

KENEDIX

Retail REIT Corporation



Semi-annual Report for the 11th Period
(From April 1, 2020 to September 30, 2020)

Focused Investment in Shopping Centers for Daily Needs



The 11th fiscal period ended September 30, 2020

| | | |
|---|--|--|
| Distribution per unit | Forecast DPU for the 12th fiscal period | Forecast DPU for the 13th fiscal period |
| JPY 6,546 | JPY 6,785 | JPY 6,635 |
| Total assets (by acquisition price) / Number of properties | | JPY 226.4 _{bn} / 62 |
| Number of tenants | 496 | Occupancy rate at the end of period |
| | | 99.7% |

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From the Executive Director



I would like to take this opportunity to express my sincere gratitude to our shareholders for your continued support to Kenedix Retail REIT Corporation (“KRR”). I would also like to express my sympathy to those suffering from COVID-19.

Thanks to your support, KRR has reported its results of operations for the eleventh fiscal period (from April 1, 2020 to September 30, 2020).

During the eleventh fiscal period, the spread of COVID-19 and the government’s state of emergency declaration have created unprecedented challenges to the retail industry. Despite these circumstances, shopping centers for daily needs with grocery supermarkets as core tenants remained vital to local communities. On the other hand, the business climate remained unstable for service-oriented tenants, with greater impact of the pandemic. We decided to aim for co-existence by accepting temporary rent reductions in order to sustain businesses of tenants facing a serious decline in sales due to the spread of COVID-19, which we believed will lead to the maximization of the long-term value of our portfolio. Consequently, fixed rent revenue in the eleventh fiscal period was affected by temporary rent reductions, and sales-linked rent revenue also declined due to a decrease in tenant sales. However, the distributions to unitholders for the eleventh fiscal period increased by 11 yen to 6,546 yen per unit from the previous period by cost reduction and the gain on the sale of a property. For the eleventh fiscal period, operating revenue totaled 8,398 million yen, operating income was 4,082 million yen, ordinary income was 3,505 million yen, and net income was 3,504 million yen.

In an uncertain business climate, investment unit price has fluctuated significantly. We dedicate ourselves to promote the operation of retail and logistics facilities in order to respond to the confidence and expectations of investors.

We respectfully look forward to your continued support.

Moyuru Watanabe

渡辺 萌

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

TOP INTERVIEW

Q

Please tell us about the impact of the spread of COVID-19 in the eleventh fiscal period.

A

The eleventh fiscal period began with the state of emergency declaration by the government following the spread of COVID-19. People were requested to refrain from going out, and some tenants, such as health clubs, movie theaters and bowling alleys were forced to temporarily suspend their operations. KRR focuses investing in shopping centers for daily needs, which provides products and services essential for daily life and located in residential areas. As many of our retail properties contain stores that handle food and other daily necessities, the maximum percentage of tenants closed during the state of emergency declaration was only around 12%. As for the direct impact on KRR, in addition to a decline in sales-linked rents, rental income declined due to temporary rent reductions/deferral to certain tenants that have faced severe sales declines due to the spread of COVID-19.



Moyuru Watanabe

Q Are tenant sales recovering after the state of emergency declaration?

A The first thing we want to clarify is that sales have not declined in all business categories even under the state of emergency declaration. Places of consumption shifted from central areas to residential areas due to staying-at-home and the increase of work-from-home. Consequently, sales of groceries and home & garden, which are the core tenants of KRR's shopping centers, increased. Approximately 60% of KRR's tenants were in industries that were not materially affected by the state of emergency declaration. Among tenants whose sales declined due to the state of emergency declaration, retail tenants recovered from the previous year's level in June, helped by a reactionary buying after the termination of the state of emergency declaration. On the other hand, service-oriented tenants experienced significant declines during the state of emergency declaration period, and their subsequent recovery is also taking time.

Q Please tell us the background to the upward revision of the forecast DPU for the eleventh fiscal period.

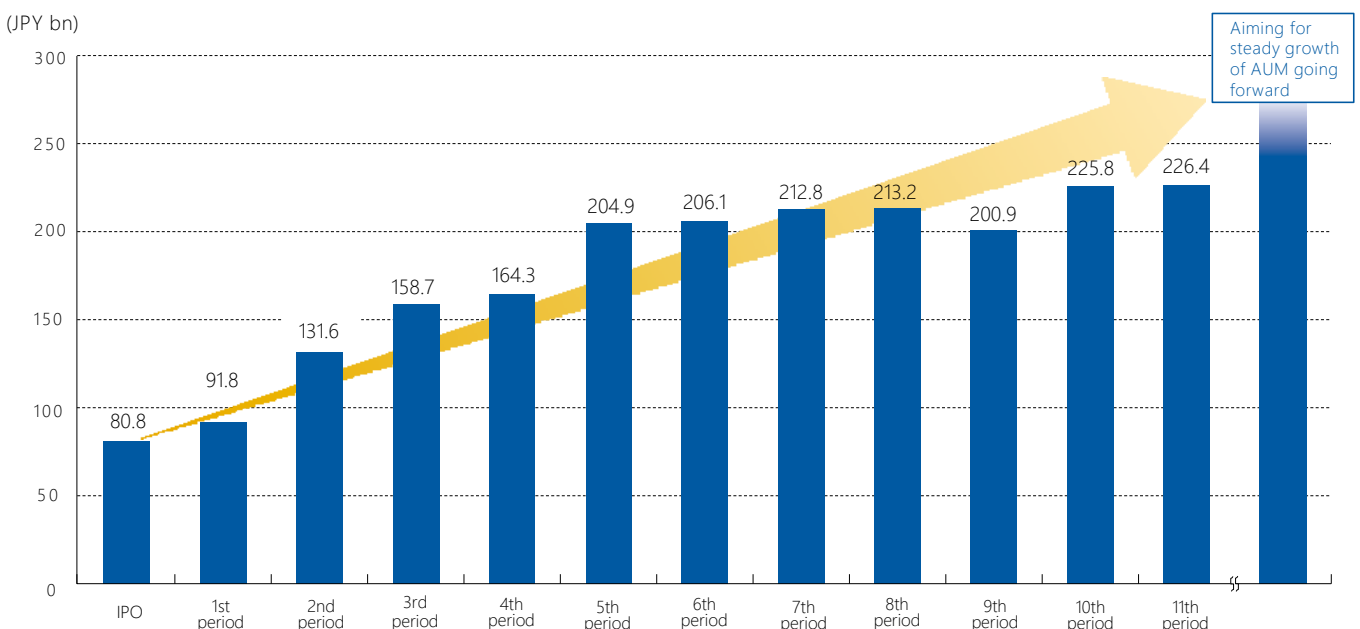
A KRR announced its financial results for the tenth fiscal period (October 1, 2019 to March 31, 2020) in mid-May, in the middle of the state of emergency declaration. At the time, it was extremely difficult to accurately factor in the impact of the spread of COVID-19 without any forecasts of when the state of emergency declaration would be lifted. However, based on the then-prevailing conditions, we have placed considerable stress on our earnings forecasts and announced a distribution

forecast of 5,540 yen for the eleventh fiscal period, a decrease of 995 yen from the actual result for the tenth fiscal period. Subsequently, the state of emergency declaration was lifted earlier than KRR had anticipated, and tenant sales headed for recovery. We also reached agreement with tenants to a certain extent on temporary rent reductions/deferrals. As a result, we revised upward our earnings forecast and announced a distribution forecast of 6,103 in July. However, the number of COVID-19 cases was increasing particularly in Tokyo around this time. Therefore, we have assumed the impact of the pandemic in the earnings forecasts, such as another state of emergency declaration in August and September. The state of emergency declaration was not be issued again during the period, and the additional impact of the pandemic during this period was limited, so the earnings forecast was revised again in October. Rent revenues in the eleventh fiscal period were affected by temporary rent reductions, but due to cost reductions and the gain on sale of a property in conjunction with an asset reshuffle, distributions in the eleventh fiscal period were 6,546 yen per unit, an increase of 11 yen from the previous period.

Q Please tell us about your future growth strategy.

A The eleventh fiscal period should be called a "Crisis period." KRR aimed to coexist with tenants and focused on minimizing the impact of the pandemic. Meanwhile, in the midst of this global crisis, we reaffirmed the stability of shopping centers for daily needs that KRR is focusing on.

Steady AUM growth





The importance of retail facilities that provide food and other daily necessities has not changed even amid the pandemic, and these shopping centers have become a lifeline for consumers. KRR is committed to achieving sustainable growth with these shopping centers for daily needs at the core, and by adding retail distribution centers, which were also stable amid the pandemic.

Q Please tell us about the sale of Daikanyama Address Dixsept announced at the start of the twelfth fiscal period.

A This property is a property with a high percentage of higher end apparel tenants, as This property is a property with a high percentage of higher end apparel tenants, as indicated by the location of Daikanyama, although a grocery supermarket coexists. As a result, it is characterized by less stable earnings than other properties owned by KRR. In addition, due to its location, its NOI yield is lower than other properties. Under such circumstances, the sale was concluded, and the gain on the sale will be enjoyed over the next three fiscal years. We do not know when the pandemic will converge, and there may be a risk that the number of cases will increase again in the winter. However, we believe that this gain on sale will support KRR's performance in the future three fiscal years. Based on this support, we hope to recover our earnings base in the aftermath of the pandemic and put KRR back on a growth track.

We respectfully look forward to your continued support.

Property expansion at Yokohama Kamigo Distribution Center

KRR completed the additional acquisition of a new building ("the Restaurant Building") through property expansion on the underutilized space of Yokohama Kamigo Distribution Center. "Hungry Tiger Kamigo" opened in December 2020.

The newly built Restaurant Building



Assets acquired in the 11th fiscal period

T-30 Comfort Market Nishi-Magome

A new-brand grocery supermarket adjacent to Nishi-magome station, convenient for commuting to central Tokyo



| | | | |
|-----------------|-----------------|---------------------|--------------|
| Location | Ota ward, Tokyo | Acquisition price | JPY 1,920 mn |
| Appraisal value | JPY 2,000 mn | Appraisal NOI yield | 4.4% |

Asset disposed of in the 11th fiscal period

N-5 K's Denki ShinMoriyama (Land)

To be disposed of at a price above the book value and appraisal value as an asset reshuffling with Comfort Market Nishi-Magome

| | |
|-----------------------|---------------|
| Location | Nagoya, Aichi |
| Disposition price | JPY 1,527 mn |
| Appraisal value | JPY 1,440 mn |
| Disposition NOI yield | 3.9% |

Asset to be disposed of in the 12th, 13th, and 14th fiscal period

T-4 Daikanyama Address Dixsept

Gains on sale will contribute to stable distributions over next three fiscal periods



| | | | |
|-----------------|---------------------|-----------------------|--------------|
| Location | Shibuya ward, Tokyo | Disposition price | JPY 6,644 mn |
| Appraisal value | JPY 6,120 mn | Disposition NOI yield | 3.6% |

Note: "Appraisal value" indicates the appraisal value at the time of acquisition for the acquired property and the appraisal value at the time of disposition or decision of disposition for the disposed property. "Appraisal NOI yield" is the real estate appraisal at the time of acquisition. It is calculated by dividing the net operating income stated in the evaluation report by the acquisition price. "Disposition NOI yield" is calculated by dividing the net operating income stated in the latest real estate appraisal report by the sale price.

