> </ul>
Property portfolio	<ul style="list-style-type: none"> <li>• It is assumed that there will be no changes (any acquisition of new properties or any sale of existing properties, etc.) in property portfolio of 50 assets, which are 42 existing assets (the “existing assets”) as of March 31, 2017 and 8 assets acquired on April 19, 2017, April 27, 2017 and May 18, 2017 (the “asset acquired in the fifth fiscal period”), by the end of the fiscal period ending March 31, 2018.</li> <li>• The actual property portfolio may change due to the acquisition of new properties other than the asset acquired in the fifth fiscal period or the disposal of owned properties, etc.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Operating revenues of the existing assets are based on leasing agreements as of March 31, 2017, trend of tenants, real estate market trends and other factors.</li> <li>• Operating revenue of the asset acquired in the fifth fiscal period is based on its operating revenues calculated by the information provided by the sellers, leasing agreements as of March 31, 2017, trend of tenants, real estate market trends and other factors.</li> <li>• Operating revenues are based on the assumption that there will be no rent in arrears or non-payments by the tenant.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Property-related operating expenses other than depreciation are calculated based on historic data, etc., and these costs reflect fluctuations in the costs, including leasing costs based on the leasing agreements.</li> <li>• Depreciation expenses of 868 million yen, and 871 million yen are assumed for the fiscal periods ending September 30, 2017 and March 31, 2018 respectively, using the straight-line depreciation method.</li> <li>• 563 million yen and 563 million yen of property related taxes are expected to be expensed during the fiscal periods ending September 30, 2017 and March 31, 2018 respectively. For the properties acquired after January 1, 2017, property-related taxes are not expensed in the fiscal period ending March 31, 2018 because KRR reimbursed the seller, pursuant to the purchase agreement, for the pro rata portion of the property-related taxes. 99 million yen per fiscal period is expected when the property related taxes for the properties are expensed.</li> <li>• With respect to building repair expenses, the amount assumed to be necessary for each property is based on the repair plan of KFM for each fiscal period. However, repair expenses may be substantially different from the expected amount due to certain unexpected factors.</li> </ul>

Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> <li>The amortization of offering-related costs are expected to be expensed 96 million yen and 84 million yen for the fiscal periods ending September 30, 2017, and March 31, 2018, respectively. It is assumed that the offering-related costs are amortized using the straight-line method over 3 years.</li> <li>For interest expenses and other debt-related costs, 448 million yen and 454 million yen are expected for the fiscal periods ending September 30, 2017, and March 31, 2018, respectively.</li> </ul>
Borrowings and investment corporation bonds	<ul style="list-style-type: none"> <li>As of today, KRR has an outstanding balance of 88,400 million yen in borrowings and 2,000 million yen in investment corporation bonds. It is also assumed that a portion of the short-term loans payable will be repaid in the fiscal period ending September 30, 2017 with the proceeds from the third-party allotment of investment units.</li> <li>The LTV ratio is expected to be 40.5% and 40.5% at the end of the period ending September 30, 2017 and March 31, 2018, respectively. (rounded to the nearest tenth)</li> <li>The LTV ratio has been calculated according to the following formula:  <math display="block">\text{LTV ratio} = (\text{Loans payable} + \text{Investment corporation bonds}) / \text{Total assets}</math> </li> </ul>
Investment units	<ul style="list-style-type: none"> <li>The forecasts are based on our assumption of 507,700 units issued as of today. It is assumed that there will be no changes in the number of investment units due to the new issuance of units until the end of the fiscal period ending March 31, 2018.</li> </ul>
Distributions per unit (excluding excess of earnings per unit)	<ul style="list-style-type: none"> <li>Distributions per unit (excluding excess of earnings per unit) are calculated in accordance with the distribution policy outlined in our Articles of Incorporation.</li> <li>We assume that there is no effect from the changes in market value of swaps on the distributions per unit for the fiscal periods ending September 30, 2017 and March 31, 2018.</li> <li>Actual distributions per unit (excluding excess of earnings per unit) may fluctuate due to various factors including movements in investment assets, fluctuations in rental revenues caused by tenant replacements, or unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>We expect to record Allowance for Temporary Adjustment (ATA) to adjust the temporary differences between treatment of certain transactions under Japanese GAAP and Japanese tax laws in relation to Sunny Noma, which results from the depreciation of fixed term land lease right for business purposes, the expensed interest from asset retirement obligations and deprecation of buildings, during the relevant period (30 years starting from March 16, 2007).</li> <li>KRR has a policy to distribute the amount of increase in ATA, in excess of its earnings. Distributions in excess of earnings are expected to be 11 yen per unit and 11 yen per unit in the periods ending September 30, 2017 and March 31, 2018, respectively.</li> </ul>
Others	<ul style="list-style-type: none"> <li>Forecasts are based on the assumption that there will be no amendments to the law, taxation system, accounting standards, public listing regulations, requirements of the Investment Trusts Association, Japan, etc. that may affect the aforementioned forecast figures.</li> <li>Forecasts are based on the assumption that there will be no unexpected. Significant changes in general economic trends and real estate market trends or other conditions.</li> </ul>

### iii) Risk Factors

There are no significant changes to the “Investment Risks” in described in the Securities Registration Statement (submitted on March 31, 2017; prepared in Japanese only), the disclosure is omitted.

### 3. Financial Statements

#### (1) Balance Sheets

	(in thousands of yen)	
	Third Fiscal Period (As of September 30, 2016)	Fourth Fiscal Period (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	4,367,293	5,258,633
Cash and deposits in trust	11,615,129	11,575,715
Operating accounts receivable	206,398	182,993
Prepaid expenses	112,712	41,020
Consumption taxes receivable	477,707	-
Other	432	2,987
Total current assets	<u>16,779,673</u>	<u>17,061,349</u>
Non-current assets		
Property, plant and equipment		
Construction in progress	35,243	-
Buildings in trust	42,409,745	42,757,457
Accumulated depreciation	(1,707,093)	(2,377,464)
Buildings in trust, net	<u>*1 40,702,651</u>	<u>40,379,992</u>
Structures in trust	1,808,630	1,822,887
Accumulated depreciation	(106,872)	(145,181)
Structures in trust, net	<u>*1 1,701,758</u>	<u>1,677,705</u>
Machinery and equipment in trust	203,295	203,295
Accumulated depreciation	(6,582)	(11,445)
Machinery and equipment in trust, net	<u>196,712</u>	<u>191,850</u>
Tools, furniture and fixtures in trust	51,813	60,635
Accumulated depreciation	(6,700)	(10,639)
Tools, furniture and fixtures in trust, net	<u>*1 45,112</u>	<u>49,995</u>
Land in trust	<u>*1 118,225,350</u>	<u>123,937,095</u>
Construction in progress in trust	12,015	24,784
Total property, plant and equipment, net	<u>160,918,844</u>	<u>166,261,423</u>
Intangible assets		
Leasehold right in trust	524,576	520,598
Other	1,883	2,064
Total intangible assets	<u>526,460</u>	<u>522,662</u>
Investments and other assets		
Investment securities	-	101,690
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	36,035	36,035
Long-term prepaid expenses	651,956	648,066
Long-term deposits	124,960	124,960
Other	-	23,395
Total investments and other assets	<u>822,951</u>	<u>944,147</u>
Total non-current assets	<u>162,268,256</u>	<u>167,728,234</u>
Deferred assets		
Organization costs	30,369	25,331
Investment corporation bond issuance costs	-	17,671
Investment unit issuance costs	281,763	204,840
Total deferred assets	<u>312,132</u>	<u>247,843</u>
Total assets	<u>179,360,062</u>	<u>185,037,427</u>

(in thousands of yen)

	Third Fiscal Period (As of September 30, 2016)	Fourth Fiscal Period (As of March 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	453,515	516,631
Short-term loans payable	12,070,000	11,470,000
Current portion of long-term loans payable	-	3,850,000
Accounts payable-other	267,670	280,035
Accrued expenses	7,108	12,501
Income taxes payable	1,081	3,275
Accrued consumption taxes	-	245,842
Advances received	859,300	878,241
Deposits received	122,669	124,240
Total current liabilities	13,781,345	17,380,767
<b>Non-current liabilities</b>		
Investment corporation bonds	-	2,000,000
Long-term loans payable	57,230,000	57,380,000
Tenant leasehold and security deposits	2,500	-
Tenant leasehold and security deposits in trust	*1 11,518,586	11,397,149
Asset retirement obligations	23,190	23,335
Other	64,677	32,639
Total non-current liabilities	68,838,953	70,833,124
Total liabilities	82,620,298	88,213,892
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	94,256,390	94,256,390
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	*2 (4,263)	(40,593)
Total deduction from unitholders' capital	(4,263)	(40,593)
Unitholders' capital, net	94,252,127	94,215,796
<b>Surplus</b>		
Unappropriated retained earnings	2,518,802	2,584,343
Total surplus	2,518,802	2,584,343
Total unitholders' equity	96,770,929	96,800,139
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(31,166)	23,395
Total valuation and translation adjustments	(31,166)	23,395
Total net assets	*3 96,739,763	96,823,535
Total liabilities and net assets	179,360,062	185,037,427

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

		(in thousands of yen)	
		Third Fiscal Period (From April 1, 2016 to September 30, 2016)	Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)
Operating revenues			
Rent revenue-real estate	*1	5,405,789	5,524,740
Other lease business revenue	*1	968,378	902,740
Dividends income		-	3,131
Total operating revenues		6,374,168	6,430,612
Operating expenses			
Expenses related to rent business	*1	2,860,183	2,817,984
Asset management fees		438,769	488,477
Asset custody fees		6,375	7,549
Administrative service fees		21,792	23,972
Directors' compensation		4,500	4,500
Other operating expenses		69,052	67,039
Total operating expenses		3,400,673	3,409,522
Operating income		2,973,494	3,021,090
Non-operating income			
Interest income		51	52
Interest on refund		251	164
Total non-operating income		303	217
Non-operating expenses			
Interest expenses		306,343	310,372
Interest expenses on investment corporation bonds		-	3,337
Financing-related expenses		65,780	67,385
Amortization of organization costs		5,066	5,038
Amortization of investment corporation bond issuance costs		-	1,404
Amortization of investment unit issuance costs		76,922	76,922
Total non-operating expenses		454,113	464,459
Ordinary income		2,519,684	2,556,848
Income before income taxes		2,519,684	2,556,848
Income taxes			
Current		1,088	3,922
Total income taxes		1,088	3,922
Net income		2,518,595	2,552,926
Retained earnings brought forward		206	31,417
Unappropriated retained earnings		2,518,802	2,584,343

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

Third Fiscal Period (From April 1, 2016 to September 30, 2016)

(in thousands of yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
Allowance for temporary difference adjustments		Total deduction from unitholders' capital					
Balance at the beginning of the period	77,606,649	-	-	77,606,649	2,427,985	2,427,985	80,034,634
Changes of items during the period							
Issuance of new investment units	16,649,740			16,649,740			16,649,740
Dividends from surplus					(2,427,778)	(2,427,778)	(2,427,778)
Distributions in excess of earnings from allowance for temporary difference adjustments		(4,263)	(4,263)	(4,263)			(4,263)
Net income					2,518,595	2,518,595	2,518,595
Net changes of items other than unitholder's equity							
Total changes of items during the period	16,649,740	(4,263)	(4,263)	16,645,477	90,817	90,817	16,736,294
Balance at the end of the period	*1 94,256,390	(4,263)	(4,263)	94,252,127	2,518,802	2,518,802	96,770,929

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	-	-	80,034,634
Changes of items during the period			
Issuance of new investment units			16,649,740
Dividends from surplus			(2,427,778)
Distributions in excess of earnings from allowance for temporary difference adjustments			(4,263)
Net income			2,518,595
Net changes of items other than unitholder's equity	(31,166)	(31,166)	(31,166)
Total changes of items during the period	(31,166)	(31,166)	16,705,128
Balance at the end of the period	(31,166)	(31,166)	96,739,763



Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)

(in thousands of yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
Allowance for temporary difference adjustments		Total deduction from unitholders' capital					
Balance at the beginning of the period	94,256,390	(4,263)	(4,263)	94,252,127	2,518,802	2,518,802	96,770,929
Changes of items during the period							
Dividends from surplus					(2,487,385)	(2,487,385)	(2,487,385)
Distributions in excess of earnings from allowance for temporary difference adjustments		(36,330)	(36,330)	(36,330)			(36,330)
Net income					2,552,926	2,552,926	2,552,926
Net changes of items other than unitholder's equity							
Total changes of items during the period	-	(36,330)	(36,330)	(36,330)	65,540	65,540	29,209
Balance at the end of the period	*1 94,256,390	(40,593)	(40,593)	94,215,796	2,584,343	2,584,343	96,800,139