Key Characteristics

We seek sustainable growth by investing in both shopping centers for daily needs, located in densely populated areas and highly resistant to e-commerce, and...

1 Environment recognition

Changes in retail facilities with the rise of e-commerce

- Partnerships between online and brick-and-mortar retailers
- Delivery of products from retail facilities
- Pickup of products at retail facilities
- Integration of logistics and retail facilities

Challenges faced by the logistics sector with the rise of e-commerce

- Frequent small deliveries
- Shorter lead time
- Managing to last mile issues
- Needs for distribution centers close to consumption areas

Similar functions of retail and logistics facilities in providing customers with merchandise

Delivery of products from retail facilities



Kyorindo Net Super delivery vehicles (P-1 Plaza Tenno)

Installation of lockers to pick up products



PUDO Station (Apita Terrace Yokohama Tsunashima)

Leasing a portion of the land of retail properties to logistics operators



Cargo transfer area (Kurume-Nishi Shopping Center)

- Retail facilities adapting to delivery or receipt of products ordered on the Internet (Note)
- An online store opens a physical store in KRR property



MONA Shin-Urayasu



Passaggio Nishiarai



Daikanyama Address Dixsept



Unicus Ina



M-ALL+PLUS (Blumer Maitamon)



Yorktown Kita-Kaname



Unicus Yoshikawa



K's Denki Shonan-Fujisawa (Land)



Unicus Kamisato (Land)



Unicus Konosu (Land)



Inageya Yokohama Minamihonjuku (Land)



Life Kameido



Totsuka-Fukaya Shopping Center (Land)



Yumemachi Narashinodai Mall



Kawamachi Yahagi Mall



Apita Terrace Yokohama Tsunashima



Monenosato Mall



Blumer Maitamon



Blumer HAT Kobe



Carino Esaka



COMBOX Komyoike



Habikigaoka Shopping Center



Homecenter Kohnan Sunadabashi



K's Denki Aomori Honten



Ashico Town Ashikaga



Kasumi Technopark Sakura



P-1 Plaza Tenno

Note: The retail facilities have been identified by the Asset Manager as retail facilities that can receive products ordered over the Internet through the installation of delivery boxes and pickup counters or that can deliver products ordered over the Internet.



...retail distribution centers that meet demand from e-commerce, in changing environment where the functions of retail and logistics facilities are getting similar, in providing customers with merchandise.

2 Investment Policy

1. Shopping centers for daily needs (80% or more)

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

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

Primary characteristics of shopping centers for daily needs - Unicus Ina as an example



Location Located within residential areas of a metropolitan commuter district

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

Tenants Providing primarily daily necessities

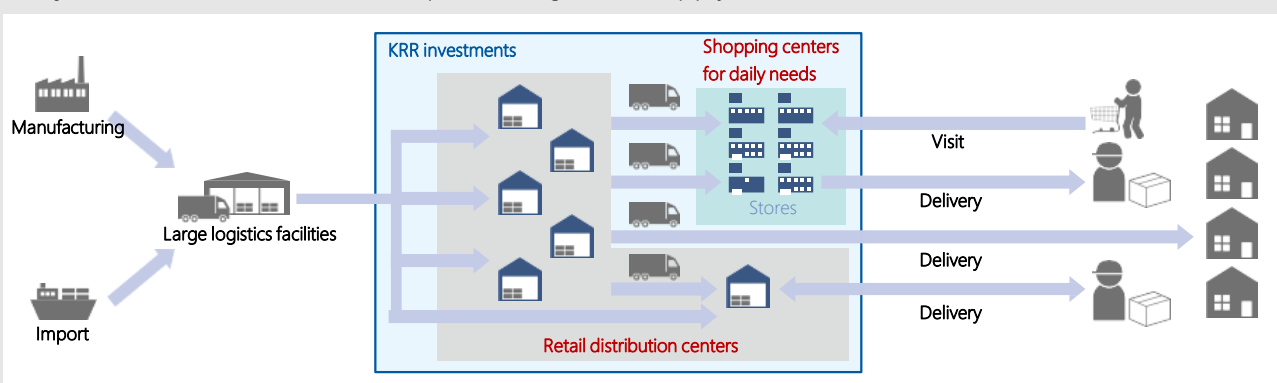
- Housing Yaoko, a grocery supermarket (anchor tenant), and a group of specialty stores (non-anchor tenants)

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

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

2. Logistics facilities (20% or less, combined with other retail facilities)

Major KRR investments and their positioning in the supply chain



1 Environmental initiatives

● Evaluation of Environmental Initiatives

Awarded GRESB "Green Star" Rating for five consecutive years

Awarded a "Green Star" Rating in response to high evaluations for five consecutive years since the first participation in the GRESB Real Estate Assessment in 2016
Earned four star (out of five star) GRESB Rating in 2020 for two consecutive years



The number of certified properties and certified floor area (m²) (as of September 30, 2020)

| | The number of certified properties | Certified floor area (m ²) | Ratio (%) ^(Note) |
|--|------------------------------------|--|-----------------------------|
| DBJ Green Building Certification | 14 | 340,251.61 | 47.0 |
| Certification for CASBEE for Real Estate | 2 | 52,232.95 | 7.2 |

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (724,800.29m², calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties).

DBJ Green Building Certification

The following 14 properties have been awarded the DBJ Green Building Certification for their environmental initiatives as of September 2020.

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

T-4 Daikanyama Address Dixept

O-1 Blumer Maitamon

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

Properties with high environmental & social awareness (★★)

T-2 MONA Shin-Urayasu **T-20** Kawamachi Yahagi Mall **R-10** Ashico Town

T-19 Yumemachi Narashinodai Mall

N-6 Resora Obu Shopping Terrace

T-3 Passaggio Nishiarai **O-4** Blumer HAT Kobe

T-5 Unicus Ina

O-5 Carino Esaka

R-4 Sun Street Hamakita

T-7 Unicus Yoshikawa

R-1 Roseo Mito

Certification for CASBEE for Real Estate

CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives; the evaluation of the environmental quality and performance of buildings themselves and the external environmental load of buildings. As of September 30, 2020, KRR has acquired CASBEE real estate evaluation certification for the following two properties.



N-4 Homecenter Kohnan Sunadabashi

Certification rank

S rank

L-3 Musashi Ranzan Distribution Center

Certification rank

A rank

● Solar panel installation

We installed solar panels at Unicus Ina and Kawamachi Yahagi Mall to decrease CO₂ emissions.

| Power generation results ^(Note) | |
|--|-----------------------|
| Unicus Ina | Kawamachi Yahagi Mall |
| 344,741kWh | 67,047kWh |



Unicus Ina
Power generation capacity:
334.53 kW



Kawamachi Yahagi Mall
Power generation capacity:
302.40 kW

Note: The figures of Unicus Ina are for the period October 2019 to September 2020, and of Kawamachi Yahagi Mall are for the period August 2020 to September 2020.



2 Social initiatives

Collaboration with local communities

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



Note: Some events are restrained or restricted due to the COVID-19 pandemic.

Local events at our properties (Note)

We are making efforts to enliven local communities by holding community-participating events at our properties.



Supporting Japan for UNHCR

We support the activity of Japan for UNHCR (United Nations High Commissioner for Refugees) by providing common areas of our properties for their fund-raising campaign.

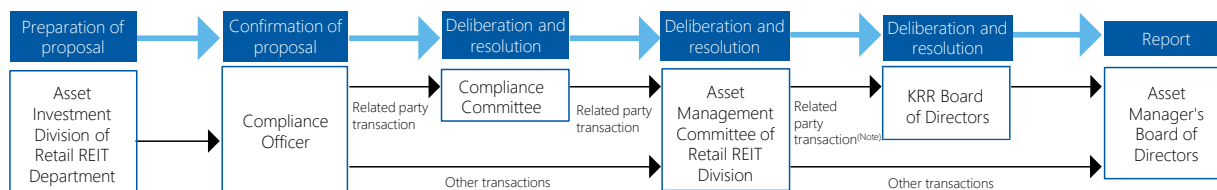


© Japan for UNHCR

3 Governance structure

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

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



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

Kenedix Group's business model benefiting from our growth

The Kenedix Group's J-REIT assets constitute the majority of their AUM. Because of the importance of the J-REIT business to the Kenedix Group, we believe that our sound growth is in line with their interests.

Updated KRR's website

To practice our sustainability policy through our real estate investment management business, KRR updated our website to ensure timely and appropriate disclosure of ESG-related information to our stakeholders.



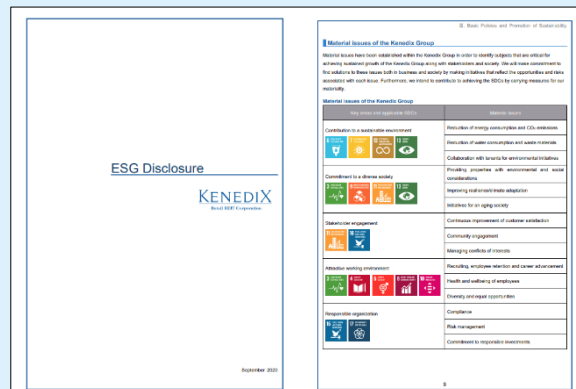
Kenedix Retail REIT ESG

Search

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

Published ESG Disclosure 2020

Published ESG Disclosure 2020 and posted on KRR's website to report stakeholders



Shopping center with the reopened double-name store between Don Quijote and UNY



O-3 NSC

DCM Kahma MEGA Don Quijote UNY Omihachiman

DCM Kahma MEGA Don Quijote UNY Omihachiman is a neighborhood shopping center (NSC) located in Omihachiman City, known for its ruins of Azuchi Castle, Omi merchants and Hachimanbori Canal on the east side of Lake Biwa. It consists of two core stores, MEGA Don Quijote UNY and DCM Karma.

Located 11 minutes on foot from Omihachiman Station on the JR Tokaido Main Line (approximately 35 minutes by special rapid train from Omihachiman Station to Kyoto Station), along the road connecting National Route 8 and Omihachiman Station, the facility secures 816 parking lots and 259 bicycle parking lots on the premises, attracting passengers by car, as well as those living in the vicinity. On the back of the properties, a housing area was developed the same time as the completion of the shopping center. Condominium development has progressed mainly around JR Omihachiman Station, and there are many young family households in the 1km area of the property.