	Valuation and translation Adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	(31,166)	(31,166)	96,739,763
Changes of items during the period			
Dividends from surplus			(2,487,385)
Distributions in excess of earnings from allowance for temporary difference adjustments			(36,330)
Net income			2,552,926
Net changes of items other than unitholder's equity	54,562	54,562	54,562
Total changes of items during the period	54,562	54,562	83,772
Balance at the end of the period	23,395	23,395	96,823,535

## (4) Statements of Cash Distributions

(yen)

	Third Fiscal Period (From April 1, 2016 to September 30, 2016)	Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)
I. Retained earnings at the end of period	2,518,802,609	2,584,343,087
II. Distributions in excess of earnings	36,330,700	-
Of which, allowance for temporary difference adjustments	36,330,700	-
III. Incorporation into unitholders' capital	-	30,838,850
Of which, reversal of allowance for temporary difference adjustments	-	30,838,850
IV. Total distributions	2,523,716,300	2,553,287,800
Distributions per unit	5,974	6,044
Of which, distributions of earnings	2,487,385,600	2,553,287,800
Of which, distributions of earnings per unit	5,888	6,044
Of which, allowance for temporary difference adjustments	36,330,700	-
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	86	-
V. Retained earnings brought forward to the next period	31,417,009	216,437
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 ¥2,487,385,600 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation.</p> <p>Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥36,330,700 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.</p>	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥2,553,287,800 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act after deduction of reversal of allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations).</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 fourth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>

## (5) Statements of Cash Flows

	(in thousands of yen)	
	Third Fiscal Period (From April 1, 2016 to September 30, 2016)	Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	2,519,684	2,556,848
Depreciation and amortization	714,452	721,929
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	-	1,404
Amortization of investment unit issuance costs	76,922	76,922
Interest income	(51)	(52)
Interest expenses	306,343	313,709
Decrease (increase) in operating accounts receivable	(14,367)	23,405
Decrease (increase) in consumption taxes receivable	32,815	477,707
Decrease (increase) in prepaid expenses	(78,961)	71,692
Increase (decrease) in operating accounts payable	(25,321)	(2,220)
Increase (decrease) in accounts payable-other	(19,393)	11,825
Increase (decrease) in accrued consumption taxes	-	245,842
Increase (decrease) in advances received	111,123	18,941
Increase (decrease) in deposits received	(13,799)	1,571
Decrease (increase) in long-term prepaid expenses	(68,932)	3,889
Other	(4,103)	(6,558)
Subtotal	3,541,476	4,521,894
Interest income received	51	52
Interest expenses paid	(305,756)	(308,315)
Income taxes paid	(940)	(1,728)
Net cash provided by (used in) operating activities	3,234,831	4,211,903
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(35,243)	-
Purchase of property, plant and equipment in trust	(28,233,179)	(5,994,725)
Purchase of intangible assets in trust	-	(504)
Purchase of investment securities	-	(101,690)
Proceeds from investment securities	-	3,131
Payments for lease and guarantee deposits in trust	(20)	-
Proceeds from tenant leasehold and security deposits	2,500	-
Repayments of tenant leasehold and security deposits in trust	(314,140)	(317,595)
Proceeds from tenant leasehold and security deposits in trust	1,202,094	193,659
Proceeds from restricted bank deposits in trust	215,676	215,676
Net cash provided by (used in) investing activities	(27,162,312)	(6,002,048)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	6,370,000	6,500,000
Payments in short-term loans payable	(800,000)	(7,100,000)
Proceeds from long-term loans payable	6,230,000	4,000,000
Proceeds from issuance of investment corporation bonds	-	1,980,924
Proceeds from issuance of investment units	16,531,819	-
Payments of dividends	(2,430,448)	(2,523,176)
Net cash provided by (used in) financing activities	25,901,371	2,857,747
Net increase (decrease) in cash and cash equivalents	1,973,891	1,067,602
Cash and cash equivalents at the beginning of the period	11,255,410	13,229,301
Cash and cash equivalents at the end of the period	*1 13,229,301	14,296,903

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

Not applicable

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

<p>1. Evaluation standards and evaluation method of assets</p>	<p>Securities Other securities Those with no fair value Cost method through moving-average method Concerning silent partnership equity interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the silent partnership is adopted.</p>
<p>2. Method of depreciation of non-current assets</p>	<p>(1) Property, plant and equipment (including trust assets) The straight-line method is applied. Useful lives of the assets ranging are as follows: Buildings: 2 to 70 years Structures: 8 to 59 years Machinery and equipment: 10 to 25 years Tools, furniture and fixtures: 4 to 10 years (2) Intangible assets (including trust assets) The straight-line method is applied. (3) Long-term prepaid expenses The straight-line method is applied.</p>
<p>3. Accounting for deferred assets</p>	<p>(1) Organization costs Organization costs are amortized over a period of 5 years under the straight-line method. (2) Investment unit issuance costs Investment unit issuance costs are amortized over a period of 3 years under the straight-line method. (3) Investment corporation bond issuance costs Investment corporation bond issuance costs are amortized over a maturity period under the straight-line method.</p>
<p>4. Accounting for revenues and expenses</p>	<p>Accounting for property-related taxes Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities. When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to 106,443 thousand yen and 21,351 thousand yen as of September 30, 2016 and March 31, 2017, respectively.</p>
<p>4. Method of hedge accounting</p>	<p>(1) Hedge accounting method Deferral hedge accounting is applied. However, the special treatment is applied for the interest-rate swap agreements that meet the criteria for special treatment. (2) Hedging instruments and hedged items Hedge instruments Interest-rate swap transactions Hedged items Interest payments on debts (3) Hedging policy KRR enters into derivative transactions based on its risk management policies with the objective of hedging risks provided in its Articles of Incorporation. (4) Method of assessing the effectiveness of hedging As for the method of assessment of the effectiveness of the hedge in the period from the inception of the hedge to the time of judgment of its effectiveness, the cumulative changes in cash flow of the hedged items and hedging instruments are compared and a judgment is made based on changed amount, etc. However, an assessment of the effectiveness of hedging activities is omitted in the case of interest rate swaps that meet the requirements for special treatment.</p>
<p>5. Scope of cash and cash equivalents on statements of cash flows</p>	<p>Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.</p>
<p>6. Other significant accounting policies for the preparation of financial statements</p>	<p>(1) Accounting method for trust beneficiary interests in real estate and other assets The assets and liabilities as well as revenues and expenses of financial assets held in the form of trust beneficiary interests in real estate and other assets are recorded in full in KRR's balance sheet and statement of income and retained earnings. Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet. 1. Cash and deposits in trust 2. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust, construction in progress in trust 3. Leasehold right in trust 4. Lease and guarantee deposits in trust 5. Tenant leasehold and security deposits in trust (2) Accounting method for consumption taxes Consumption taxes are separately recorded. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.</p>

(Additional Information)

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

Third Fiscal Period (From April 1, 2016 to September 30, 2016)

1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	5,491
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	30,838

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.

Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)

1. Reasons, related assets and reversal of allowance

(in thousands of yen)

Related assets, etc.	Reason	Reversal of allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in the fair value of derivative instruments	30,838

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.

**(8) Notes to Financial Statements**

(Notes to Balance Sheets)

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

(in thousands of yen)

Assets pledged as collateral	Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
Buildings in trust	2,755,048	2,724,085
Structures in trust	53,947	52,355
Tools, furniture and fixtures in trust	2,962	2,661
Land in trust	7,811,297	7,811,297
Total	10,623,255	10,590,399

  

Secured liabilities	Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
Tenant leasehold and security deposits in trust	3,468,617	3,245,943
Total	3,468,617	3,245,943

\* 2. Allowance for temporary difference adjustments

Third Fiscal Period (As of September 30, 2016)

1. Reasons, related assets, initial amount and allowance

(in thousands of yen)

Related assets, etc.	Reason	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
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	4,263	-	4,263	-	4,263	-

2. Method of reversal

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

Fourth Fiscal Period (As of March 31, 2017)

1. Reasons, related assets, initial amount and allowance

(in thousands of yen)

Related assets, etc.	Reason	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
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	9,754	4,263	5,491	-	9,754	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	30,838	-	30,838	-	30,838	-
Total		40,593	4,263	36,330	-	40,593	-

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.

\* 3. Minimum net assets prescribed in Article 67-4 of the Investment Trust Act

(in thousands of yen)

Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
50,000	50,000

(Notes to Statements of Income and Retained Earnings)

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

(in thousands of yen)

	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
A. Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	4,393,233	4,467,838
Rental revenues from limited proprietary rights of land	680,862	728,620
Common area charges	331,693	328,281
Subtotal	5,405,789	5,524,740
Other lease business revenue:		
Parking space rental revenues	163,358	162,994
Utility charge reimbursement	540,060	455,670
Miscellaneous	264,959	284,075
Subtotal	968,378	902,740
Total rental and other operating revenues	6,374,168	6,427,481
B. Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	684,963	691,625
Utilities	523,159	438,881
Taxes	482,449	482,777
Repairs and maintenance	150,915	157,638
Insurance	12,341	12,281
Trust fees	17,294	17,790
Depreciation	714,171	721,606
Others	274,888	295,382
Total property-related expenses	2,860,183	2,817,984
C. Net operating income from real estate rental business (A-B)	3,513,984	3,609,497

(Notes to Statements of Changes in Net Assets)

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

	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	422,450 units	422,450 units

(Notes to Statements of Cash Flows)

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

	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
	(in thousands of yen)	
Cash and deposits	4,367,293	5,258,633
Cash and deposits in trust	11,615,129	11,575,715
Restricted bank deposits in trust (Note)	(2,753,121)	(2,537,444)
Cash and cash equivalents	13,229,301	14,296,903

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

(Notes to Lease Transactions)

Operating lease transactions (Lessee)

Future minimum lease payments

	Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
	(in thousands of yen)	
Due within 1 year	10,500	10,500
Due after 1 year	204,298	199,048
Total	214,798	209,548

Operating lease transactions (Lessor)

Future minimum lease income

	Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
	(in thousands of yen)	
Due within 1 year	5,754,371	6,112,316
Due after 1 year	47,304,424	49,962,185
Total	53,058,796	56,074,501

(Notes to the Financial Instruments)

1. Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

Borrowings, and investment corporation bonds, which are made primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years and 10 months as for borrowings and also have a redemption date of a maximum of 9 years and 7 months as for investment corporation bonds as of March 31, 2017, the end of the fourth fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

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

(3) Risk management for financial instruments

a. Credit risk

While bank deposits are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited, such risk is monitored by deposits in non-interest bearing ordinary savings accounts or with financial institutions with credit ratings above a certain level. Investment securities represent equity investments in a silent partnership and are exposed to credit risk of the issuer. To manage this credit risk, the Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. In utilizing derivatives, KRR aims to mitigate counterparty risk such as by transacting with financial institutions with favorable ratings.

b. Market risk

While borrowings with floating rates are exposed to interest rate fluctuation risk, such risk is monitored by adjusting the rate of the balance of borrowings with floating rates against the total borrowings according to the financial environment, interest rate forecasts by continuous monitoring, etc. and by using derivatives, etc. While investment securities, which

are equity investments in a silent partnership, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives and such transactions are conducted based on this policy.

c. Liquidity risk

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

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

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

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

2. Estimated fair value of financial instruments

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

Third Fiscal Period

As of September 30, 2016

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	4,367,293	4,367,293	-
(2) Cash and deposits in trust	11,615,129	11,615,129	-
Total	15,982,422	15,982,422	-
(1) Short-term loans payable	12,070,000	12,070,000	-
(2) Current portion of long-term loans payable	-	-	-
(3) Investment corporation bonds	-	-	-
(4) Long-term loans payable	57,230,000	57,710,245	480,245
(5) Tenant leasehold and security deposits in trust	3,408,166	3,443,698	35,531
Total	72,708,166	73,223,944	515,777
Derivative transactions	(31,166)	(31,166)	-

Fourth Fiscal Period

As of March 31, 2017

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	5,258,633	5,258,633	-
(2) Cash and deposits in trust	11,575,715	11,575,715	-
Total	16,834,348	16,834,348	-
(1) Short-term loans payable	11,470,000	11,470,000	-
(2) Current portion of long-term loans payable	3,850,000	3,847,148	(2,851)
(3) Investment corporation bonds	2,000,000	1,984,200	(15,800)
(4) Long-term loans payable	57,380,000	57,540,509	160,509
(5) Tenant leasehold and security deposits in trust	3,147,555	3,151,660	4,105
Total	77,847,555	77,993,518	145,963
Derivative transactions	23,395	23,395	-

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to "Notes to Derivative Transactions".



Note2: Financial instruments whose fair values are extremely difficult to determine

(in thousands of yen)

Classification	Third Fiscal Period As of September 30, 2016
Tenant leasehold and security deposits	2,500
Tenant leasehold and security deposits in trust	8,110,419
Total	8,112,919

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

(in thousands of yen)

Classification	Fourth Fiscal Period As of March 31, 2017
Investment securities (*1)	101,690
Tenant leasehold and security deposits in trust (*2)	8,249,594
Total	8,351,284

(\*1) Fair values of investment securities are not subject to disclosure of fair value as they have no market price and their fair values are recognized to be extremely difficult to grasp.

(\*2) Because no quoted market price is available and it is extremely difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, tenant leasehold and security deposits in trust are not included in the above quantitative information.

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

Third Fiscal Period

As of September 30, 2016

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	4,367,293	-	-	-	-	-
Cash and deposits in trust	11,615,129	-	-	-	-	-
Total	15,982,422	-	-	-	-	-

Fourth Fiscal Period

As of March 31, 2017

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	5,258,633	-	-	-	-	-
Cash and deposits in trust	11,575,715	-	-	-	-	-
Total	16,834,348	-	-	-	-	-

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

Third Fiscal Period

As of September 30, 2016

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	12,070,000	-	-	-	-	-
Long-term loans payable	-	3,850,000	6,980,000	7,000,000	7,000,000	32,400,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	546,223
Total	12,505,430	4,285,430	7,415,430	7,435,430	7,435,430	32,946,223

Fourth Fiscal Period

As of March 31, 2017

(in thousands of yen)

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	11,470,000	-	-	-	-	-
Investment corporation bonds	-	-	-	-	1,000,000	1,000,000
Long-term loans payable	3,850,000	5,650,000	8,330,000	7,000,000	7,500,000	28,900,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	328,508
Total	15,755,430	6,085,430	8,765,430	7,435,430	8,935,430	30,228,508

(Notes to Derivative Transactions)

(1) Transactions not subject to hedge accounting

Third Fiscal Period (As of September 30, 2016) and Fourth Fiscal Period (As of March 31, 2017): Not applicable

(2) Transactions subject to hedge accounting

Third Fiscal Period

As of September 30, 2016

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	5,340,000	5,340,000	(31,166)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	44,900,000	*	-
			50,240,000	50,240,000	(31,166)	

\*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to "Notes to Financial Instruments (Note1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions Liabilities (2) Current portion of long-term loans payable and (4) Long-term loans payable".)

Fourth Fiscal Period

As of March 31, 2017

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	5,840,000	5,840,000	23,395	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	41,050,000	*	-
			50,740,000	46,890,000	23,395	

\*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to "Notes to Financial Instruments (Note1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions Liabilities (2) Current portion of long-term loans payable and (4) Long-term loans payable".)

(Notes to the Related-Party Transactions)

1. Parent Company, major corporate unitholders and other

Third Fiscal Period (From April 1, 2016 to September 30, 2016) and Fourth Fiscal Period (From October 1, 2016 to March 31, 2017): Not applicable

2. Affiliated companies and other

Third Fiscal Period (From April 1, 2016 to September 30, 2016) and Fourth Fiscal Period (From October 1, 2016 to March 31, 2017): Not applicable

3. Fellow subsidiary companies and other

Third Fiscal Period (From April 1, 2016 to September 30, 2016) and Fourth Fiscal Period (From October 1, 2016 to March 31, 2017): Not applicable

4. Directors, major individual unitholders and other

Third Fiscal Period (From April 1, 2016 to September 30, 2016) and Fourth Fiscal Period (From October 1, 2016 to March 31, 2017): Not applicable

(Notes to the Tax-Effect Accounting)

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

	(in thousands of yen)	
	Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
Deferred tax assets:		
Enterprise tax payable	23	242
Amortization of leasehold right in trust	4,189	5,446
Depreciation	1,508	1,960
Asset retirement obligations	7,325	7,371
Deferred gains or losses on hedges	9,845	-
Subtotal deferred tax assets	22,892	15,020
Valuation allowance	(22,892)	(15,020)
Total deferred tax assets	-	-

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

	(unit: %)	
	Third Fiscal Period As of September 30, 2016	Fourth Fiscal Period As of March 31, 2017
Statutory tax rate	31.74	34.81
Deductible cash distributions	(31.79)	(34.76)
Others	0.09	0.10
Effective tax rate	0.04	0.15

(Notes to Asset Retirement Obligations)

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

KRR has recognized the original state restoration obligations assumed under the fixed-term business-purpose land leasehold agreement as the asset retirement obligations in connection with Sunny Noma acquired on February 10, 2015.

2. Method of calculating asset retirement obligations

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

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

	(in thousands of yen)	
	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
Balance at the beginning of the period	23,045	23,190
Accretion adjustment	144	145
Balance at the end of the period	23,190	23,335

(Notes to the Segment Information)

(Segment information)

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

(Related information)

Third Fiscal Period (From April 1, 2016 to September 30, 2016)

1. Information about each product and service

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

2. Information about each geographic area

(1) Net sales

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

(2) Property, plant and equipment

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

Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)

1. Information about each product and service

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

2. Information about each geographic area

(1) Net sales

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

(2) Property, plant and equipment

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

(Notes to Investment and Rental Properties)

KRR owns retail properties for rental purposes mainly in the four major metropolitan areas and other regional areas of Japan. The book value and fair value concerning the above real estate for rental purposes are as follows.

(in thousands of yen)

	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
Book value		
Balance at the beginning of the period	134,016,587	161,443,421
Changes during the period	27,426,833	5,338,600
Balance at the end of the period	161,443,421	166,782,022
Fair value at the end of the period	168,164,000	175,276,000

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 third fiscal period, the principal increase was acquisitions of real estate trust beneficiary interests in 7 properties totaling 27,834,390 thousand yen and the principal decrease was depreciation amounting to 714,026 thousand yen and during the fourth fiscal period, the principal increase was the acquisitions of real estate trust beneficiary interests in 2 properties totaling 5,711,745 thousand yen and additional acquisition of real estate trust beneficiary interest amounting to 94,633 thousand yen and the principal decrease was depreciation amounting to 721,460 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 period under review concerning investment and rental properties is indicated under “Notes to Statements of Income and Retained Earnings.”

(Notes to Per Unit Information)

	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
Net asset value per unit	228,996 yen	229,195 yen
Net income per unit	6,069 yen	6,043 yen

Note1: Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the period. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	Third Fiscal Period From April 1, 2016 to September 30, 2016	Fourth Fiscal Period From October 1, 2016 to March 31, 2017
Net income (in thousands of yen)	2,518,595	2,552,926
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	2,518,595	2,552,926
Weighted average number of units during the period (units)	414,983	422,450

(Notes to Significant Subsequent Events)

Issuance of new investment units

KRR passed resolutions at the Board of Directors Meeting held on March 31, 2017 and April 11, 2017, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on April 18, 2017 and May 17, 2017, respectively. KRR used the net proceeds through third-party allotment for the repayment of loans payable.

As a result, unitholders' capital totaled ¥113,399,022,050 and total number of investment units issued and outstanding increased to 507,700 as of May 17, 2017.

Issuance of new investment units through public offerings

Total number of units issued	81,250 units (Domestic 44,592 units, International 36,658 units)
Issue price (offer price)	232,537 yen per unit
Total amount of issue price (total offer price)	18,893,631,250 yen
Paid-in amount (issue amount)	224,547 yen per unit
Total paid-in amount (total issue amount)	18,244,443,750 yen
Payment date	April 18, 2017

Issuance of new investment units through third-party allotment

Total number of units issued	4,000 units
Paid-in amount (issue amount)	224,547 yen per unit
Total paid-in amount (total issue amount)	898,188,000 yen
Payment date	May 17, 2017
Allottee	SMBC Nikko Securities Inc.

(Omission of Disclosure)

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

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

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

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

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

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

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

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

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

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

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

Note 8: Distributions in excess of earnings for the allowance for temporary difference adjustments are not considered.

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

(1) Resignation/Appointment of the Director of KRR

Not applicable

(2) Resignation/Appointment of the Director of KFM

At the ordinary general shareholders' meeting of KFM held on March 29, 2017, Akira Tanaka resigned as director and Keisuke Sato and Motoshi Ichiki were appointed as new directors as of March 29, 2017. Furthermore, Masayuki Kobayashi was appointed as a new auditor as of March 29, 2017. In addition, Ryosuke Homma was appointed as Chairman, Representative Director and Masahiko Tajima was appointed as CEO and President at its Board of Directors held after the ordinary general shareholders' meeting of KFM.

Appointed: Chairman, Representative Director, Ryosuke Homma (as of March 29, 2017)

CEO and President, Masahiko Tajima (as of March 29, 2017)

Director, Keisuke Sato (as of March 29, 2017)

Director, Motoshi Ichiki (as of March 29, 2017)

Auditor (Part-time), Masayuki Kobayashi (as of March 29, 2017)

Retired: Director, Akira Tanaka (as of March 29, 2017)

## 5. Reference Information

### (1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Third fiscal period as of September 30, 2016		Fourth fiscal period as of March 31, 2017	
			Total amount held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)	Total amount held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)
Trust beneficiary interest in real estate	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan area	71,159	39.7	71,122	38.4
		Greater Osaka area	45,117	25.2	45,000	24.3
		Greater Nagoya area	12,636	7.0	13,971	7.6
		Fukuoka area	1,499	0.8	1,485	0.8
	Ordinance-designated cities, core cities and other areas	30,995	17.3	35,200	19.0	
	Other retail properties	-	-	-	-	
Total of trust beneficiary interests in real estate			161,408	90.0	166,782	90.1
Investment securities (Note 4)			-	-	101	0.1
Bank deposits and other assets			17,951	10.0	18,153	9.8
Total assets			179,360	100.0	185,037	100.0

	Third fiscal period as of September 30, 2016		Fourth fiscal period as of March 31, 2017	
	Amount (Millions of Yen)	Ratio (%) (Note 3)	Amount (Millions of Yen)	Ratio (%) (Note 3)
Total liabilities (Note 5)	82,620	46.1	88,213	47.7
Total net assets (Note 5)	96,739	53.9	96,823	52.3
Total assets	179,360	100.0	185,037	100.0

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

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

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

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

Note 5: "Total liabilities" and "Total net assets" are those on the balance sheets.

(2) Overview of the Portfolio

i) Overview of Investment Securities

The following summarizes the investment securities owned by KRR as of March 31, 2017.

Asset name	Region	Type of asset	Amount (units)	Book value (in millions)		Evaluation value (in millions) (Note 1)		Ratio (%) (Note 2)	Evaluation profits/losses (in millions)
				Unit price	Price	Unit price	Price		
Silent partnership equity interest of JRP8 GK (Note 3)	Domestic	Silent partnership equity interest	-	-	101	-	101	0.1	-
Total			-	-	101	-	101	0.1	-

Note 1: "Evaluation value" indicates the book value.

Note 2: "Ratio" is the ratio of the amount allocated in the balance sheets to the total assets rounded to the nearest tenth.

Note 3: Asset under management is the trust beneficiary interest in real estate of "Yumemachi Narashinodai Mall".

ii) Overview of Assets Owned

The following summarizes the real estate or the real estate properties in trust owned by KRR as of March 31, 2017.

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	Acquisition price (in millions) (Note 4)	Share (%) (Note 5)
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	14,948	15,200	14,848	9.0
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,421	8,470	8,063	4.9
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,883	6,360	5,850	3.6
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,427	5,790	5,390	3.3
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,432	4,750	4,470	2.7
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,982	4,300	4,000	2.4
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,622	3,840	3,600	2.2
T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,561	2,750	2,586	1.6
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,380	4,815	2.9
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,480	3,169	1.9
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,050	3,000	1.8
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,770	1,700	1.0
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,430	1,442	0.9
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Trust beneficiary interest in real estate	770	807	760	0.5
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,472	3,820	3,360	2.0
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,795	1,910	1,724	1.0
T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,470	1,520	1,450	0.9
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,416	9,230	8,389	5.1
O-2	SM	Central Square Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	2,980	2,685	1.6
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,147	2,430	2,140	1.3
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,489	11,600	11,000	6.7
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,622	6,770	6,555	4.0
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,436	6,950	6,450	3.9
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,322	1,330	1,280	0.8
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488	487	0.3



Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	Acquisition price (in millions) (Note 4)	Share (%) (Note 5)
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,568	1,660	1,505	0.9
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,820	3,723	2.3
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,590	2,311	1.4
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,155	2,310	2,174	1.3
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	980	889	0.5
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,165	7,310	7,140	4.3
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,420	1,370	0.8
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,485	1,530	1,497	0.9
R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	10,031	11,000	10,046	6.1
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,480	1,550	1,469	0.9
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	898	928	898	0.5
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,379	5,060	4,180	2.5
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,329	3,330	3,252	2.0
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	854	873	830	0.5
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	Trust beneficiary interest in real estate	5,718	5,960	5,720	3.5
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,187	4,340	4,010	2.4
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,210	4,111	2.5
Total					166,782	175,276	164,338	100.0

Note 1: Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store). For the details of each type of retail properties, please refer "Section 2. Investment Policies and Status of Asset Management, (2) Status of Asset Management (Overview of the Period), iii) Management Performance, (A) Acquisition of Assets".