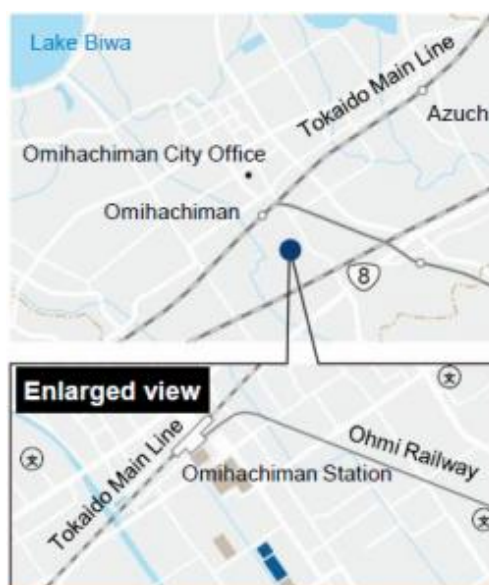
DCM Kama Omihachiman, a home & garden store, opened in October 2005, and Piago Omihachiman, a grocery supermarket of the UNY Group, opened in December. In 2019, UNY became a wholly owned subsidiary of Don Quijote Holdings (now Pan Pacific International Holdings). In February 2019, the Piago Omihachiman was reopened as "MEGA Don Quijote UNY Omihachiman," a double-name store that organically combined the know-how of the UNY Group with the creation of time-consuming Don Quijote stores.

Currently, these stores sell DIY, daily necessities, outdoors, building materials and other home & garden products, as well as groceries, fresh foods (fruits, fish, meat and prepared foods), alcohol, daily consumables, household goods, apparel, cosmetics, toys, automotive goods, brand goods, home appliances, pet goods, general merchandise,

and general merchandise. Competitive give the shopping center an advantage over competing facilities with a combination of groceries and discount stores that are convenient for a wide range of households as well as child-rearing families.

The addition of new families, young people, and male customers to the existing customers has transformed the facility into a shopping center supported by many customers. Sales and customer visits have grown significantly. Furthermore, even in the COVID-19 pandemic, the shopping center is attracting more customers than in the previous year by tapping into stay-at-home demand.

As a shopping centers for daily needs, we will continue to work to revitalize our facilities, with a focus on management in concert with the local community.



DCM Kahma MEGA Don Quijote
UNY Omihachiman

| | | | |
|-------------------|-------------------------|------------------|-------------------------|
| Acquisition price | JPY 2,140 mn | Gross floor area | 12,283.85m ² |
| Location | Omihachiman, Shiga | Core tenants | UNY Co., Ltd. |
| Land area | 29,410.00m ² | | DCM Kahma Co., Ltd. |

Financial Highlights



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

1 Financial highlights (as of September 30, 2020)

| | | |
|--|--------------------------------------|---|
| LTV 44.8% | Long-term debt ratio 97.6% | Fixed interest debt ratio 91.3% |
| Weighted average debt maturity 4.0 years | Number of lenders 12 | Average interest rate 0.99% |

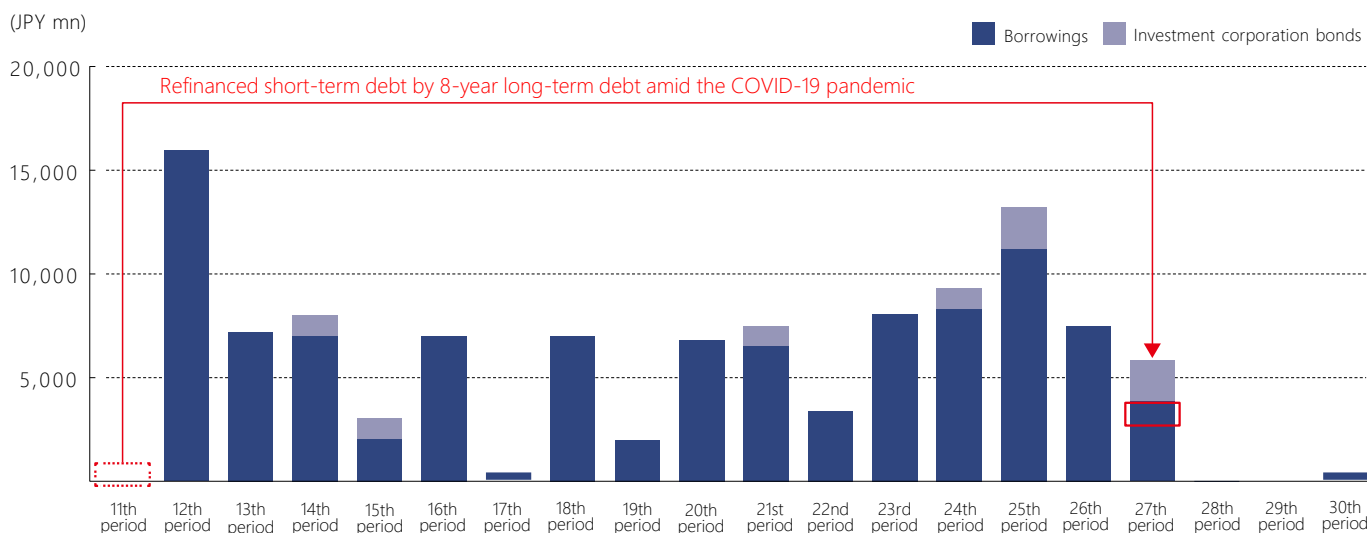
2 Credit rating and commitment lines (as of September 30, 2020)

| | |
|---------------------|-------------------------|
| Credit rating (JCR) | Commitment credit lines |
| A+ (Stable) | JPY 3.0 bn |

3 Debt maturity schedule (as of September 30, 2020)

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

Debt outstanding **JPY 112,800 mn**
(excluding interest-bearing tenant leasehold and security deposits)



4 Inclusion in major indices

KRR believes that the expansion of market capitalization and inclusion in the global index will lead to expansion of the investor base and improvement of liquidity. KRR is incorporated into the following major indices.

| | |
|---|----------------------------|
| FTSE EPRA/NAREIT Global Real Estate Index | S&P Developed REIT Index |
| Dow Jones Global Select REIT Index | Bloomberg Asia REIT Index |
| GPR 250 Index | MSCI Japan Small Cap Index |

Portfolio List as of September 30, 2020

Total acquisition price

JPY 226,479mn

Weighted average occupancy rate

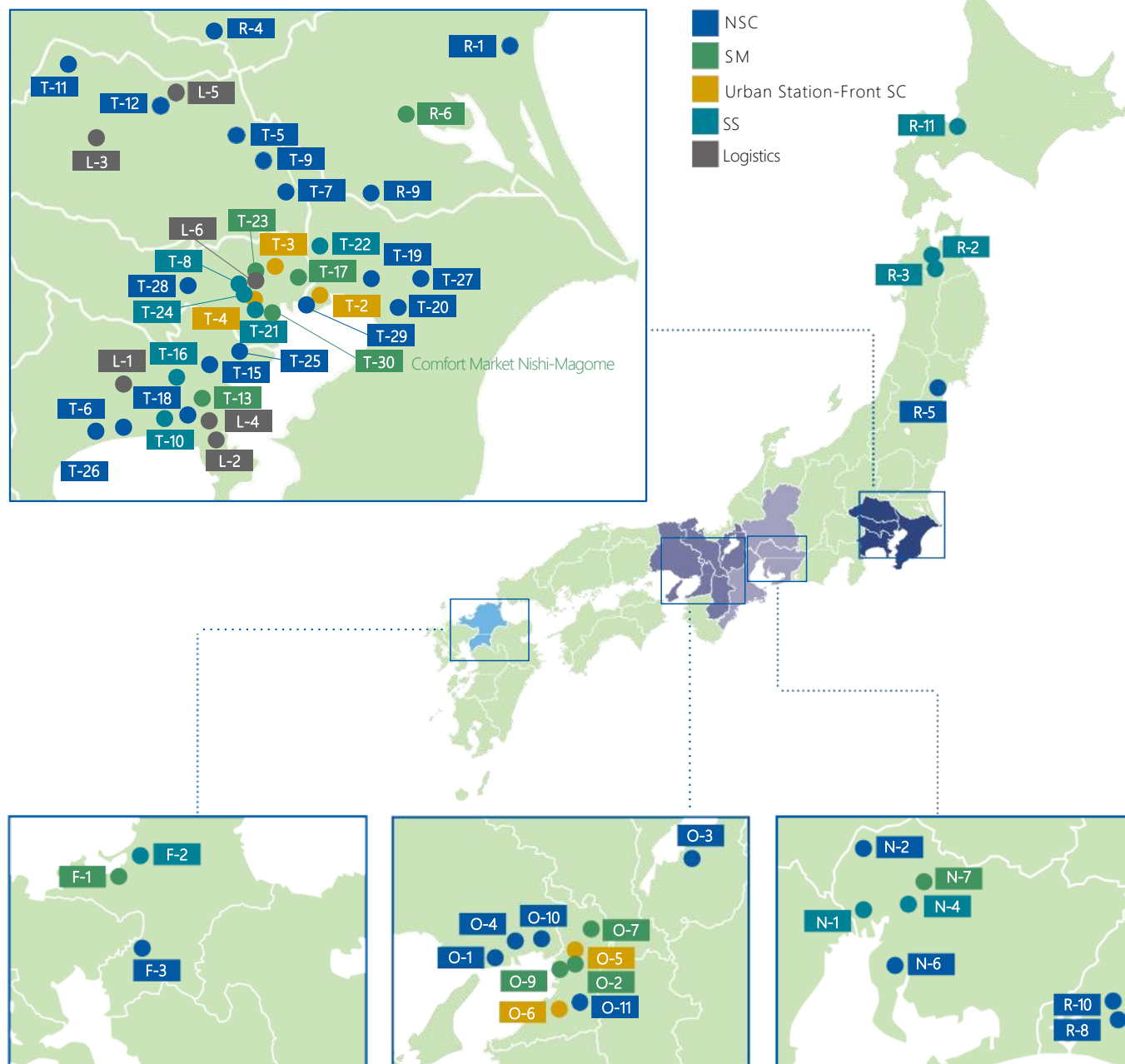
99.7%

Number of tenants

496

| No. | Name of property | Location (city / ward, prefecture) | Acquisition price (JPY mn) | Occupancy rate (%) ^(Note 1) | Number of tenants ^(Note 2) |
|------|--|---------------------------------------|-------------------------------|---|--|
| T-2 | MONA Shin-Urayasu | Urayasu, Chiba | 8,063 | 97.6 | 55 |
| T-3 | Passaggio Nishiarai | Adachi ward, Tokyo | 5,850 | 100.0 | 41 |
| T-4 | Daikanyama Address Dixsept | Shibuya ward, Tokyo | 5,390 | 96.0 | 26 |
| T-5 | Unicus Ina | Kitaadachi-gun, Saitama | 4,470 | 100.0 | 1 |
| T-6 | Yorktown Kita-Kaname | Hiratsuka, Kanagawa | 4,000 | 100.0 | 1 |
| T-7 | Unicus Yoshikawa | Yoshikawa, Saitama | 3,600 | 99.6 | 10 |
| T-8 | Sports Club Renaissance Fujimidai | Nerima ward, Tokyo | 2,586 | 100.0 | 1 |
| T-9 | Super Viva Home Iwatsuki (Land) | Saitama, Saitama | 4,815 | 100.0 | 1 |
| T-10 | K's Denki Shonan-Fujisawa (Land) | Fujisawa, Kanagawa | 3,169 | 100.0 | 1 |
| T-11 | Unicus Kamisato (Land) | Kodama-gun, Saitama | 3,000 | 100.0 | 1 |
| T-12 | Unicus Konosu (Land) | Konosu, Saitama | 1,700 | 100.0 | 1 |
| T-13 | Inageya Yokohama Minamihonjuku (Land) | Yokohama, Kanagawa | 1,442 | 100.0 | 1 |
| T-15 | Nakamachidai Tokyu Store | Yokohama, Kanagawa | 3,360 | 100.0 | 1 |
| T-16 | Central Wellness Club Nagatsuta Minamidai | Yokohama, Kanagawa | 1,724 | 81.0 | 1 |
| T-17 | Life Kameido | Koto ward, Tokyo | 1,450 | 100.0 | 1 |
| T-18 | Totsuka-Fukaya Shopping Center (Land) | Yokohama, Kanagawa | 4,170 | 100.0 | 2 |
| T-19 | Yumemachi Narashinodai Mall | Funabashi, Chiba | 3,416 | 100.0 | 14 |
| T-20 | Kawamachi Yahagi Mall | Chiba, Chiba | 3,097 | 100.0 | 12 |
| T-21 | Prime Square Jiyugaoka | Meguro ward, Tokyo | 2,820 | 100.0 | 2 |
| T-22 | Round1 Ichikawa-Onitaka | Ichikawa, Chiba | 1,880 | 100.0 | 1 |
| T-23 | Ozeki Tokiwadai | Itabashi ward, Tokyo | 1,263 | 100.0 | 1 |
| T-24 | Konami Sports Club Shibuya | Shibuya ward, Tokyo | 3,400 | 100.0 | 1 |
| T-25 | Apita Terrace Yokohama Tsunashima | Yokohama, Kanagawa | 5,899 | 100.0 | 1 |
| T-26 | Kalsa Hiratsuka | Hiratsuka, Kanagawa | 5,980 | 100.0 | 3 |
| T-27 | Monenosato Mall | Yotsukaido, Chiba | 2,410 | 100.0 | 6 |
| T-28 | Chofu Center Building (Retail wing) | Chofu, Tokyo | 2,300 | 100.0 | 3 |
| T-29 | Across Plaza Urayasu Higashino (Land) | Urayasu, Chiba | 2,248 | 100.0 | 1 |
| T-30 | Comfort Market Nishi-Magome | Ota ward, Tokyo | 1,920 | 100.0 | 1 |
| O-1 | Blumer Maitamon | Kobe, Hyogo | 8,389 | 99.7 | 50 |
| O-2 | Central Square Takadono (Land) | Osaka, Osaka | 2,685 | 100.0 | 1 |
| O-3 | DCM Kahma MEGA Don Quijote UNY Omihachiman | Omihachiman, Shiga | 2,140 | 100.0 | 2 |
| O-4 | Blumer HAT Kobe | Kobe, Hyogo | 11,000 | 99.1 | 41 |
| O-5 | Carino Esaka | Suita, Osaka | 6,555 | 97.4 | 28 |
| O-6 | COMBOX Komyoike | Izumi, Osaka | 6,450 | 100.0 | 1 |
| O-7 | Hankyu Oasis Hirakatadeguchi | Hirakata, Osaka | 1,280 | 100.0 | 1 |
| O-9 | Life Nishi-Tengachaya | Osaka, Osaka | 1,505 | 100.0 | 1 |
| O-10 | Million Town Tsukaguchi (Land) | Amagasaki, Hyogo | 3,723 | 100.0 | 1 |
| O-11 | Habikigaoka Shopping Center | Habikino, Osaka | 2,000 | 100.0 | 2 |
| N-1 | DCM Kahma Nakagawa Tomita (Land) | Nagoya, Aichi | 2,311 | 100.0 | 1 |
| N-2 | Valor Ichinomiya-Nishi | Ichinomiya, Aichi | 2,174 | 100.0 | 1 |
| N-4 | Homecenter Kohnan Sunadabashi | Nagoya, Aichi | 7,140 | 100.0 | 1 |
| N-6 | Resora Obu Shopping Terrace | Obu, Aichi | 7,911 | 97.2 | 40 |
| N-7 | Valor Nakashidami (Land) | Nagoya, Aichi | 2,551 | 100.0 | 1 |
| F-1 | Sunny Noma | Fukuoka, Fukuoka | 1,497 | 100.0 | 1 |
| F-2 | Round1 Stadium Hakata-Hanmichibashi | Fukuoka, Fukuoka | 5,020 | 100.0 | 1 |
| F-3 | Kurume-Nishi Shopping Center | Kurume, Fukuoka | 1,515 | 100.0 | 4 |
| R-1 | Roseo Mito | Mito, Ibaraki | 10,046 | 100.0 | 23 |
| R-2 | K's Denki Aomori Honten | Aomori, Aomori | 1,469 | 100.0 | 1 |

Portfolio Map as of September 30, 2020



| No. | Name of property | Location (city / ward, prefecture) | Acquisition price (JPY mn) | Occupancy rate (%) ^(Note 1) | Number of tenants ^(Note 2) |
|-------|--|---------------------------------------|-------------------------------|---|---------------------------------------|
| R-3 | Super Sports Xebio Aomori-Chuo | Aomori, Aomori | 898 | 100.0 | 1 |
| R-4 | Ashico Town Ashikaga | Ashikaga, Tochigi | 4,180 | 99.4 | 30 |
| R-5 | Yorktown Shinden-Higashi | Sendai, Miyagi | 3,252 | 100.0 | 2 |
| R-6 | Kasumi Technopark Sakura | Tsukuba, Ibaraki | 830 | 100.0 | 1 |
| R-8 | P-1 Plaza Tenno | Hamamatsu, Shizuoka | 4,010 | 100.0 | 7 |
| R-9 | Seiyu Rakuichi Moriya (Land) | Moriya, Ibaraki | 4,111 | 100.0 | 1 |
| R-10 | Sun Street Hamakita | Hamamatsu, Shizuoka | 10,746 | 99.7 | 53 |
| R-11 | Costco Wholesale Sapporo Warehouse | Sapporo, Hokkaido | 4,210 | 100.0 | 1 |
| L-1 | Zama Distribution Center | Zama, Kanagawa | 1,400 | 100.0 | 1 |
| L-2 | Oppama Distribution Center | Yokosuka, Kanagawa | 1,300 | 100.0 | 1 |
| L-3 | Musashi Ranzan Distribution Center | Hiki-gun, Saitama | 3,879 | 100.0 | 1 |
| L-4 | Yokohama Kamigo Distribution Center | Yokohama, Kanagawa | 909 | 100.0 | 2 |
| L-5 | Gyoda Distribution Center | Gyoda, Saitama | 3,160 | 100.0 | 1 |
| L-6 | Shinjuku Nihochiai Distribution Center | Shinjuku ward, Tokyo | 810 | 100.0 | 1 |
| Total | | | 226,479 | 99.7 | 496 |

Note 1: "Occupancy rate" is as of September 30, 2020.

Note 2: "Number of tenants" indicates the number of end-tenants as of September 30, 2020.

Overview of portfolio (as of September 30, 2020)

T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiarai



T-4 Daikanyama Address Dixsept



T-5 Unicus Ina



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-15 Nakamachidai Tokyu Store



T-16 Central Wellness Club Nagatsuta Minamidai



T-17 Life Kameido



T-18 Totsuka-Fukaya Shopping Center (Land)



T-19 Yumemachi Narashinodai Mall



T-20 Kawamachi Yahagi Mall



T-21 Prime Square Jiyugaoka



T-22 Round1 Ichikawa-Onitaka



T-23 Ozeki Tokiwadai



T-24 Konami Sports Club Shibuya



T-25 Apita Terrace Yokohama Tsunashima



T-26 Kalsa Hiratsuka



T-27 Monenosato Mall



T-28 KDX Chofu Building (Retail wing)



O-2 Life Takadono (Land)



O-3 DCM Kahma MEGA Don Quijote UNY Omihachiman



O-5 Carino Esaka



O-1 Blumer Maitamon



Note: Please refer p.3 for the properties acquired in the eleventh fiscal period and properties to be disposed in eleventh fiscal period.



O-4 Blumer HAT Kobe



O-6 COMBOX Komyoike



O-7 Hankyu Oasis Hirakatadeguchi



O-9 Life Nishi-Tengachaya



O-10 Million Town Tsukaguchi (Land)



O-11 Habikiyaka Shopping Center



N-1 DCM Kahma Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



N-6 Resora Obu Shopping Terrace



N-7 Valor Nakashidami (Land)



F-1 Sunny Noma



N-4 Homecenter Kohnan Sunadabashi



F-2 Round1 Stadium Hakata-Hanmichibashi



F-3 Kurume-Nishi Shopping Center



R-1 Roseo Mito



R-2 K's Denki Aomori Honten



R-3 Super Sports Xebio Aomori-Chuo



R-4 Ashico Town Ashikaga



R-5 Yorktown ShindenHigashi



R-6 Kasumi Technopark Sakura



R-8 P-1 Plaza Tenno



R-9 Seiyo Rakuichi Moriya (Land)