Note 2: "Location" indicates the residential address. For those without a residential address, the building or land address on the registry is shown.

Note 3: "Evaluation value" shows the appraisal value stated on the real estate appraisal report created by the real estate appraisers of Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute and The Tanizawa Sōgō Appraisal Co., Ltd. in accordance with the methods and standards for asset valuation as stipulated in the KRR Articles of Incorporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

Note 4: "Acquisition price" indicates the transfer price of the property to be acquired designated in each sale and purchase agreement (excluding the acquisition expenses, property taxes, city planning taxes and consumption taxes, and rounded down to the nearest million yen). (As for the properties with building expansion, the price includes the amount described in the construction contract and construction design/supervision outsourcing contracts (excluding expenses and taxes and rounded down to the nearest million yen)).

Note 5: "Share" represents the percentage of the acquisition price for each property in the total acquisition price, rounded to the nearest tenth.

iii) Overview of tenants as of March 31, 2016

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

Property number	Property name	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual rent (thousands) (Note 5)	Amount of security deposits (millions) (Note 6)
T-1	Fululu Garden Yachiyo	77,057.56	75,694.45	98.2	48	1,076,129	3,351
T-2	MONA Shin-Urayasu	9,592.65	9,180.34	95.7	1(70)	590,902	655
T-3	Passaggio Nishiarai	10,546.25	10,342.77	98.1	1(41)	398,812	233
T-4	Daikanyama Address Dixsept	5,056.39	4,905.88	97.0	1(26)	353,668	333
T-5	Unicus Ina	13,462.71	13,462.71	100.0	1	279,002	141
T-6	Yorktown Kita-Kaname	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
T-7	Unicus Yoshikawa	10,648.27	10,648.27	100.0	1(11)	261,267	203
T-8	Sports Club Renaissance Fujimidai	3,120.87	3,120.87	100.0	1	- (Note 7)	- (Note 7)
T-9	Super Viva Home Iwatsuki (Land)	67,325.95	67,325.95	100.0	1	- (Note 7)	- (Note 7)
T-10	K's Denki Shonan-Fujisawa (Land)	15,578.58	15,578.58	100.0	1	- (Note 7)	141
T-11	Unicus Kamisato (Land)	67,854.47	67,854.47	100.0	1	145,220	70
T-12	Unicus Konosu (Land)	19,329.00	19,329.00	100.0	1	83,014	39
T-13	Inageya Yokohama Minamihonjuku (Land)	4,405.41	4,405.41	100.0	1	- (Note 7)	- (Note 7)
T-14	Gourmet City Chiba-Chuo	3,488.77	3,488.77	100.0	1	- (Note 7)	- (Note 7)
T-15	Nakamachidai Tokyu Store	5,968.71	5,968.71	100.0	1	- (Note 7)	- (Note 7)
T-16	Central Wellness Club Nagatsuta Minamidai	3,996.70	3,996.70	100.0	2	116,400	146
T-17	Life Kameido	2,929.58	2,929.58	100.0	1	- (Note 7)	- (Note 7)
O-1	Blumer Maitamon	30,037.11	29,790.80	99.2	50	686,284	416
O-2	Central Square Takadono (Land)	4,437.07	4,437.07	100.0	1	- (Note 7)	- (Note 7)
O-3	Piago Kahma Home Center Omihachiman	14,313.00	14,313.00	100.0	2	- (Note 7)	- (Note 7)
O-4	Blumer HAT Kobe	24,185.02	23,968.51	99.1	1(41)	648,448	856
O-5	Carino Esaka	7,540.58	7,371.52	97.8	1(30)	287,036	239
O-6	COMBOX Komyoike	25,530.44 (Note 8)	25,530.44	100.0	1	452,523 (Note 9)	447 (Note 10)
O-7	Hankyu Oasis Hirakatadeguchi	2,960.38	2,960.38	100.0	1	- (Note 7)	- (Note 7)
O-8	Welcia Kishiwadakamori (Land)	3,033.45	3,033.45	100.0	1	- (Note 7)	- (Note 7)
O-9	Life Nishi-Tengachaya	2,679.52	2,679.52	100.0	1	89,740	262
O-10	Million Town Tsukaguchi (Land)	8,264.46	8,264.46	100.0	1	- (Note 7)	- (Note 7)
N-1	Kahma Home Center Nakagawa Tomita (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
N-2	Valor Ichinomiya-Nishi	9,447.48	9,447.48	100.0	1	- (Note 7)	- (Note 7)
N-3	K's Denki Nakagawa Tomita (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
N-4	Homecenter Kohnan Sunadabashi	20,329.07	20,329.07	100.0	1	- (Note 7)	- (Note 7)
N-5	K's Denki Shin-Moriyama (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
F-1	Sunny Noma	2,814.67	2,814.67	100.0	1	- (Note 7)	- (Note 7)

Property number	Property name	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual rent (thousands) (Note 5)	Amount of security deposits (millions) (Note 6)
R-1	Roseo Mito	48,296.15	48,161.79	99.7	1(22)	690,130	459
R-2	K's Denki Aomori Honten	10,083.41	10,083.41	100.0	1	- (Note 7)	174
R-3	Super Sports Xebio Aomori-Chuo	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
R-4	Ashico Town Ashikaga	65,616.31	65,616.31	100.0	1(29)	395,668	334
R-5	Yorktown Shinden-Higashi	12,768.77	12,768.77	100.0	2	- (Note 7)	- (Note 7)
R-6	Kasumi Technopark Sakura	2,047.65	2,047.65	100.0	1	- (Note 7)	24
R-7	Solala Plaza	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
R-8	P-1 Plaza Tenno	12,030.83	12,030.83	100.0	7	270,720	282
R-9	Seiyu Rakuichi Moriya (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
Total		719,906.77	717,011.12	99.6	409	10,683,903	11,397

- Note 1: "Leasable area" is equivalent to gross floor area of space that we consider to be available for lease in each property, rounded to the nearest tenth. For land-only properties, leasable area is equivalent to land area as described in the property registry.
- Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of March 31, 2017. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of March 31, 2017 is shown. As for sublease type master leases, the leased area to the master lessee is shown.
- Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of March 31, 2017, rounded to the nearest tenth. The "Total" of "Occupancy rate" represents the average occupancy rate of all properties in the initial portfolio.
- Note 4: "Number of tenants" is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of March 31, 2017. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. The "Total" of "Number of tenants" shows the total number of tenants. As for pass-through type master leases, the number of end-tenants is used for calculation. As for sublease type master leases, the number of master lessee is used for calculation.
- Note 5: "Annualized fixed rent" is generally calculated by multiplying the monthly fixed rent and common area charges under a leasing contract with tenants at portfolio properties as of March 31, 2017 (excluding warehouses in the case of building lease agreements) by twelve and rounding down to the nearest thousand yen. For master leases, where the master lease company subleases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by twelve, rounded down to the nearest thousand yen.
- Note 6: "Tenant leasehold and security deposits" indicates the outstanding balance of any tenant leasehold and security deposit from the relevant end-tenant(s) set forth in lease agreement(s) effective as of March 31, 2017 (excluding warehouses in the case of building lease agreements), rounded down to the nearest million yen.
- Note 7: We have not obtained consent from the tenant(s) to release this information.
- Note 8: The total area that we own exclusively as a compartmentalized ownership interest (retail space) is shown.
- Note 9: Calculated by multiplying the monthly rent and common area charges for March 2017 under the leasing contract by twelve and also taking into consideration the ownership ratio (93.20%) under the compartmentalized ownership agreement.
- Note 10: Calculated by multiplying the tenant leasehold and security deposits for the whole building as of March 2017 by the ownership ratio (93.20%).

iv) Overview of the appraisal reports

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

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Estimated value							Appraisal NOI (in millions) (Note 1)	Appraisal NOI yield (%) (Note 2)
					Cost method (in millions)	Cash flow-based method							
						Direct capitalization method		DCF method					
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)			
T-1	Fululu Garden Yachiyo	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	15,200	21,000	15,200	4.6	15,200	4.4	4.8	750	5.1	
T-2	MONA Shin-Urayasu	Japan Real Estate Institute	Mar. 31, 2017	8,470	6,850	8,500	5.2	8,430	4.8	5.3	491	6.1	
T-3	Passaggio Nishiarai	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	6,360	8,920	6,500	4.3	6,300	4.1	4.5	287	4.9	
T-4	Daikanyama Address Dixsept	Japan Real Estate Institute	Mar. 31, 2017	5,790	4,930	5,890	3.7	5,690	3.5	3.9	223	4.1	
T-5	Unicus Ina	Japan Real Estate Institute	Mar. 31, 2017	4,750	4,070	4,780	5.1	4,710	4.8	5.3	250	5.6	
T-6	Yorktown Kita-Kaname	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	4,300	2,560	4,390	4.9	4,260	4.7	5.1	215	5.4	
T-7	Unicus Yoshikawa	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	3,840	4,740	3,900	4.7	3,810	4.5	4.9	185	5.2	
T-8	Sports Club Renaissance Fujimidai	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	2,750	1,750	2,790	4.6	2,730	4.4	4.8	128	5.0	
T-9	Super Viva Home Iwatsuki (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	5,380	-	-	-	5,380	(year 1-16) 4.6 (year 17-35.7) 4.7	-	207	4.3	
T-10	K's Denki Shonan-Fujisawa (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	3,480	-	-	-	3,480	(year 1-11) 4.4 (year 12-30.6) 4.5	-	159	5.0	
T-11	Unicus Kamisato (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	3,050	-	-	-	3,050	(year 1-14) 4.6 (year 15-29) 4.7 (year 30-38.5) 4.8	-	138	4.6	
T-12	Unicus Konosu (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	1,770	-	-	-	1,770	(year 1-14) 4.5 (year 15-29) 4.6 (year 30-38.5) 4.7	-	77	4.6	
T-13	Inageya Yokohama Minamihonjuku (Land)	Japan Real Estate Institute	Mar. 31, 2017	1,430	-	-	-	1,430	4.0	4.7	64	4.5	
T-14	Gourmet City Chiba-Chuo	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	807	1,030	800	5.1	810	4.9	5.3	43	5.8	
T-15	Nakamachidai Tokyu Store	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	3,820	2,870	3,870	4.6	3,800	4.4	4.8	182	5.4	
T-16	Central Wellness Club Nagatsuta Minamidai	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	1,910	2,380	1,920	5.0	1,900	4.8	5.2	97	5.7	
T-17	Life Kameido	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	1,520	1,960	1,540	4.2	1,510	3.9	4.4	65	4.5	
O-1	Blumer Maitamon	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	9,230	9,040	9,220	5.3	9,240	5.4	5.5	497	5.9	
O-2	Central Square Takadono (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	2,980	-	-	-	2,980	(year 1-8) 4.2 (year 9-18) 4.3 (year 19-38.3) 4.4	-	128	4.8	
O-3	Piago Kahma Home Center Omihachiman	Japan Real Estate Institute	Mar. 31, 2017	2,430	2,340	2,450	6.2	2,410	5.9	6.4	151	7.1	

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Estimated value							Appraisal NOI yield (%) (Note 2)
					Cost method (in millions)	Cash flow-based method					Appraisal NOI (in millions) (Note 1)	
						Direct capitalization method		DCF method				
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)		
O-4	Blumer HAT Kobe	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	11,600	14,400	11,700	4.8	11,600	4.6	5.0	566	5.1
O-5	Carino Esaka	Japan Real Estate Institute	Mar. 31, 2017	6,770	6,540	6,800	4.7	6,740	4.4	4.9	343	5.2
O-6	COMBOX Komyoike	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	6,950	7,770	7,180	5.1	6,850	4.8	5.3	389	6.0
O-7	Hankyu Oasis Hirakatadeguchi	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	1,330	888	1,340	5.5	1,320	5.3	5.7	75	5.9
O-8	Welcia Kishiwadakamori (Land)	Japan Real Estate Institute	Mar. 31, 2017	488	-	-	-	488	4.0	4.7	21	4.5
O-9	Life Nishi-Tengachaya	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	1,660	1,610	1,680	4.7	1,650	4.8	4.9	79	5.3
O-10	Million Town Tsukaguchi (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	3,820	-	-	-	3,820	(year 1-19) 4.2 (year 20-38.9) 4.4	-	159	4.3
N-1	Kahma Home Center Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	2,590	-	-	-	2,590	(year 1-16) 4.5 (year 17-36.2) 4.6	-	120	5.2
N-2	Valor Ichinomiya-Nishi	Japan Real Estate Institute	Mar. 31, 2017	2,310	1,860	2,320	5.1	2,300	4.8	5.3	128	5.9
N-3	K's Denki Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Mar. 31, 2017	980	-	-	-	980	(year 1-16) 4.5 (year 17-36.2) 4.6	-	46	5.2
N-4	Homecenter Kohnan Sunadabashi	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	7,310	7,540	7,450	4.8	7,250	4.6	5.0	368	5.2
N-5	K's Denki Shin-Moriyama (Land)	Japan Real Estate Institute	Mar. 31, 2017	1,420	-	-	-	1,420	4.0	4.3	60	4.4
F-1	Sunny Noma	Japan Real Estate Institute	Mar. 31, 2017	1,530	1,300	1,560	5.0	1,490	4.8	5.4	80	5.4
R-1	Roseo Mito	Japan Real Estate Institute	Mar. 31, 2017	11,000	9,420	11,100	5.3	10,900	5.0	5.5	596	5.9
R-2	K's Denki Aomori Honten	Japan Real Estate Institute	Mar. 31, 2017	1,550	1,670	1,550	5.6	1,540	5.3	5.8	92	6.3
R-3	Super Sports Xebio Aomori-Chuo	Japan Real Estate Institute	Mar. 31, 2017	928	854	933	5.6	923	5.3	5.8	57	6.4
R-4	Ashico Town Ashikaga	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	5,060	8,090	5,030	5.3 (Building) 5.0 (Land) (Note 3)	5,070	5.1 (Building) 5.0 (Land)	5.5 (Building)	268	6.4
R-5	Yorktown Shinden-Higashi	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	3,330	5,090	3,340	5.5	3,330	5.3	5.7	193	6.0
R-6	Kasumi Technopark Sakura	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	873	754	881	5.1	870	4.9	5.3	46	5.6
R-7	Solala Plaza	Japan Real Estate Institute	Mar. 31, 2017	5,960	4,120	5,990	4.8	5,920	4.5	5.0	286	5.0
R-8	P-1 Plaza Tenno	Japan Real Estate Institute	Mar. 31, 2017	4,340	4,350	4,370	5.1	4,300	4.8	5.3	230	5.7
R-9	Seiyu Rakuichi Moriya (Land)	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 31, 2017	4,210	-	4,250	4.3	4,190	4.2	4.4	166	4.1
Total/Average				175,276	150,696	149,224	-	174,431	-	-	8,727	5.3

Note 1: "Appraisal NOI" is the Net Operating Income calculated by subtracting the amount of operating expenses from the operating revenues described in relevant appraisal reports, and it is the income before depreciation and differs from NCF (Net Cash Flow) which is calculated by adding investment gains from such as deposits and subtracting capex from NOI. The above appraisal NOI is calculated using the direct capitalization method. However, where the direct capitalization method is not applicable, appraisal NOI indicates the net operating income for the first year based on the DCF method. (Note that Unicus Kamisato (Land) and Unicus Konosu (Land) use NOI for the third year, when ordinary operations are expected to take place.) The amounts are rounded down to the nearest one million yen.

Note 2: "Appraisal NOI yield" indicates the value calculated using the following formula and rounded to the nearest tenth. The "Total/average" of "Appraisal NOI yield" indicates the average appraisal NOI yield which is a weighted average of appraisal NOI yields of the acquired properties (rounded to the nearest tenth).  
Appraisal NOI of each property / Acquisition price for each property.

Note 3: Inwood method discount rate is shown for discount rate of land-only properties.

v) Overview of building condition investigation reports

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

Property Number	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note 1)	Required over the next 12 years (thousand yen) (Note 1)
T-1	Fululu Garden Yachiyo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	980,970	-
T-2	MONA Shin-Urayasu	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	921,734	16,696
T-3	Passaggio Nishiarai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	125,949	-
T-4	Daikanyama Address Dixsept	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	145,352	-
T-5	Unicus Ina	HI International Consultant Co., Ltd.	Aug. 2014 Dec. 2016 (Restaurant building)	130,310	1,110
T-6	Yorktown Kita-Kaname	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	13,213	1,775
T-7	Unicus Yoshikawa	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	59,132	-
T-8	Sports Club Renaissance Fujimidai	HI International Consultant Co., Ltd.	Sep. 2014	23,780	400
T-9	Super Viva Home Iwatsuki (Land)	(Note 2)	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	(Note 2)	-	-	-
T-11	Unicus Kamisato (Land)	(Note 2)	-	-	-
T-12	Unicus Konosu (Land)	(Note 2)	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	(Note 2)	-	-	-
T-14	Gourmet City Chiba-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	24,669	131
T-15	Nakamachidai Tokyu Store	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	28,394	-
T-16	Central Wellness Club Nagatsuta Minamidai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	16,888	-
T-17	Life Kameido	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	21,442	-
O-1	Blumer Maitamon	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	211,954	-
O-2	Central Square Takadono (Land)	(Note 2)	-	-	-
O-3	Piagio Kahma Home Center Omihachiman	HI International Consultant Co., Ltd.	Aug. 2014	56,850	180
O-4	Blumer HAT Kobe	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2015	326,565	3,959
O-5	Carino Esaka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	424,506	6,443
O-6	COMBOX Komyoike	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	355,643	-
O-7	Hankyu Oasis Hirakatadeguchi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	57,175	-
O-8	Welcia Kishiwadakamori (Land)	(Note 2)	-	-	-
O-9	Life Nishi-Tengachaya	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Sep. 2015	15,464	2,225
O-10	Million Town Tsukaguchi (Land)	(Note 2)	-	-	-
N-1	Kahma Home Center Nakagawa Tomita(Land)	(Note 2)	-	-	-
N-2	Valor Ichinomiya-Nishi	HI International Consultant Co., Ltd.	Aug. 2014	177,790	2,690
N-3	K's Denki Nakagawa Tomita (Land)	(Note 2)	-	-	-
N-4	Homecenter Kohnan Sunadabashi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Dec. 2015	336,943	-
N-5	K's Denki Shin-Moriyama (Land)	(Note 2)	-	-	-
F-1	Sunny Noma	HI International Consultant Co., Ltd.	Aug. 2014	41,960	420

Property Number	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note 1)	Required over the next 12 years (thousand yen) (Note 1)
R-1	Roseo Mito	HI International Consultant Co., Ltd.	Aug. 2014 (Secondhand Shop building: Oct. 2015)	238,790	550
R-2	K's Denki Aomori Honten	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	142,764	-
R-3	Super Sports Xebio Aomori-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	103,012	-
R-4	Ashico Town Ashikaga	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	327,264	-
R-5	Yorktown Shinden-Higashi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Jul. 2015	176,945	4,163
R-6	Kasumi Technopark Sakura	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	18,155	-
R-7	Solala Plaza	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	25,430	-
R-8	P-1 Plaza Tenno	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	159,757	28,423
R-9	Seiyu Rakuichi Moriya (Land)	(Note 3)	-	-	-
Total				5,688,800	69,165

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

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

Note 3: Since this is a land-only property, KRR did not obtain the engineering report but obtained history survey report on the land use from Tokio Marine & Nichido Risk Consulting Co., Ltd.

## vi) Overview of seismic PML evaluation report

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

Property number	Property name	PML value in seismic review (%) (Note 1)
T-1	Fululu Garden Yachiyo	Specialty store building 10.24 Ito-Yokado building 8.96
T-2	MONA Shin-Urayasu	Retail building 5.98 Parking building 5.97
T-3	Passaggio Nishiarai	3.13
T-4	Daikanyama Address Dixsept	11.11
T-5	Unicus Ina	4.51
T-6	Yorktown Kita-Kaname	8.72
T-7	Unicus Yoshikawa	3.26
T-8	Sports Club Renaissance Fujimidai	7.09
T-9	Super Viva Home Iwatsuki (Land)	-
T-10	K's Denki Shonan-Fujisawa (Land)	-
T-11	Unicus Kamisato (Land)	-
T-12	Unicus Konosu (Land)	-
T-13	Inageya Yokohama Minamihonjuku (Land)	-
T-14	Gourmet City Chiba-Chuo	1.82
T-15	Nakamachidai Tokyu Store	8.15
T-16	Central Wellness Club Nagatsuta Minamidai	Retail building 7.70 Parking building 6.36
T-17	Life Kameido	3.79
O-1	Blumer Maitamon	1.52
O-2	Central Square Takadono (Land)	-
O-3	Piago Kahma Home Center Omihachiman	Piago building 3.95 Kahma Home Center building 5.22
O-4	Blumer HAT Kobe	4.69
O-5	Carino Esaka	3.17
O-6	COMBOX Komyoike	5.04
O-7	Hankyu Oasis Hirakatadeguchi	4.11
O-8	Welcia Kishiwadakamori (Land)	-
O-9	Life Nishi-Tengachaya	6.32
O-10	Million Town Tsukaguchi (Land)	-
N-1	Kahma Home Center Nakagawa Tomita (Land)	-
N-2	Valor Ichinomiya-Nishi	10.18
N-3	K's Denki Nakagawa Tomita (Land)	-
N-4	Homecenter Kohnan Sunadabashi	7.47
N-5	K's Denki Shin-Moriyama (Land)	-
F-1	Sunny Noma	1.95
R-1	Roseo Mito	Coffee shop building 7.41 Mall building 6.70 Sports facility building 9.69 Hardware store building 9.68 Secondhand shop building 7.85
R-2	K's Denki Aomori Honten	K's Denki building 1.61 TSUTAYA/ Hard-off building 1.51
R-3	Super Sports Xebio Aomori-Chuo	1.52
R-4	Ashico Town Ashikaga	Shopping mall building 2.16 Extensions 1.91 Cinema building 2.28 Road-side building 2.59
R-5	Yorktown Shinden-Higashi	3.43



R-6	Kasumi Technopark Sakura	6.40
R-7	Solala Plaza	4.46
R-8	P-1 Plaza Tenno	A building 21.66 (Note 2) B building 11.84 C building 12.29 D building 11.12 E building 13.36 F building 16.98 G building 9.07 H building 12.00
R-9	Seiyu Rakuichi Moriya (Land)	-
Portfolio PML value (Note 3)		2.24

Note 1: PML is rounded to the nearest hundredth.

Note 2: The building is on earthquake insurance as its PML value is higher than 20%.

Note 3: "Portfolio PML value" is the portfolio PML value of 30 properties that excludes Super Viva Home Iwatsuki (Land), K's Denki Shonan-Fujisawa (Land), Unicus Kamisato (Land), Unicus Konosu (Land), Inageya Yokohama Minamihonjuku (Land), Central Square Takadono (Land), Welcia Kishiwadakamori (Land), Million Town Tsukaguchi (Land), Kahma Home Center Nakagawa Tomita (Land), K's Denki Nakagawa Tomita (Land), K's Denki Shin-Moriyama (Land) and Seiyu Rakuichi Moriya (Land), which is based on the Portfolio Earthquake PML Evaluation Report created by Sampo Risk Management & Health Care Inc. as of March 2016.

vii) Architect, structural engineer, construction company and construction confirmation authority

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
T-1	Fululu Garden Yachiyo	(Ito Yokado Yachiyo) Research Institute of Architecture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architecture, Tokyo Branch	(Ito Yokado Yachiyo) Research Institute of Architecture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architecture, Tokyo Branch	(Ito Yokado Yachiyo) Takenaka Corporation, Higashi-Kanto Branch (Fululu Garden Yachiyo) Takenaka Corporation, Higashi-Kanto Branch	The Building Center of Japan
T-2	MONA Shin-Urayasu	Haseko Corporation, Engineering Division	Haseko Corporation, Engineering Division	Haseko Corporation	Chiba Prefecture
T-3	Passaggio Nishiarai	Yamashita Sekkei Inc.	Yamashita Sekkei Inc.	Nishimatsu Construction Co., Ltd.	Tokyo Prefecture
T-4	Daikanyama Address Dixsept	Nihon Sekkei, Inc.	Nihon Sekkei, Inc.	Kajima Corporation	Tokyo Prefecture
T-5	Unicus Ina	Taisei Corporation, Registered architect office	Taisei Corporation, Registered architect office	Taisei Corporation	Bureau Veritas Japan Co., Ltd.
T-6	Yorktown Kita-Kaname	CB Richard Ellis Asset Services K.K.	Sankyoline Corporation	Asanuma Corporation	K.K. Building Navigation
T-7	Unicus Yoshikawa	Obayashi Corporation	Obayashi Corporation	Obayashi Corporation	Saitama Housing Inspection Center
T-8	Sports Club Renaissance Fujimidai	K.K. Axs Engineering	K.K. Axs Engineering	Ichiken Co., Ltd.	Nerima ward
T-9	Super Viva Home Iwatsuki (Land)	-	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	-	-	-	-
T-11	Unicus Kamisato (Land)	-	-	-	-
T-12	Unicus Konosu (Land)	-	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	-	-	-	-
T-14	Gourmet City Chiba-Chuo	Nikken Sekkei Ltd.	Nikken Sekkei Ltd.	Consortium of Taisei Corporation and Shimizu Corporation	The Building Center of Japan
T-15	Nakamachidai Tokyu Store	Kyouritsu Associates Architects & Engineers	Espace Architect Office	Tokyu Construction Co., Ltd. Yokohama Branch	The Japan Building Equipment and Elevator Center Foundation
T-16	Central Wellness Club Nagatsuta Minamidai	(Retail building) Daiwa House Industry Co., Ltd. (Parking building) Daiwa House Industry Co., Ltd.	(Retail building) Konishi Sekkei Co., Ltd., (Parking building) Vega Sekkei Co., Ltd.	(Retail building) Daiwa House Industry Co., Ltd., (Parking building) Daiwa House Industry Co., Ltd.	Japan ERI Co., Ltd.
T-17	Life Kameido	Sumitomo Construction Co., Ltd.	Sumitomo Construction Co., Ltd.	Sumitomo Construction Co., Ltd.	Koto ward
O-1	Blumer Maitamon	Asanuma Corporation	Asanuma Corporation	Daiwa System Co., Ltd.	Bureau Veritas Japan Co., Ltd.
O-2	Central Square Takadono (Land)	-	-	-	-
O-3	Piago Kahma Home Center Omihachiman	(Piago building) Kiuchi Construction Co., Ltd. (Kahma Home Center building) Daiken Tosikaihatu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahma Home Center building) Daiken Tosikaihatu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahma Home Center building) Aisawa Construction Co., Ltd. (Note2)	K.K. Organization of Confirmation & Inspection Annex
O-4	Blumer HAT Kobe	Obayashi Corporation	Obayashi Corporation	Obayashi Corporation	Center of International Architectural Standard Co., Ltd.