R-10 Sun Street Hamakita



R-11 Costco Wholesale Sapporo Warehouse



L-1 Zama Distribution Center



L-2 Oppama Distribution Center



L-3 Musashi Ranzan Distribution Center



L-4 Yokohama Kamigo Distribution Center



L-5 Gyoda Distribution Center

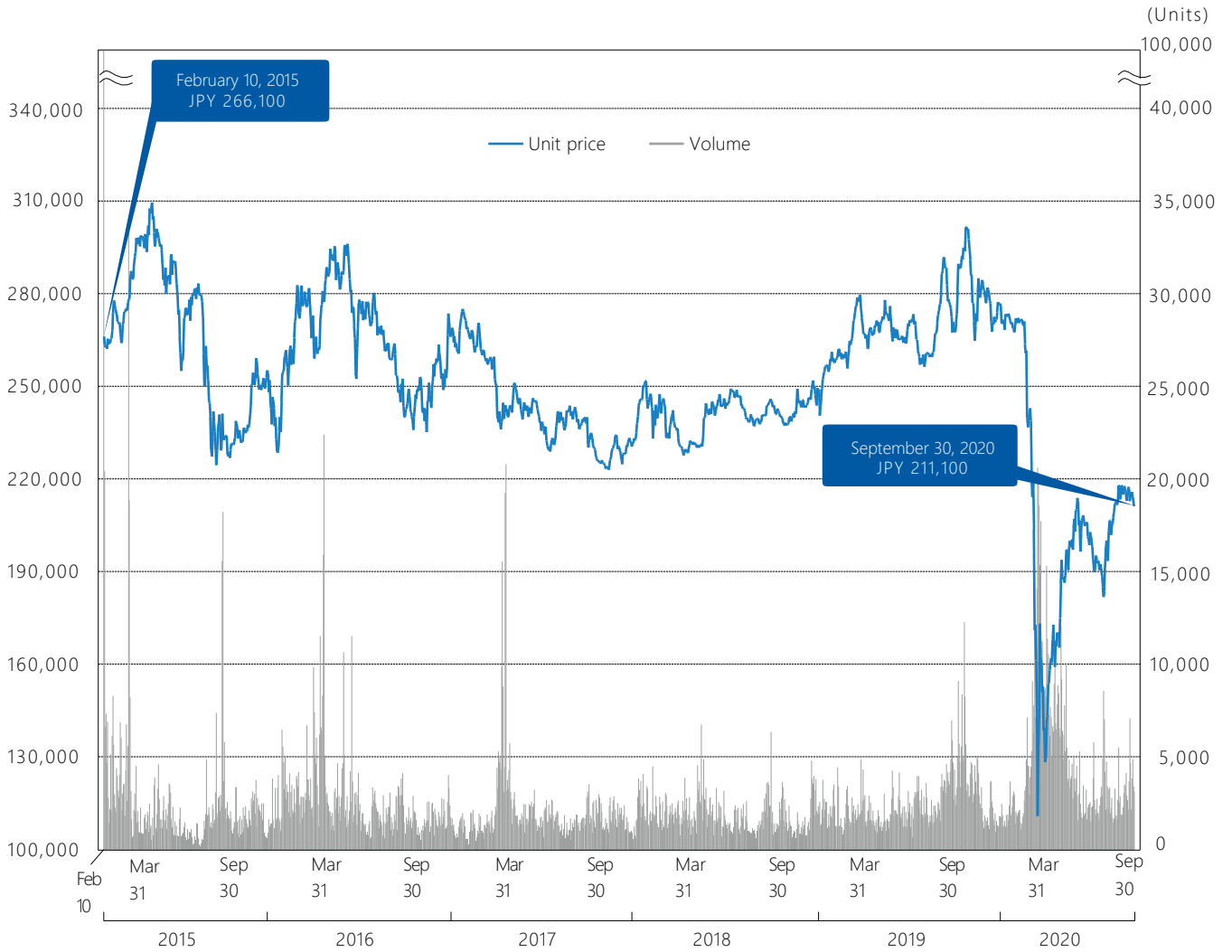


L-6 Shinjuku Nishiochiai Distribution Center



Summary of Investment Unit

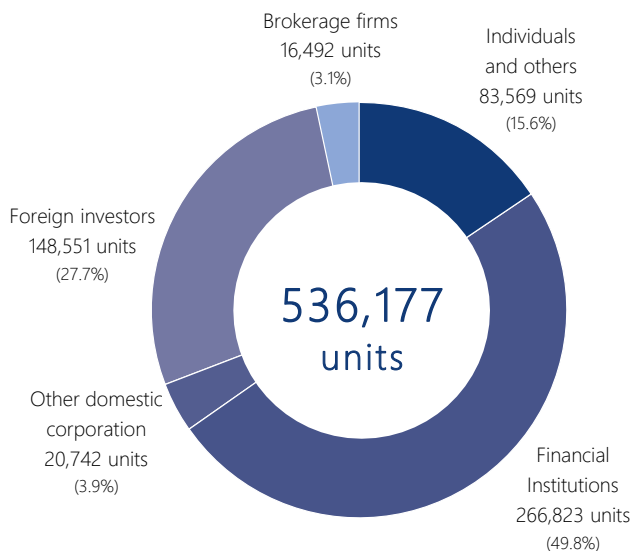
Unit price and trading volume



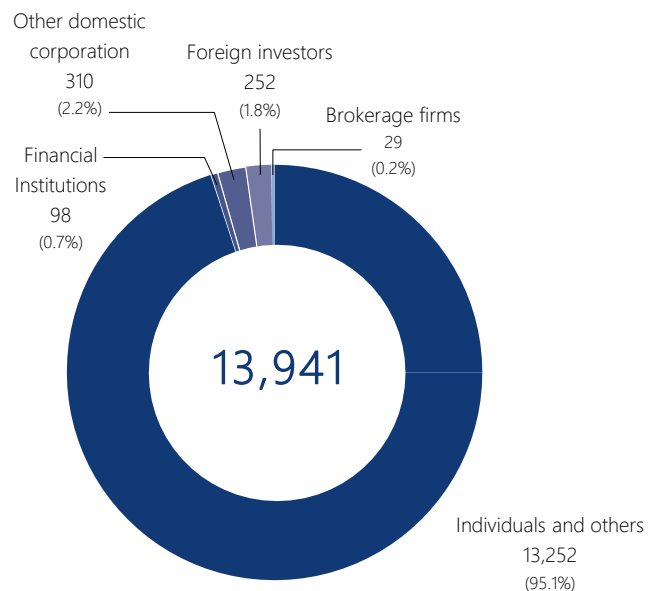
General breakdown of unitholders

As of September 30, 2020

Ownership ratio by investor type



Number of unitholders by investor type



II. ASSET MANAGEMENT REPORT

Overview of Asset Management

(1) Trends in Key Indicators

| Fiscal period | | Seventh fiscal period (From April 1, 2018 to September 30, 2018) | Eighth fiscal period (From October 1, 2018 to March 31, 2019) | Ninth fiscal period (From April 1, 2019 to September 30, 2019) | Tenth fiscal period (From October 1, 2019 to March 31, 2020) | Eleventh fiscal period (From April 1, 2020 to September 30, 2020) |
|--|-----------------|--|---|--|--|---|
| Operating revenues | Millions of yen | 8,577 | 8,415 | 8,609 | 8,291 | 8,398 |
| Of which, property-related revenues | Millions of yen | 8,364 | 8,197 | 8,367 | 8,234 | 8,272 |
| Property-related expenses | Millions of yen | 4,760 | 4,530 | 4,729 | 4,189 | 4,316 |
| Of which, property-related expenses | Millions of yen | 3,984 | 3,733 | 3,891 | 3,359 | 3,479 |
| Operating income | Millions of yen | 3,816 | 3,884 | 3,879 | 4,101 | 4,082 |
| Ordinary income | Millions of yen | 3,201 | 3,284 | 3,288 | 3,499 | 3,505 |
| Net income | Millions of yen | 3,197 | 3,283 | 3,287 | 3,498 | 3,504 |
| Total assets | Millions of yen | 238,490 | 237,845 | 236,253 | 249,246 | 251,655 |
| [Period-on-period changes] | % | (+3.2) | (-0.3) | (-0.7) | (+5.5) | (+1.0) |
| Total net assets | Millions of yen | 116,729 | 116,505 | 116,386 | 124,450 | 124,308 |
| [Period-on-period changes] | % | (+0.1) | (-0.2) | (-0.1) | (+6.9) | (-0.1) |
| Unitholders' capital ^(Note 2) | Millions of yen | 113,399 | 113,399 | 113,399 | 121,183 | 121,183 |
| Number of investment units issued and outstanding | Units | 507,700 | 507,700 | 507,700 | 536,177 | 536,177 |
| Net assets per unit | Yen | 229,918 | 229,477 | 229,242 | 232,107 | 231,842 |
| Distributions | Millions of yen | 3,198 | 3,288 | 3,292 | 3,503 | 3,509 |
| Distributions per unit | Yen | 6,299 | 6,477 | 6,486 | 6,535 | 6,546 |
| Of which, distributions of earnings | Yen | 6,299 | 6,138 | 6,242 | 6,525 | 6,270 |
| Of which, distributions in excess of retained earnings | Yen | - | 339 | 244 | 10 | 276 |
| Ordinary income to total assets ^(Note 3) | % | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| [Annualized] ^(Note 4) | % | (2.7) | (2.8) | (2.8) | (2.9) | (2.8) |
| Return on net assets ^(Note 5) | % | 2.7 | 2.8 | 2.8 | 2.9 | 2.8 |
| [Annualized] ^(Note 4) | % | (5.5) | (5.6) | (5.6) | (5.8) | (5.6) |
| Net assets to total assets ^(Note 6) | % | 48.9 | 49.0 | 49.3 | 49.9 | 49.4 |
| [Period-on-period changes] | % | (-1.5) | (+0.0) | (+0.3) | (+0.7) | (-0.5) |
| Operating days | Days | 183 | 182 | 183 | 183 | 183 |
| Payout ratio ^(Note 7) | % | 100.0 | 94.9 | 96.4 | 100.0 | 95.9 |
| Number of properties | | 53 | 53 | 55 | 62 | 62 |
| Leasable area | m ² | 890,152.09 | 913,759.61 | 850,456.06 | 945,177.87 | 941,020.65 |
| Number of tenants ^(Note 8) | | 520 | 511 | 480 | 496 | 496 |
| Occupancy ratio | % | 99.4 | 99.2 | 98.9 | 99.4 | 99.7 |
| Depreciation expense | Millions of yen | 971 | 990 | 1,019 | 1,024 | 1,040 |
| Capital expenditures | Millions of yen | 806 | 500 | 791 | 475 | 544 |
| Rental NOI (Net operating income) ^(Note 9) | Millions of yen | 5,352 | 5,454 | 5,494 | 5,899 | 5,833 |
| FFO (Funds from operation) ^(Note 10) | Millions of yen | 4,028 | 4,105 | 4,093 | 4,498 | 4,431 |
| FFO per unit ^(Note 11) | Yen | 7,935 | 8,085 | 8,063 | 8,389 | 8,265 |

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Status of Asset Management

(Overview of the Fiscal Period ended September 30, 2020)

i) Transition of KRR

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (“J-REIT”) Market of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the fiscal period ended September 30, 2020 was 536,177 units.

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

Note: For KRR’s management purposes and ease of classification, KRR defines shopping centers for daily needs as retail properties that generally have the following characteristics:

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

ii) Investment Environment

During the fiscal year under review, economic activity in Japan stagnated rapidly following the spread of COVID-19 and the subsequent declaration of the state of emergency by the government. The preliminary real GDP for the period from April to June 2020 was 7.9% lower than the previous year, or an annualized decline of 28.1%, the largest rate of decline in the post-war era. As for the financial environment, the stock market continued to be unstable due to the COVID-19 pandemic.

In the financial environment, the stock market remained unstable due to the COVID-19 pandemic. Meanwhile, interest rates in Japan have remained low and stable against the backdrop of the Bank of Japan's enhanced monetary easing policy, the monetary easing policy of the U.S. monetary authorities and unstable global markets.