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
O-5	Carino Esaka	Tokyu Architects & Engineers Inc. (for new building construction) Tokyu Construction Co., Ltd. (for property expansion)	Tokyu Architects & Engineers Inc.	Tokyu Construction Co., Ltd.	Suita City
O-6	COMBOX Komyoike	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	General Building Research Corporation of Japan
O-7	Hankyu Oasis Hirakatadeguchi	Rui Sekkeishitsu Co., Ltd.	Rui Sekkeishitsu Co., Ltd.	Obara Construction Co., Ltd.	General Building Research Corporation of Japan
O-8	Welcia Kishiwadakamori (Land)	-	-	-	-
O-9	Life Nishi-Tengachaya	KIA Urban Planning and Architects Institute Co., Ltd.	Fujita Corporation	Nihon Kensetsu Co., Ltd.	Center of International Architectural Standard Co., Ltd.
O-10	Million Town Tsukaguchi (Land)	-	-	-	-
N-1	Kahma Home Center Nakagawa Tomita (Land)	-	-	-	-
N-2	Valor Ichinomiya-Nishi	Chubu Sekkei Co., Ltd.	Chubu Sekkei Co., Ltd.	Tsuchiya Corporation	Ichinomiya City
N-3	K's Denki Nakagawa Tomita (Land)	-	-	-	-
N-4	Homecenter Kohnan Sunadabashi	Nankai Sogo Sekkei Co., Ltd.	Nankai Sogo Sekkei Co., Ltd.	Obayashi Corporation	Japan ERI Co., Ltd.
N-5	K's Denki Shin-Moriyama (Land)	-	-	-	-
F-1	Sunny Noma	Nakamuta & Suenaga Designing (JV)	Nakamuta & Suenaga Designing (JV)	Nishimatsu Construction Co., Ltd., Kyushu Branch	Fukuoka City
R-1	Roseo Mito	(Coffee shop building) Tetsu Works Architect Office (Mall building) Kurehanishiki Construction Co., Ltd. Change of use: Registered Architect Studio Work House (Sports facility building) Kishi-Sekkei Co., Ltd. (Hardware store building) Nihon Jutaku Corporation, Registered Architect Office (Secondhand shop building) Choeihands Corporation	(Coffee shop building) Tetsu Works Architect Office (Mall building) Sezako Structural Engineering Office (Sports facility building) Individual (Note 3) (Hardware store building) K.K. Dan Structural Engineering Office (Secondhand shop building) Converse Corporation	(Coffee shop building) Kurehanishiki Construction Co., Ltd. (Mall building) Kurehanishiki Construction Co., Ltd. (Sports facility building) Kurehanishiki Construction Co., Ltd. (Hardware store building) Nihon Jutaku Corporation (Secondhand shop building) Choeihands Corporation	(Coffee shop building) (Mall building) (Sports facility building) (Hardware store building) Mito City  (Secondhand shop building) Japan ERI Co., Ltd.
R-2	K's Denki Aomori Honten	K.K. Kyoei Planning Design	K.K. Kyoei Planning Design	(K's Denki building) Nihon Kensetsu Co., Ltd., Sendai Branch (TSUTAYA/Hard-off building) Nihon Kensetsu Co., Ltd., Sendai Branch	Aomori City
R-3	Super Sports Xebio Aomori-Chuo	Takenaka Corporation	Individual (Note 3)	Takenaka Corporation	Japan ERI Co., Ltd.
R-4	Ashico Town Ashikaga	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) KKHY Architects & Associates (extensions)	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) Architecture Form Corporation (extensions)	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) Tokyo Bisso Kogyo Corporation (extensions)	Bureau Veritas Japan Co., Ltd.
R-5	Yorktown Shinden-Higashi	MTM International Corporation	MTM International Corporation	Kajima Corporation	Japan ERI Co., Ltd.
R-6	Kasumi Technopark Sakura	Office Okano Kenchikusekai Co., Ltd.	Office Okano Kenchikusekai Co., Ltd.	Nakano Corporation Co., Ltd.	Ibaraki Prefecture

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
R-7	Solala Plaza	Yamashita Sekkei Inc.	Yamashita Sekkei Inc.	Shimizu Corporation	Japan ERI Co., Ltd.
R-8	P-1 Plaza Tenno	(A building) First-Class Architect Office Atelier Zero (for new building construction ), Entetsu General Constructor (for building expansion) (B building) Parking Pro Co., Ltd. (C building) Daiwa House Industry Co., Ltd. (D building) Daiwa House Industry Co., Ltd. (E building) Daiwa House Industry Co., Ltd. (F building) DO Design Co., Ltd. (G building) Akou Co., Ltd. (H building) Akou Co., Ltd.	(A building) First-Class Architect Office Atelier Zero (B building) Parking Pro Co., Ltd. (C building) Daiwa House Industry Co., Ltd. (D building) Daiwa House Industry Co., Ltd. (E building) - (F building) Toda Corporation (G building) Akou Co., Ltd. First-Class Architect Office (H building) Akou Co., Ltd. First-Class Architect Office	(A building) Toei Interior Co., Ltd., Iidagumi Co., Ltd. (for new building construction) Entetsu General Constructor (for building expansion) (B building) Parking Pro Co., Ltd. (C building) Daiwa House Industry Co., Ltd. (D building) Daiwa House Industry Co., Ltd. (E building) Daiwa House Industry Co., Ltd. (F building) Toda Corporation (G building) Akou Co., Ltd. (H building) Akou Co., Ltd.	(A building) Hamamatsu City (B building) Kakunin Service Inc. (C building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (D building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (E building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (F building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (G building) Hamamatsu City (H building) Hamamatsu City
R-9	Seiyu Rakuichi Moriya (Land)	-	-	-	-

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

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

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

## viii) Overview of portfolio

## (A) Distribution by property type

Property type	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note)
Neighborhood, community and other shopping centers for daily needs	42	164,338	100.0
NSC (Neighborhood Shopping Centers)	17	77,970	47.4
SM (Supermarkets)	8	11,449	7.0
CSC Community shopping Centers)	1	14,848	9.0
Urban Station-Front Shopping Centers	6	38,028	23.1
SS (Specialty Store)	10	22,043	13.4
Other retail properties	-	-	-
<b>Total</b>	<b>42</b>	<b>164,338</b>	<b>100.0</b>

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

## (B) Distribution by location

Region	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note)
Four major metropolitan areas	33	129,822	79.0
Tokyo metropolitan area	17	70,227	42.7
Greater Osaka area	10	44,214	26.9
Greater Nagoya area	5	13,884	8.4
Fukuoka area	1	1,497	0.9
Ordinance-designated cities, core cities and other areas	9	35,516	21.0
<b>Total</b>	<b>42</b>	<b>164,338</b>	<b>100.0</b>

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

## (C) Distribution by property age

Property age (Note 1)	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note 2)
Less than 5 years	-	-	-
5 years or more but less than 10 years	11	43,331	32.2
10 years or more	19	91,305	67.8
<b>Total</b>	<b>30</b>	<b>134,636</b>	<b>100.0</b>

Note 1: Property age refers to the number of years from the date of the new construction of the property set out in the real estate registry to March 31, 2017. Where multiple buildings exist on the property, the property age is calculated using the average age of those buildings.

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

## (D) Distribution by Lease Term Remaining

Lease term (remaining period) (Note 1)	Annual fixed rent (in millions) (Note 2)	Ratio (%) (Note 3)
Less than 2 years	1,997	18.7
2 to less than 5 years	1,314	12.3
5 to less than 10 years	2,768	25.9
10 to less than 15 years	2,682	25.1
15 to less than 20 years	1,192	11.2
20 years or more	728	6.8
Total	10,683	100.0

Note 1: "Lease term (remaining period)" is based on period until the last date of the lease as set forth in the relevant lease agreements as of March 31, 2017 (excluding warehouses for building lease agreements) for each acquired property and to-be acquired property.

Note 2: "Annual fixed rent" for acquired property is calculated by multiplying the monthly fixed rent and common area charges for the month ended March 31, 2017 (excluding warehouses in the case of building lease agreements) by twelve and rounding down to the nearest million yen. For master leases, where the master lease company subleases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by 12, rounded down to the nearest million yen.

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

## (E) Distribution by lease contract type

Type of lease contract	Ratio (%) (Note)
Fixed-term building lease	65.4
Regular building lease	19.2
Commercial fixed-term land lease	15.4
Others	0.0
Total	100.0

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

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

Rent type (Note 1) (Fixed / Sales-linked rent)	Ratio (%) (Note 2)
Fixed rent	82.6
Fixed rent with sales-linked rent	12.4
Sales-linked rent	5.0
Total	100.0

Note 1: "Fixed rent" refers to rent that remains unchanged regardless of actual tenant sales revenues as set forth in the relevant lease agreements. "Fixed rent with sales-linked rent" refers to rent that consist of a portion that remains unchanged regardless of actual tenant sales revenues and a portion that is based on tenant sales as set forth in the relevant lease agreements. "Sales-linked rent" refers to rent that is based on actual tenant sales revenues as set forth in the relevant lease agreements.

Note 2: "Ratio" is calculated according to the actual rent effective between October 1, 2016 and March 31, 2017, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total figure.

ix) Capital expenditures

(A) Planned capital expenditures

The table below shows major capital expenditures (Note) for renovations, repairs and other projects that are planned for the fifth fiscal period ending September 30, 2017. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditures that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
T-2	MONA Shin-Urayasu	Urayasu, Chiba	First phase of renewal	From March 2017 to July 2017	134	-	-
O-4	Blumer HAT Kobe	Kobe, Hyogo	Changing of layout	From March 2017 to June 2017	85	-	-
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Roof waterproof	From April 2017 to September 2017	63	-	-
O-1	Blumer Maitamon	Kobe, Hyogo	LED installation to common area	From April 2017 to September 2017	46	-	-
O-5	Carino Esaka	Suita, Osaka	Escalator renewal	From April 2017 to September 2017	24	-	-

(B) Capital expenditures during the period under review

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

The amount of capital expenditures in the period under review was 276 million yen. There were also expenditures of 157 million yen that were recorded as repair expenses. In total we spent 433 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
O-5	Carino Esaka	Suita, Osaka	Elevator and escalator renewal	From February 2017 to March 2017	59
T-2	MONA Shin-Urayasu	Urayasu, Chiba	PMAC replacement	From July 2016 to December 2016	48
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	LED installation to common area	From January 2017 to March 2017	31
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Installation of safety devices to fire shutters	From December 2016 to March 2017	18
T-2	MONA Shin-Urayasu	Urayasu, Chiba	PMAC cooling water pump replacement	From January 2017 to March 2017	14
Others					102
Total					276

Note: The construction of a new restaurant building in Unicus Ina is not including in the above list because it involves an acquisition of a new building.

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

Not applicable

x) Major portfolio properties

The table below shows the major property owned by KRR as of March 31, 2017. Major properties are defined as those that account for 10% or more of the total rental revenue generated from all assets held by KRR.

Property number	Property name	Number of tenants	Annual rent (Millions of yen) (Note)	Leased area (m <sup>2</sup> )	Leasable area (m <sup>2</sup> )
T-1	Fululu Garden Yachiyo	48	1,076	75,694.45	77,057.56

Note: Annual rent is 12 times the fixed monthly rent (including a common service charge) under a leasing contract with tenants at portfolio properties as of March 31, 2017 (excluding building leasing contracts for warehouses), rounded down to the nearest million yen. For master leases, where the master lease company subleases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by 12, rounded down to the nearest million yen.