In the real estate trading market, real estate transactions are declining as investors are becoming more cautious about real estate investments in order to assess the impact of the pandemic. On the other hand, as there has been no significant change in the lending attitude of financial institutions, there has been no rush to sell real estate, and the real estate sales market has not deteriorated significantly.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired one asset (Comfort Market Nishi-Magome with acquisition price (Note 1) of 1,920 million yen). KRR disposed of one asset (K’s Denki Shin-Moriyama (Land) with sale price of 1,527 million yen (acquisition price was 1,370 million yen)). KRR also completed additional acquisition through construction of a new building (property expansion) (total construction cost (Note 3) of 119 million yen) at Yokohama Kamigo Distribution Center.

As a result, the portfolio at the end of the period under review (September 30, 2020) consists 62 properties with the total acquisition price of 226,479 million yen.

- Note 1: “Acquisition price” represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (acquisition expenses, property tax, city planning tax, consumption tax, etc.) required in the acquisition of the asset.
- Note 2: “Sale price” represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, etc.) required in the sale of the asset.
- Note 3: “Total construction cost” is the sum of construction and design costs (consumption tax is not included), rounded down to the nearest million yen.

(B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (September 30, 2020). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property and distribution centers management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction.

KRR invests primarily in neighborhood and community shopping centers that cater to the day-to-day needs of customers. The portfolio is diversified in terms of properties, tenants and other characteristics with a goal to generate consistent long-term cash flows. At the same time, a portion of the rent includes sales-linked rent to explore the upside potential (Note 1) for rental income. By using these measures, KRR aims to pursue a portfolio that achieves both stability and growth.

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.7%. Furthermore, the portfolio is diversified in terms of tenants as there are 496 end-tenants (Note 2) in KRR’s retail properties and distribution centers.

- 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 lessees in a sublease type master lease.

(C) Financing

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

(Debt Finance)

During the fiscal period under review, KRR borrowed 1,900 million yen for refinancing. KRR also issued investment corporation bonds to partially prepay borrowings of 1,000 million yen. Consequently, borrowings totaled 104,800 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 112,800 million yen at the end of the fiscal period under review (September 30, 2020).

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

(Investment Corporation Bonds)

The status of the credit ratings as of September 30, 2020 is as follows.

| Bonds | Issuance date | Balance as of September 30, 2020 (million yen) | Interest rate (%) | Maturity date | Redemption method | Remarks |
|---|----------------|--|-------------------|----------------|-------------------|---------|
| 6th Series Unsecured Investment Corporation Bonds | April 30, 2020 | 1,000 | 0.400 | April 30, 2025 | Full on maturity | (Note) |

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

As a result, the average maturity of debt is 4.0 years, the weighted average interest rate is 0.99%, the long-term debt ratio (Note 1) is 97.6% and the LTV ratio (Note 2) is 44.8%.

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

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

(Credit Ratings)

The status of the credit ratings as of September 30, 2020 is as follows.

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

(Shelf Registration)

KRR filed a shelf registration statement for investment corporation bonds (excluding short-term investment corporation bonds) on October 1, 2018. Details are as follows.

| | |
|-------------------------|---|
| Planned issue amount | 100,000,000,000 yen |
| Planned issuance period | October 9, 2018 to October 8, 2020 |
| Use of funds | Acquisition funds for specified assets (as defined in Article 2, Paragraph 1 of the Investment Trust Law), repayment funds for borrowings, repayment funds for investment corporation bonds (including short-term investment corporation bonds), refund funds for lease and guarantee deposits, funds to pay for repairs and maintenance, working capital, etc. |

KRR issued the 6th Series Unsecured Investment Corporation Bonds (1,000 million yen) based on this shelf registration statement on April 30, 2020.

iv) Results of Operations

For this period, revenue was 8,398 million yen, operating income was 4,082 million yen, ordinary income was 3,505 million yen and net income was 3,504 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 3,361,829,790 yen which is almost equivalent to the earnings for the fiscal period. The distribution per unit (excluding excess of earnings) was 6,270 yen. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in the KRR Articles of Incorporation, KRR made a distribution in excess of earnings for the 147,984,852 yen allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No.47 of 2006, including subsequent amendments.)) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) and the item deduced from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 276 yen.

Consequently, the distribution per unit was 6,546 yen (of which the distribution in excess of earnings per unit was 276 yen).

(3) Changes in Investment Units Issued and Outstanding

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

| Date | Type of issue | Total number of units issued and outstanding (units) | | Unitholders' capital (in million yen) | | Notes |
|-------------------|---|--|---------|---------------------------------------|---------|----------|
| | | Increase | Balance | Increase | Balance | |
| October 1, 2015 | Public offering | 88,750 | 349,500 | 18,547 | 76,404 | (Note 1) |
| October 21, 2015 | Capital increase through third-party allocation | 5,750 | 355,250 | 1,201 | 77,606 | (Note 2) |
| April 20, 2016 | Public offering | 64,000 | 419,250 | 15,856 | 93,463 | (Note 3) |
| May 18, 2016 | Capital increase through third-party allocation | 3,200 | 422,450 | 792 | 94,256 | (Note 4) |
| April 18, 2017 | Public offering | 81,250 | 503,700 | 18,244 | 112,500 | (Note 5) |
| May 17, 2017 | Capital increase through third-party allocation | 4,000 | 507,700 | 898 | 113,399 | (Note 6) |
| October 23, 2019 | Public offering | 27,300 | 535,000 | 7,462 | 120,861 | (Note 7) |
| November 14, 2019 | Capital increase through third-party allocation | 1,177 | 536,177 | 321 | 121,183 | (Note 8) |

Note 1: Issued at issue price of 216,543 yen per unit (issue amount of 208,991 yen per unit) for acquisition of new properties.

Note 2: Issued at issue amount of 208,991 yen per unit for repayment of borrowings.

Note 3: Issued at issue price of 256,717 yen per unit (issue amount of 247,764 yen per unit) for acquisition of new properties.

Note 4: Issued at issue amount of 247,764 yen per unit for repayment of borrowings.

Note 5: Issued at issue price of 232,537 yen per unit (issue amount of 224,547 yen per unit) for acquisition of new properties.

Note 6: Issued at issue amount of 224,547 yen per unit for repayment of borrowings.

Note 7: Issued at issue price of 282,847 yen per unit (issue amount of 273,360 yen per unit) for acquisition of new properties.

Note 8: Issued at issue amount of 273,360 yen per unit for part of future purchase funds for specified assets or repayment of borrowings.

Note 9: Distributions in excess of earnings for the allowance for temporary difference adjustments are not considered.

(Changes in Unit Price at Tokyo Stock Exchange)

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

| Fiscal period | Seventh fiscal period | Eighth fiscal period | Ninth fiscal period | Tenth fiscal period | Eleventh fiscal period |
|----------------------|-----------------------|----------------------|---------------------|---------------------|------------------------|
| For the period ended | September 30, 2018 | March 31, 2019 | September 30, 2019 | March 31, 2020 | September 30, 2020 |
| Highest | JPY 249,200 | JPY 279,600 | JPY 291,800 | JPY 301,500 | JPY 218,000 |
| Lowest | JPY 227,600 | JPY 237,200 | JPY 256,300 | JPY 110,900 | JPY 128,300 |

(4) Distributions

The distribution of earnings for the eleventh fiscal period is 6,270 yen per unit. In order to maintain KRR's favorable tax treatment, which is available to J-REITs under Article 67-15 of the Special Taxation Measures Act, KRR intends to distribute most of KRR's retained earnings.

Furthermore, KRR made a distribution in excess of earnings for the allowance for temporary adjustment for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights and the item deducted from net asset in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 276 yen.

Consequently, the distribution per unit for the fiscal period, including the excess distribution, was 6,546 yen (of which the distribution in excess of earnings per unit was 276 yen).

(in thousands of yen)

| Fiscal period For the period ended | Seventh fiscal period September 30, 2018 | Eighth fiscal period March 31, 2019 | Ninth fiscal period September 30, 2019 | Tenth fiscal period March 31, 2020 | Eleventh fiscal period September 30, 2020 |
|--|---|--|---|---------------------------------------|--|
| Unappropriated retained earnings | 3,198,151 | 3,283,881 | 3,455,496 | 3,784,993 | 3,716,853 |
| Retained earnings carried forward | 149 | 167,619 | 286,433 | 212,121 | 355,023 |
| Total distributions | 3,198,002 | 3,288,372 | 3,292,942 | 3,503,916 | 3,509,814 |
| [Distributions per unit] | [6,299 yen] | [6,477 yen] | [6,486 yen] | [6,535 yen] | [6,546 yen] |
| Of which, distributions of earnings | 3,198,002 | 3,116,262 | 3,169,063 | 3,498,554 | 3,361,829 |
| [Distributions of earnings per unit] | [6,299 yen] | [6,138 yen] | [6,242 yen] | [6,525 yen] | [6,270 yen] |
| Of which, distributions in excess of retained earnings | — | 172,110 | 123,878 | 5,361 | 147,984 |
| [Distributions in excess of retained earnings per unit] | [—] | [339 yen] | [244 yen] | [10 yen] | [276 yen] |
| Total distributions in excess of earnings for the allowance for temporary adjustment | — | 172,110 | 123,878 | 5,361 | 147,984 |
| [Distributions per unit] | [—] | [339 yen] | [244 yen] | [10 yen] | [276 yen] |
| Total distributions in excess of earnings from the unitholders' capital for tax purposes | — | — | — | — | — |
| [Distributions per unit] | [—] | [—] | [—] | [—] | [—] |

(5) Management Policy and Issues to be Addressed

Outlook for Asset Management

It is considered necessary to pay attention to the uncertainties in the Japanese economy, such as stagnation of economic activities and unstable trends in financial markets due to the spread of COVID-19.

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

In the real estate market, uncertainty is rising due to a worsening business sentiment caused by the pandemic. In addition, investors should especially keep in mind the risk of changes in banks' lending attitude towards real estate sector, as amount of banks' outstanding loans towards real estate sector reached new highs.

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

(A) Investment Strategy for New Properties and Disposition Policy

We receive a variety of support from many sources in order to achieve the steady growth of our assets and increase the value of our assets. One source is the Kenedix Group (Note), including Kenedix, Inc., the parent company of KFM. We also receive support from our Alliance Companies: Sumitomo Mitsui Finance and Leasing Co., Ltd., SMFL MIRAI Partners Co., Ltd., 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 carefully selected distribution centers, which supplement retail facilities in providing goods to consumers. In addition, we invest in land ownership interests underlying retail properties. Regarding land-only properties, we make these investments after examining the terms of the land leasing agreement, the characteristics of the tenant, the asset value of the land, and the proportion of land-only properties in our portfolio. We may also consider making an equity investment in a tokumei kumiai (silent partnership) for the acquisition of preferential negotiation rights and opportunities for additional revenues, provided that we are given an opportunity to acquire them in the future.