## (3) Information Concerning Major Tenants

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

The following summarizes top ten tenants (end-tenants or sublease type master leasee) as of March 31, 2017

Name of end tenants	Type of business (Note 1)	Property name	Total leased area (m <sup>2</sup> )	Ratio (%) (Note 2)	Annual fixed rent (in thousands of yen) (Note 3)	Tenant leasehold and security deposits (in millions of yen) (Note 4)
Ito-Yokado Co., Ltd. (Note 5)	Retail	Fululu Garden Yachiyo	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
P&D Consulting Co., Ltd.	Real estate	A Unicus Ina B Unicus Kamisato (Land) C Unicus Konosu (Land) D Ashico Town Ashikaga	104,810.72	14.6	507,238	251
YorkMart Co., Ltd.	Retail	Yorktown Kita-Kaname	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Life Corporation	Retail	A Unicus Yoshikawa, B Life Kameido C Central Square Takadono (Land) D Life Nishi-Tengachaya	12,501.97	1.7	- (Note 5)	- (Note 5)
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Edion Corporation	Retail	Blumer Maitamon	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Daiwaroyal Co., Ltd.	Real estate	COMBOX Komyoike	25,530.44	3.5	452,523	447
Toyota Tsusho Corporation	Wholesale	Homecenter Kohnan Sunadabashi	20,329.07	2.8	- (Note 5)	- (Note 5)
Seiyu GK	Retail	A Sunny Noma B Seiyu Rakuichi Moriya (Land)	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Otsuka Kagu, Ltd.	Retail	Solala Plaza	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)

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

Note 2: "Ratio" is the ratio of leased area of the end-tenant to total leasable area of the portfolio as of March 31, 2017, rounded to the nearest tenth.

Note 3: "Annual fixed-rent" for each property is based on monthly contracted rent (including common area charges) as set forth in the relevant lease agreements effective as of March 31, 2017 (excluding warehouses for building lease agreements) for each property or property in trust, truncated to thousands of yen. In a sublease type master lease, the annual rent (excluding consumption taxes) agreed upon in the master lease agreement or the amount obtained by multiplying the monthly rent (excluding consumption taxes) agreed upon in the master lease agreement by 12, rounded down to the nearest thousand yen, is shown.

Note 4: Indicates the outstanding balance of any tenant leasehold and security deposit from the relevant end-tenant(s) set forth in lease agreement(s) effective as of March 31, 2017, rounded down to the nearest million yen.

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

ii) Top End-Tenants in Terms of Leased Area

The end-tenants or the sublease type master lessees that cover over 10% of the total leased area of portfolio as of March 31, 2017 are as follows.

Name of end tenants	Type of business	Property name	Total leased area (m <sup>2</sup> )	Annual fixed rent (in thousands of yen)	Tenant leasehold and security deposits (in millions of yen)	Lease term end	Lease renewal
P&D Consulting Co., Ltd.	Real estate	A Unicus Ina B Unicus Kamisato (Land) C Unicus Konosu (Land) D Ashico Town Ashikaga	104,810.72	507,238	251	A Sep. 25, 2036 B Oct. 1, 2055 C Oct. 1, 2055 D Mar. 31, 2026	A Not Applicable B Not Applicable C Not Applicable D Not Applicable
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note)	- (Note)	- (Note)	- (Note)	- (Note)

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

## 【Reference】

## Earnings Performance for the Individual Properties for the 4th Fiscal Period (October 1, 2016 to March 31, 2017):182 days ※As of March 31, 2017

Location		Tokyo metropolitan area											
Property No.		T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10	T-11	T-12
Property Name		Fululu Garden Yachiyo	MONA Shin-Urayasu	Passaggio Nishiarai	Daikanyama Address Dixsept	Unicus Ina	Yorktown Kita-Kaname	Unicus Yoshikawa	Sports Club Renaissance Fujimidai	Super Viva Home Iwatsuki (Land)	K's Denki Shonan-Fujisawa (Land)	Unicus Kamisato (Land)	Unicus Konosu (Land)
Acquisition Date		February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	October 2, 2015	October 2, 2015	October 2, 2015	October 2, 2015
Price Information	Acquisition price ( In millions of yen )	14,848	8,063	5,850	5,390	4,470	4,000	3,600	2,586	4,815	3,169	3,000	1,700
	Percentage of total portfolio	9.0%	4.9%	3.6%	3.3%	2.7%	2.4%	2.2%	1.6%	2.9%	1.9%	1.8%	1.0%
	Net book value ( In millions of yen )	14,948	8,421	5,883	5,427	4,432	3,982	3,622	2,561	4,890	3,210	3,043	1,726
	Appraisal value at the end of period ( In millions of yen )	15,200	8,470	6,360	5,790	4,750	4,300	3,840	2,750	5,380	3,480	3,050	1,770
	Percentage of total appraisal value	8.7%	4.8%	3.6%	3.3%	2.7%	2.5%	2.2%	1.6%	3.1%	2.0%	1.7%	1.0%
Lease Information	Number of tenants	48	1 (70)	1 (41)	1 (26)	1	1	1 (11)	1	1	1	1	1
	Leasable floor area (㎡)	77,057.56	9,592.65	10,546.25	5,056.39	13,462.71	(Note)	10,648.27	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Leased floor area (㎡)	75,694.45	9,180.34	10,342.77	4,905.88	13,462.71		10,648.27	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Occupancy ratio												
	As of March 31, 2017	98.2%	95.7%	98.1%	97.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of September 30, 2016	99.6%	95.6%	98.1%	98.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of March 31, 2016	99.4%	96.1%	98.3%	98.7%	100.0%	100.0%	99.2%	100.0%	100.0%	100.0%	100.0%	100.0%
As of September 30, 2015	99.5%	98.0%	98.3%	93.9%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	
Income and Retained Earnings Information	Operating periods	182days	182days	182days	182days	182days	182days	182days	182days	182days	182days	182days	182days
	①Rental and other operating revenues ( In thousands of yen )	744,902	506,235	309,446	258,816	138,718	(Note)	133,096	(Note)	(Note)	(Note)	72,610	41,507
	Rental revenues	624,013	340,985	211,431	184,154	135,070		130,633				72,610	41,507
	Other operating revenues	120,889	165,249	98,014	74,661	3,648		2,463				-	-
	②Property-related expenses ( In thousands of yen )	357,840	276,741	161,329	147,098	19,051	(Note)	40,011	(Note)	(Note)	(Note)	6,247	4,602
	Property management fees	141,924	82,690	47,631	53,460	1,800		24,154				1,200	1,200
	Taxes	70,946	23,117	35,196	11,880	10,411		14,588				4,782	3,136
	Utilities	57,184	48,747	34,644	29,960	-		-				-	-
	Repairs and maintenance	34,828	31,890	8,243	13,152	4,592		604				-	-
	Insurance	1,806	795	531	300	320		238				-	-
	Trust fees and other expenses	51,150	89,500	35,082	38,344	1,927		425				265	265
③NOI (=①-②) ( In thousands of yen )	387,061	229,493	148,116	111,717	119,667	107,206	93,085	63,662	103,421	79,361	66,362	36,905	
④Depreciation ( In thousands of yen )	85,008	49,863	32,278	15,627	30,411	20,370	15,596	15,127	-	-	-	-	
⑤Rental operating income (=③-④) ( In thousands of yen )	302,053	179,630	115,837	96,090	89,256	86,836	77,489	48,534	103,421	79,361	66,362	36,905	
⑥Capital expenditures ( In thousands of yen )	38,505	95,847	633	11,949	8,806	4,589	425	-	-	-	-	-	
⑦NCF (=⑤-⑥) ( In thousands of yen )	348,556	133,645	147,483	99,768	110,860	102,617	92,660	63,662	103,421	79,361	66,362	36,905	
Reference	Expense ratio (=②/①)	48.0%	54.7%	52.1%	56.8%	13.7%	8.7%	30.1%	12.2%	12.7%	6.4%	8.6%	11.1%
	Property tax for the year 2016 ( In thousands of yen )	141,875	45,897	70,369	23,745	20,790	14,538	29,160	11,263	27,077	7,981	9,551	6,257
	Assets pledged as collateral	○	-	-	-	-	-	-	-	-	-	-	-

## 【Reference】

## Earnings Performance for the Individual Properties for the 4th Fiscal Period (October 1, 2016 to March 31, 2017): 182 days ※As of March 31, 2017

Location		Tokyo metropolitan area					Greater Osaka area						
Property No.		T-13	T-14	T-15	T-16	T-17	O-1	O-2	O-3	O-4	O-5	O-6	O-7
Property Name		Inageya Yokohama Minamihonjuku (Land)	Gourmet City Chiba-Chuo	Nakamachidai Tokyu Store	Central Wellness Club Nagatsuta Minamidai	Life Kameido	Blumer Maitamon	Central Square Takadono (Land)	Piago Kahma Home Center Omihachiman	Blumer HAT Kobe	Carino Esaka	COMBOX Komyoike	Hankyu Oasis Hirakatadeguchi
Acquisition Date		October 2, 2015	October 2, 2015	April 21, 2016	April 20, 2016	April 21, 2016	February 10, 2015	February 10, 2015	February 10, 2015	April 16, 2015	October 2, 2015	October 2, 2015	October 2, 2015
Price Information	Acquisition price ( In millions of yen )	1,442	760	3,360	1,724	1,450	8,389	2,685	2,140	11,000	6,555	6,450	1,280
	Percentage of total portfolio	0.9%	0.5%	2.0%	1.0%	0.9%	5.1%	1.6%	1.3%	6.7%	4.0%	3.9%	0.8%
	Net book value ( In millions of yen )	1,462	770	3,472	1,795	1,470	8,416	2,727	2,147	11,489	6,622	6,436	1,322
	Appraisal value at the end of period ( In millions of yen )	1,430	807	3,820	1,910	1,520	9,230	2,980	2,430	11,600	6,770	6,950	1,330
	Percentage of total appraisal value	0.8%	0.5%	2.2%	1.1%	0.9%	5.3%	1.7%	1.4%	6.6%	3.9%	4.0%	0.8%
Lease Information	Number of tenants	1	1	1	2	1	50	1	2	1 (41)	1 (30)	1	1
	Leasable floor area (㎡)	4,405.41	3,488.77	5,968.71	3,996.70	2,929.58	30,037.11	4,437.07	14,313.00	24,185.02	7,540.58	25,530.44	2,960.38
	Leased floor area (㎡)	4,405.41	3,488.77	5,968.71	3,996.70	2,929.58	29,790.80	4,437.07	14,313.00	23,968.51	7,371.52	25,530.44	2,960.38
	Occupancy ratio												
	As of March 31, 2017	100.0%	100.0%	100.0%	100.0%	100.0%	99.2%	100.0%	100.0%	99.1%	97.8%	100.0%	100.0%
	As of September 30, 2016	100.0%	100.0%	100.0%	100.0%	100.0%	99.1%	100.0%	100.0%	99.1%	99.1%	100.0%	100.0%
	As of March 31, 2016	100.0%	100.0%	-	-	-	99.5%	100.0%	100.0%	98.7%	99.1%	100.0%	100.0%
As of September 30, 2015	-	-	-	-	-	99.5%	100.0%	100.0%	99.5%	-	-	-	
Income and Retained Earnings Information	Operating periods	182days	182days	182days	182days	182days	182days	182days	182days	182days	182days	182days	182days
	①Rental and other operating revenues ( In thousands of yen )				59,734		480,332			482,931	289,459	226,261	
	Rental revenues				58,200		364,441			375,391	192,456	226,261	
	Other operating revenues				1,534		115,891			107,540	97,002	-	
	②Property-related expenses ( In thousands of yen )				5,674		208,413			209,123	109,208	33,363	
	Property management fees	(Note)	(Note)	(Note)	3,553	(Note)	59,159	(Note)	(Note)	65,782	40,767	1,800	(Note)
	Taxes				8		42,615			47,251	24,574	30,476	
	Utilities				324		72,053			68,681	32,053	-	
	Repairs and maintenance				1,223		11,175			2,783	8,234	-	
	Insurance				128		791			1,051	702	674	
	Trust fees and other expenses				437		22,618			23,573	2,875	413	
	③NOI (=①-②) ( In thousands of yen )	31,846	19,686	95,742	54,059	36,832	271,919	63,864	63,617	273,807	180,251	192,898	37,207
	④Depreciation ( In thousands of yen )	-	9,768	20,306	7,745	2,980	50,998	-	10,534	52,512	28,271	32,894	5,201
⑤Rental operating income (=③-④) ( In thousands of yen )	31,846	9,918	75,435	46,314	33,852	220,921	63,864	53,083	221,295	151,980	160,003	32,006	
⑥Capital expenditures ( In thousands of yen )	-	-	-	-	-	1,935	-	-	3,577	63,148	-	-	
⑦NCF (=⑤-⑥) ( In thousands of yen )	31,846	19,686	95,742	54,059	36,832	269,984	63,864	63,617	270,229	117,102	192,898	37,207	
Reference	Expense ratio (=②/①)	11.4%	45.5%	16.9%	9.5%	5.8%	43.4%	7.1%	32.4%	43.3%	37.7%	14.7%	14.5%
	Property tax for the year 2016 ( In thousands of yen )	5,284	11,430	14,145	12,274	8,467	85,207	6,818	29,447	94,486	49,132	60,941	7,844
	Assets pledged as collateral	-	-	-	-	-	-	-	○	-	-	-	-

## 【Reference】

## Earnings Performance for the Individual Properties for the 4th Fiscal Period (October 1, 2016 to March 31, 2017): 182 days ※As of March 31, 2017

Location		Greater Osaka area			Greater Nagoya area					Fukuoka area	Ordinance-designated cities, core cities and other areas			
Property No.		O-8	O-9	O-10	N-1	N-2	N-3	N-4	N-5	F-1	R-1	R-2	R-3	
Property Name		Welcia Kishiwadakamori (Land)	Life Nishi- Tengachaya	Million Town Tsukaguchi (Land)	Kahma Home Center Nakagawa Tomita (Land)	Valor Ichinomiya- Nishi	K's Denki Nakagawa Tomita (Land)	Homecenter Kohnan Sunadabashi	K's Denki Shin- Moriyama (Land)	Sunny Noma	Roseo Mito	K's Denki Aomori Honten	Super Sports Xebio Aomori-Chuo	
Acquisition Date		October 2, 2015	January 21, 2016	April 21, 2016	February 10, 2015	February 10, 2015	February 10, 2015	April 21, 2016	November 1, 2016	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	
Price Information	Acquisition price ( In millions of yen )	487	1,505	3,723	2,311	2,174	889	7,140	1,370	1,497	10,046	1,469	898	
	Percentage of total portfolio	0.3%	0.9%	2.3%	1.4%	1.3%	0.5%	4.3%	0.8%	0.9%	6.1%	0.9%	0.5%	
	Net book value ( In millions of yen )	497	1,568	3,772	2,351	2,155	907	7,165	1,390	1,485	10,031	1,480	898	
	Appraisal value at the end of period ( In millions of yen )	488	1,660	3,820	2,590	2,310	980	7,310	1,420	1,530	11,000	1,550	928	
	Percentage of total appraisal value	0.3%	0.9%	2.2%	1.5%	1.3%	0.6%	4.2%	0.8%	0.9%	6.3%	0.9%	0.5%	
Lease Information	Number of tenants	1	1	1	1	1	1	1	1	1	1 (22)	1	1	
	Leasable floor area (㎡)	3,033.45	2,679.52	8,264.46	(Note)	9,447.48	(Note)	20,329.07	(Note)	2,814.67	48,296.15	10,083.41	(Note)	
	Leased floor area (㎡)	3,033.45	2,679.52	8,264.46		9,447.48		20,329.07		2,814.67	48,161.79	10,083.41		
	Occupancy ratio													
	As of March 31, 2017	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%	100.0%	100.0%	
	As of September 30, 2016	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	100.0%	99.7%	100.0%	
	As of March 31, 2016	100.0%	100.0%	-	100.0%	100.0%	100.0%	100.0%	-	-	100.0%	100.0%	100.0%	
As of September 30, 2015	-	-	-	100.0%	100.0%	100.0%	100.0%	-	-	100.0%	100.0%	100.0%		
Income and Retained Earnings Information	Operating periods	182days	182days	182days	182days	182days	182days	182days	151days	182days	182days	182days	182days	
	①Rental and other operating revenues ( In thousands of yen )		44,870								375,123			
	Rental revenues		44,870								345,065			
	Other operating revenues		-								30,058			
	②Property-related expenses ( In thousands of yen )		2,270								74,688			
	Property management fees	(Note)	1,800	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)	19,014	(Note)	(Note)	
	Taxes		8								27,346			
	Utilities		-								23,723			
	Repairs and maintenance		-								2,257			
	Insurance		53								679			
	Trust fees and other expenses		408								1,666			
③NOI (=①-②) ( In thousands of yen )	10,689	42,599	88,527	60,029	62,073	22,951	190,249	26,737	40,385	300,435	46,054	28,394		
④Depreciation ( In thousands of yen )	-	4,682	-	-	14,526	-	40,500	-	14,253	47,286	6,365	4,894		
⑤Rental operating income (=③-④) ( In thousands of yen )	10,689	37,917	88,527	60,029	47,546	22,951	149,749	26,737	26,132	253,148	39,688	23,500		
⑥Capital expenditures ( In thousands of yen )	-	-	-	-	-	-	-	-	-	-	-	-		
⑦NCF (=⑤-⑥) ( In thousands of yen )	10,689	42,599	88,527	60,029	62,073	22,951	190,249	26,737	40,385	300,435	46,054	28,394		
Reference	Expense ratio (=②/①)	19.0%	5.1%	1.6%	9.6%	21.3%	13.1%	1.6%	4.5%	22.0%	19.9%	17.2%	16.4%	
	Property tax for the year 2016 ( In thousands of yen )	2,073	6,507	6,884	9,869	20,218	3,949	39,652	4,296	7,455	54,675	14,392	6,501	
	Assets pledged as collateral	-	○	-	-	-	-	-	-	-	-	-	-	

## 【Reference】

## Earnings Performance for the Individual Properties for the 4th Fiscal Period (October 1, 2016 to March 31, 2017): 182 days ※As of March 31, 2017

Location		Ordinance-designated cities, core cities and other areas						Total of 42 Properties	
Property No.		R-4	R-5	R-6	R-7	R-8	R-9		
Property Name		Ashico Town Ashikaga	Yorktown Shinden-Higashi	Kasumi Technopark Sakura	Solala Plaza	P-1 Plaza Tenno	Seiyu Rakuichi Moriya (Land)		
Acquisition Date		October 2, 2015	October 2, 2015	October 2, 2015	April 21, 2016	April 22, 2016	January 31, 2017		
Price Information	Acquisition price ( In millions of yen )	4,180	3,252	830	5,720	4,010	4,111	164,338	
	Percentage of total portfolio	2.5%	2.0%	0.5%	3.5%	2.4%	2.5%	100.0%	
	Net book value ( In millions of yen )	4,379	3,329	854	5,718	4,187	4,320	166,782	
	Appraisal value at the end of period ( In millions of yen )	5,060	3,330	873	5,960	4,340	4,210	175,276	
	Percentage of total appraisal value	2.9%	1.9%	0.5%	3.4%	2.5%	2.4%	100.0%	
Lease Information	Number of tenants	1 (29)	2	1	1	7	1	409	
	Leasable floor area (㎡)	65,616.31	12,768.77	2,047.65	(Note)	12,030.83	(Note)	719,906.77	
	Leased floor area (㎡)	65,616.31	12,768.77	2,047.65		12,030.83		717,011.12	
	Occupancy ratio								
	As of March 31, 2017	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.6%	
	As of September 30, 2016	99.1%	100.0%	100.0%	100.0%	100.0%	-	99.7%	
	As of March 31, 2016	99.1%	100.0%	100.0%	-	-	-	99.6%	
As of September 30, 2015	-	-	-	-	-	-	99.6%		
Income and Retained Earnings Information	Operating periods	182days	182days	182days	182days	182days	60days	179days	*Total: Cost-weighted average operating period (days)
	①Rental and other operating revenues ( In thousands of yen )	270,886				136,260		6,427,481	
	Rental revenues	203,746				135,630		5,524,740	
	Other operating revenues	67,139				630		902,740	
	②Property-related expenses ( In thousands of yen )	139,330				13,392		2,096,378	
	Property management fees	38,871	(Note)	(Note)	(Note)	2,843	(Note)	691,625	
	Taxes	25,382				8		482,777	
	Utilities	54,568				264		438,881	
	Repairs and maintenance	10,251				9,077		157,638	
	Insurance	658				721		12,281	
	Trust fees and other expenses	9,600				477		313,173	
③NOI (=①-②) ( In thousands of yen )	131,555	98,810	22,726	159,004	122,868	9,212	4,331,103		
④Depreciation ( In thousands of yen )	28,348	13,621	2,661	43,111	15,857	-	721,606		
⑤Rental operating income (=③-④) ( In thousands of yen )	103,207	85,188	20,064	115,892	107,010	9,212	3,609,497		
⑥Capital expenditures ( In thousands of yen )	37,408	368	-	-	8,962	-	276,156		
⑦NCF (=③-⑥) ( In thousands of yen )	94,146	98,442	22,726	159,004	113,905	9,212	4,054,946		
Reference	Expense ratio (=②/①)	51.4%	36.1%	19.4%	20.5%	9.8%	5.2%	32.6%	
	Property tax for the year 2016 ( In thousands of yen )	50,750	31,456	4,008	30,818	29,901	22,483	1,139,884	
	Assets pledged as collateral	-	-	-	-	-	-		

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

**(Reference) Borrowings**

Borrowings on a financial institution basis as of March 31, 2017 are as follows:

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 2) (Note 3) (%)	Payment due date (Note 4)	Use	Remarks
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,050,000	-	2,050,000	-	0.530	October 2, 2016	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,450,000	-	2,450,000	-	0.530	October 2, 2016		
	Sumitomo Mitsui Banking Corporation	450,000	-	450,000	-	0.480	February 10, 2017		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000	-	450,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-				
	Resona Bank, Ltd.	250,000	-	250,000	-				
	Aozora Bank, Ltd.	250,000	-	250,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	200,000	-				
	Sumitomo Mitsui Banking Corporation	4,140,000	-	-	4,140,000	0.480	April 21, 2017		
	Mizuho Bank, Ltd.	360,000	-	-	360,000	0.480	April 21, 2017		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	-	-	1,070,000				
	Sumitomo Mitsui Banking Corporation (Note 7)	-	4,500,000	600,000	3,900,000				
	Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000	0.430	February 10, 2018		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	450,000	-	450,000				
	Mizuho Bank, Ltd.	-	400,000	-	400,000				
	Resona Bank, Ltd.	-	250,000	-	250,000				
	Aozora Bank, Ltd.	-	250,000	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	200,000	-	200,000				
	Sub Total	12,070,000	6,500,000	7,100,000	11,470,000				
Current Portion of Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation (Note 8)	2,300,000	-	-	2,300,000	0.545	February 10, 2018	(Note 5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	800,000	-	-	800,000				
	Mizuho Bank, Ltd. (Note 8)	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd. (Note 8)	350,000	-	-	350,000				
	Sub Total	3,850,000	-	-	3,850,000				
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020	(Note 5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	The Gunma Bank, Ltd.	400,000	-	-	400,000				
	The Musashino Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000				
	Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mitsubishi UFJ Trust and Banking Corporation	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	550,000	-	-	550,000					
Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000					
Resona Bank, Ltd.	300,000	-	-	300,000					
The Musashino Bank, Ltd.	250,000	-	-	250,000					
Mitsubishi UFJ Trust and Banking Corporation	450,000	-	-	450,000	0.987	March 31, 2023			
Resona Bank, Ltd.	200,000	-	-	200,000					
The Musashino Bank, Ltd.	150,000	-	-	150,000					
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023			

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 2) (Note 3) (%)	Payment due date (Note 4)	Use	Remarks			
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024	(Note 5)	Unsecured/ Non-guaranteed			
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000							
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000							
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	-	-	650,000							
	Resona Bank, Ltd.	500,000	-	-	500,000							
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000	0.368	September 30, 2019					
	Mizuho Bank, Ltd.	710,000	-	-	710,000							
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000	0.803	September 30, 2024					
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000							
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024					
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025					
	The Gunma Bank, Ltd. (Note 6)	-	500,000	-	500,000	0.550	September 30, 2021					
	Development Bank of Japan Inc. (Note 6)	-	2,000,000	-	2,000,000	1.049	January 31, 2027					
	Mizuho Trust & Banking Co., Ltd. (Note 6)	-	1,000,000	-	1,000,000	1.049						
	Resona Bank, Ltd.	-	500,000	-	500,000	1.002						
		Sub Total	53,380,000	4,000,000	-	57,380,000						
		Total	69,300,000	10,500,000	7,100,000	72,700,000						

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

(Thousands of yen)

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term loans payable	5,650,000	8,330,000	7,000,000	7,500,000	28,900,000

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

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

Note 4: All the repayment methods of debt financing except for the following Note 7 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: Borrowings at a fixed rate.

Note 7: Partial prepayment of 600,000 thousand yen was made on October 31, 2016.

Note 8: 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.