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

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

(B) Management Strategy for Existing Properties

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

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

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

"One-stop" asset management and property management services

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

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

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

mix, realizing growth in asset value by pursuing property expansions, and cutting costs, to improve tenant satisfaction and acquire more know-how.

Pursuit of internal growth through management of retail properties

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

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

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

iii. Realize growth in asset value by pursuing property expansions

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

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

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

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

Implementing distribution center management

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

(C) Financing

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

(D) Disclosure of Information

KRR's policy concerning disclosure activities is to use extensive investor relations activities to distribute a broad range of information to investors and other related parties as well as to announce information as soon and as accurately as possible. KRR also distribute information with awareness on ESG (Environmental, Social and Governance) for sustainable growth of unitholder interest. KRR uses TDnet (Timely Disclosure network) and press releases to meet the timely-disclosure requirements of the Tokyo Stock Exchange. In addition, KRR proactively posts information on its website (<https://www.krr-reit.com/en/>).

(E) Conflicts of Interest

In managing KRR's assets, KFM has established Retail REIT Department Related-party Transactions Rules, and KFM abides by the rules in conducting related-party transactions. In addition to managing the assets of KRR, KFM provides asset management services to other REITs, which may incur conflicts of interests in acquisition of assets. In order to prevent the improper allocation of acquisition opportunities, KFM uses a "preferential right for acquisition opportunities" system for the property acquisition process. KFM has a pipeline committee, which includes a compliance officer, and operates in accordance with rules. This system is structured to prevent improper allocation of acquisition opportunities, and thus, managing conflicts of interest among the REITs managed by KFM. Through these measures, KFM is taking suitable actions regarding conflicts of interest.

(6) Important Subsequent Events

Not applicable

(Reference Material)

i) Disposition of Assets

KRR has contracted a purchase and sale agreement on November 17, 2020 to dispose of the following asset.

| Property number | Property type | Property name | Location | Buyer | Disposition price (million yen) (Note 2) | Disposition date |
|-----------------|------------------------|-------------------------------------|---------------------|----------------------|--|---|
| T-4 | Urban Station-Front SC | Daikanyama Address Dixsept (Note 1) | Shibuya ward, Tokyo | Undisclosed (Note 3) | 6,644 | December 1, 2020 (40% quasi co-ownership interests) April 1, 2021 (30% quasi co-ownership interests) October 1, 2021 (30% quasi co-ownership interests) |

Note 1: The purchase and sale agreement with the buyer on the disposition of the asset falls under the category of forward commitment made by investment corporations as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” ruled by the Financial Service Agency of Japan. In case the agreement is terminated, either of the parties responsible for the termination shall compensate for the damage resulted from the termination by paying a penalty corresponding to 20% of the disposition price (excluding consumption taxes and local consumption taxes) to the other party. However, since KRR is the seller in this transaction and there is no concern such as financing in executing the disposition, KRR believes that the risk of KRR paying the penalty and making an important impact on its financial condition is small.

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

Note 3: The name of the buyer and other information are undisclosed as KRR has not obtained the buyer’s consent

ii) Building under construction

In Yokohama Kamigo Distribution Center, an asset managed by KRR, a new building with a total floor area (Note 1) of 25.79 square meters is under construction by utilizing unutilized floor space (property expansion). The total construction cost (Note 2) is assumed to be approximately 9.1 million yen (excluding consumption tax). Completion and transfer of the new building is scheduled to be in late February 2021.

Note 1: The total floor area indicates the planned total floor space of the new building as of the date of this material. The design and other details of the building may change in the future and the total floor areamay change.

Note 2: “The total construction cost is the current estimate (excluding consumption tax), based on the current design of the building. The design and other details of the building may change in the future, and the total construction costs of the buildingmay change.

Profile of KRR

(1) Status of Unitholders' Capital

| Fiscal period | Seventh fiscal period (From April 1, 2018 to September 30, 2018) | Eighth fiscal period (From October 1, 2018 to March 31, 2019) | Ninth fiscal period (From April 1, 2019 to September 30, 2019) | Tenth fiscal period (From October 1, 2019 to March 31, 2020) | Eleventh fiscal period (From April 1, 2020 to September 30, 2020) |
|---|--|---|--|--|---|
| Total number of authorized investment units | 5,000,000 units | 5,000,000 units | 5,000,000 units | 5,000,000 units | 5,000,000 units |
| Total number of investment units issued and outstanding | 507,700 units | 507,700 units | 507,700 units | 536,177 units | 536,177 units |
| Unitholders' capital | 113,399 million yen | 113,399 million yen | 113,399 million yen | 121,183 million yen | 121,183 million yen |
| Number of unitholders | 12,261 | 10,931 | 10,907 | 13,558 | 13,941 |

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of September 30, 2020.

| Name | Location | Number of units held (Units) | Ratio (%) (Note 1) |
|---|--|---------------------------------|-----------------------|
| THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.) | 2-11-3 Hamamatsucho, Minato-ku, Tokyo | 88,383 | 16.48 |
| CUSTODY BANK OF JAPAN, LTD. (Trust Acct.) (Note 2) | 1-8-12 Harumi, Chuo-ku, Tokyo | 53,408 | 9.96 |
| THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.) | 2-2-2 Otemachi, Chiyoda-ku, Tokyo | 29,471 | 5.49 |
| CUSTODY BANK OF JAPAN, LTD. (Securities Investment Trust Account) (Note 2) | 1-8-12 Harumi, Chuo-ku, Tokyo | 14,291 | 2.66 |
| MIZUHO TRUST & BANKING CO., LTD | 1-2-1 Yaesu, Chuo-ku, Tokyo | 13,717 | 2.55 |
| AOZORA BANK, LTD. | 6-1-1 Kojimachi, Chiyoda-ku, Tokyo | 11,958 | 2.23 |
| KENEDIX, INC. | 2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo | 10,050 | 1.87 |
| STATE STREET BANK WEST CLIENT- TREATY 505234 | Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd. | 8,314 | 1.55 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 3-11-1 Nihonbashi, Chuo-ku, Tokyo Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd. | 8,222 | 1.53 |
| J.P. MORGAN BANK LUXEMBOURG S.A. 385576 | Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd. | 7,774 | 1.44 |
| Total | | 245,558 | 45.80 |

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

Note 2: Japan Trustee Services Bank, Ltd. and Trust and Custody Services Bank, Ltd. merged with JTC Holdings, Inc., the parent company of both companies, effective July 27, 2020, with Japan Trustee Services Bank, Ltd. as the surviving entity of the absorption merger, and the surviving company changed its name to Japan Custody Bank, Ltd. as of the same date.

(3) Matters Concerning Directors and Auditor

i) Executive Director, Supervisory Director, and Independent Auditor as of September 30, 2020

| Position | Name | Other concurrent title | Total amount of fees paid during the period (thousand yen) |
|--------------------------------|-----------------------------|--|--|
| Executive Director | Moyuru Watanabe | Director & COO, Head of Retail REIT Department, KFM | 1,500 |
| Supervisory Director (Note) | Yoshitoshi Yasu | Yoshitoshi Yasu Certified Public Accountant / Tax Accountant Office Auditor of YOKU MOKU Holdings Co., Ltd. Auditor of YOKU MOKU Co., Ltd. Auditor of YOKU MOKU Crea Co., Ltd. Auditor of Fujiricoh Trading Co., Ltd. Auditor of CLOVER Inc. Auditor of Kabou-issin Co., Ltd. Director & member of Audit committee of Loop Inc. | 1,500 |
| | Akiko Yamakawa | Partner of Vanguard Lawyers Tokyo External Audit & Supervisory Board Member of TIS Inc. | 1,500 |
| Independent Auditor | Ernst & Young ShinNihon LLC | — | 11,800 |

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

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

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

(4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of September 30, 2020 are as follows.

| Operational role | Name |
|--|---|
| Asset Manager | Kenedix Real Estate Fund Management, Inc. |
| Asset Custodian | Mizuho Trust & Banking Co., Ltd. |
| Unitholders' Register Agent | Mizuho Trust & Banking Co., Ltd. |
| General Administrator | Mizuho Trust & Banking Co., Ltd. |
| Financial Agent for Investment Corporation Bonds | Sumitomo Mitsui Trust Bank, Ltd. MUFG Bank, Ltd. |

Status on Investment Properties

(1) Component of Assets

| Type of specified asset | Property type | Areas (Note 1) | Tenth fiscal period as of March 31, 2020 | | Eleventh fiscal period as of September 30, 2020 | |
|---|----------------------------------|--|--|-----------------------|--|-----------------------|
| | | | Total amount held (Millions of yen) (Note 2) | Ratio (%) (Note 3) | Total amount held (Millions of yen) (Note 2) | Ratio (%) (Note 3) |
| Trust beneficiary interest in real estate | Shopping centers for daily needs | Tokyo metropolitan area | 94,703 | 38.0 | 96,613 | 38.4 |
| | | Greater Osaka area | 46,272 | 18.6 | 46,140 | 18.3 |
| | | Greater Nagoya area | 23,542 | 9.4 | 22,055 | 8.8 |
| | | Fukuoka area | 7,932 | 3.2 | 7,891 | 3.1 |
| | | Ordinance-designated cities, core cities and other areas | 43,994 | 17.7 | 43,923 | 17.5 |
| | Other retail properties | — | — | — | — | |
| | Distribution centers | Tokyo metropolitan area | 7,883 | 3.2 | 7,954 | 3.2 |
| Total of trust beneficiary interests in real estate | | | 224,328 | 90.0 | 224,579 | 89.2 |
| Real estate | Distribution centers | Tokyo metropolitan area | 3,699 | 1.5 | 3,686 | 1.5 |
| Total of real estate | | | 3,699 | 1.5 | 3,686 | 1.5 |
| Bank deposits and other assets | | | 21,218 | 8.5 | 23,389 | 9.3 |
| Total assets | | | 249,246 | 100.0 | 251,655 | 100.0 |

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

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

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

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of September 30, 2020.

| Property number | Property name | Book value (million yen) | Leasable area (m ²) (Note 1) | Leased area (m ²) (Note 2) | Occupancy rate (%) (Note 3) | Ratio to total rental revenue (%) (Note 4) | Primary use |
|-----------------|-------------------------------|-----------------------------|--|--|-----------------------------------|--|-------------|
| O-4 | Blumer HAT Kobe | 11,260 | 23,775.88 | 23,562.97 | 99.1 | 5.8 | Retail |
| R-10 | Sun Street Hamakita | 10,661 | 48,697.29 (Note 5) | 48,560.69 (Note 5) | 99.7 | 6.2 | Retail |
| R-1 | Roseo Mito | 9,718 | 48,296.15 | 48,296.15 | 100.0 | 4.6 | Retail |
| T-2 | MONA Shin-Urayasu | 8,866 | 9,956.85 | 9,722.73 | 97.6 | 6.0 | Retail |
| O-1 | Blumer Maitamon | 8,388 | 30,290.85 | 30,187.69 | 99.7 | 5.9 | Retail |
| N-6 | Resora Obu Shopping Terrace | 8,095 | 19,909.33 | 19,346.14 | 97.2 | 3.5 | Retail |
| N-4 | Homecenter Kohnan Sunadabashi | 6,888 | 20,329.07 | 20,329.07 | 100.0 | — (Note 7) | Retail |
| O-5 | Carino Esaka | 6,762 | 7,540.58 | 7,345.26 | 97.4 | 3.4 | Retail |
| O-6 | COMBOX Komyoike | 6,206 | 25,530.44 (Note 6) | 25,530.44 | 100.0 | 2.7 | Retail |
| T-26 | Kalsa Hiratsuka | 6,017 | 14,195.00 | 14,195.00 | 100.0 | — (Note 7) | Retail |
| Total | | 82,865 | 248,521.44 | 247,076.14 | 99.4 | — (Note 7) | |

Note 1: "Leasable area" is equivalent to gross floor area of space that KRR considers to be available for lease in each property, rounded to the nearest tenth. For land-only properties, leasable area is equivalent to land area as described in the property registry.

Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of September 30, 2020. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of September 30, 2020 is shown. As for sublease type master leases, the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of September 30, 2020, rounded to the nearest tenth.

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

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

Note 6: The total area that KRR owns exclusively as a compartmentalized ownership interest (retail space).

Note 7: KRR has not obtained consent from the tenant(s) to release this information.

(3) Overview of the Portfolio

[Overview of Assets Owned]

The following summarizes the real estate or the real estate properties in trust owned by KRR as of September 30, 2020.

| Area (Note 1) | Property number | Property type | Property name | Location (City/ward, prefecture) (Note 2) | Ownership form | Book value (in million yen) | Evaluation value (in million yen) (Note 3) |
|------------------|--------------------|---------------------------|--|--|--|--------------------------------|--|
| T | T-2 | Urban Station-Front SC | MONA Shin-Urayasu | Urayasu, Chiba | Trust beneficiary interest in real estate | 8,866 | 10,000 |
| | T-3 | Urban Station-Front SC | Passaggio Nishiarai | Adachi ward, Tokyo | Trust beneficiary interest in real estate | 5,695 | 6,620 |
| | T-4 | Urban Station-Front SC | Daikanyama Address Dixsept | Shibuya ward, Tokyo | Trust beneficiary interest in real estate | 5,363 | 6,120 |
| | T-5 | NSC | Unicus Ina | Kitaadachi-gun, Saitama | Trust beneficiary interest in real estate | 4,404 | 5,240 |
| | T-6 | NSC | Yorktown Kita-Kaname | Hiratsuka, Kanagawa | Trust beneficiary interest in real estate | 3,881 | 4,350 |
| | T-7 | NSC | Unicus Yoshikawa | Yoshikawa, Saitama | Trust beneficiary interest in real estate | 3,518 | 3,860 |
| | T-8 | SS | Sports Club Renaissance Fujimidai | Nerima ward, Tokyo | Trust beneficiary interest in real estate | 2,457 | 2,750 |
| | T-9 | NSC | Super Viva Home Iwatsuki (Land) | Saitama, Saitama | Trust beneficiary interest in real estate | 4,890 | 5,470 |
| | T-10 | SS | K's Denki Shonan- Fujisawa (Land) | Fujisawa, Kanagawa | Trust beneficiary interest in real estate | 3,210 | 3,470 |
| | T-11 | NSC | Unicus Kamisato (Land) | Kodama-gun, Saitama | Trust beneficiary interest in real estate | 3,043 | 3,050 |
| | T-12 | NSC | Unicus Konosu (Land) | Konosu, Saitama | Trust beneficiary interest in real estate | 1,726 | 1,780 |
| | T-13 | SM | Inageya Yokohama Minamihonjuku (Land) | Yokohama, Kanagawa | Trust beneficiary interest in real estate | 1,462 | 1,390 |
| | T-15 | NSC | Nakamachidai Tokyu Store | Yokohama, Kanagawa | Trust beneficiary interest in real estate | 3,351 | 3,750 |
| | T-16 | SS | Central Wellness Club Nagatsuta Minamidai | Yokohama, Kanagawa | Trust beneficiary interest in real estate | 1,740 | 1,780 |
| | T-17 | SM | Life Kameido | Koto ward, Tokyo | Trust beneficiary interest in real estate | 1,481 | 1,490 |
| | T-18 | NSC | Totsuka-Fukaya Shopping Center (Land) | Yokohama, Kanagawa | Trust beneficiary interest in real estate | 4,228 | 4,320 |
| | T-19 | NSC | Yumemachi Narashinodai Mall | Funabashi, Chiba | Trust beneficiary interest in real estate | 3,380 | 3,520 |
| | T-20 | NSC | Kawamachi Yahagi Mall | Chiba, Chiba | Trust beneficiary interest in real estate | 3,125 | 3,240 |
| | T-21 | SS | Prime Square Jiyugaoka | Meguro-ku, Tokyo | Trust beneficiary interest in real estate | 2,979 | 2,820 |
| | T-22 | SS | Round1 Ichikawa- Onitaka | Ichikawa, Chiba | Trust beneficiary interest in real estate | 1,843 | 1,970 |
| | T-23 | SM | Ozeki Tokiwadai | Itabashi ward, Tokyo | Trust beneficiary interest in real estate | 1,273 | 1,340 |
| | T-24 | SS | Konami Sports Club Shibuya | Shibuya ward, Tokyo | Trust beneficiary interest in real estate | 3,593 | 3,390 |
| | T-25 | NSC | Apita Terrace Yokohama Tsunashima | Yokohama, Kanagawa | Trust beneficiary interest in real estate | 5,924 (Note 4) | 6,170 (Note 4) |
| | T-26 | NSC | Kalsa Hiratsuka | Hiratsuka, Kanagawa | Trust beneficiary interest in real estate | 6,017 | 6,020 |
| | T-27 | NSC | Monenosato Mall | Yotsukaido, Chiba | Trust beneficiary interest in real estate | 2,499 | 2,530 |
| | T-28 | NSC | KDX Chofu Building (Retail wing) | Chofu, Tokyo | Trust beneficiary interest in real estate | 2,387 | 2,480 |
| | T-29 | NSC | Across Plaza Urayasu Higashino (Land) | Urayasu, Chiba | Trust beneficiary interest in real estate | 2,283 | 2,310 |
| | T-30 | SM | Comfort Market Nishi-Magome | Ota ward, Tokyo | Trust beneficiary interest in real estate | 2,003 | 2,000 |

| Area (Note 1) | Property number | Property type | Property name | Location (City/ward, prefecture) (Note 2) | Ownership form | Book value (in million yen) | Evaluation value (in million yen) (Note 3) |
|------------------|-----------------|------------------------|--|--|---|---|--|
| O | O-1 | NSC | Blumer Maitamon | Kobe, Hyogo | Trust beneficiary interest in real estate | 8,388 | 9,610 |
| | O-2 | SM | Life Takadono (Land) | Osaka, Osaka | Trust beneficiary interest in real estate | 2,727 | 3,140 |
| | O-3 | NSC | DCM Kahma MEGA Don Quijote UNY Omihachiman | Omihachiman, Shiga | Trust beneficiary interest in real estate | 2,122 | 2,590 |
| | O-4 | NSC | Blumer HAT Kobe | Kobe, Hyogo | Trust beneficiary interest in real estate | 11,260 | 11,000 |
| | O-5 | Urban Station-Front SC | Carino Esaka | Suita, Osaka | Trust beneficiary interest in real estate | 6,762 | 7,190 |
| | O-6 | Urban Station-Front SC | COMBOX Komyoike | Izumi, Osaka | Trust beneficiary interest in real estate | 6,206 | 6,490 |
| | O-7 | SM | Hankyu Oasis Hirakatadeguchi | Hirakata, Osaka | Trust beneficiary interest in real estate | 1,295 | 1,330 |
| | O-9 | SM | Life Nishi-Tengachaya | Osaka, Osaka | Trust beneficiary interest in real estate | 1,535 | 1,690 |
| | O-10 | NSC | Million Town Tsukaguchi (Land) | Amagasaki, Hyogo | Trust beneficiary interest in real estate | 3,772 | 3,980 |
| | O-11 | NSC | Habikigaoka Shopping Center | Habikino, Osaka | Trust beneficiary interest in real estate | 2,069 | 2,020 |
| | N | N-1 | SS | DCM Kahma Nakagawa Tomita (Land) | Nagoya, Aichi | Trust beneficiary interest in real estate | 2,351 |
| N-2 | | NSC | Valor Ichinomiya-Nishi | Ichinomiya, Aichi | Trust beneficiary interest in real estate | 2,133 | 2,360 |
| N-4 | | SS | Homecenter Kohnan Sunadabashi | Nagoya, Aichi | Trust beneficiary interest in real estate | 6,888 | 7,280 |
| N-6 | | NSC | Resora Obu Shopping Terrace | Obu Aichi | Trust beneficiary interest in real estate | 8,095 | 7,050 |
| N-7 | | SM | Valor Nakashidami (Land) | Nagoya, Aichi | Trust beneficiary interest in real estate | 2,587 | 2,560 |
| F | F-1 | SM | Sunny Noma | Fukuoka, Fukuoka | Trust beneficiary interest in real estate | 1,390 | 1,640 |
| | F-2 | SS | Round1 Stadium Hakata-Hanmichibashi | Fukuoka, Fukuoka | Trust beneficiary interest in real estate | 4,950 | 5,760 |
| | F-3 | NSC | Kurume-Nishi Shopping Center | Kurume, Fukuoka | Trust beneficiary interest in real estate | 1,550 | 1,840 |
| R | R-1 | NSC | Roseo Mito | Mito, Ibaraki | Trust beneficiary interest in real estate | 9,718 | 12,000 |
| | R-2 | SS | K's Denki Aomori Honten | Aomori, Aomori | Trust beneficiary interest in real estate | 1,436 | 1,520 |
| | R-3 | SS | Super Sports Xebio Aomori-Chuo | Aomori, Aomori | Trust beneficiary interest in real estate | 864 | 912 |
| | R-4 | NSC | Ashico Town Ashikaga | Ashikaga, Tochigi | Trust beneficiary interest in real estate | 4,441 | 4,660 |
| | R-5 | NSC | Yorktown Shinden-Higashi | Sendai, Miyagi | Trust beneficiary interest in real estate | 3,237 | 2,610 |
| | R-6 | SM | Kasumi Technopark Sakura | Tsukuba, Ibaraki | Trust beneficiary interest in real estate | 836 | 879 |
| | R-8 | NSC | P-1 Plaza Tenno | Hamamatsu, Shizuoka | Trust beneficiary interest in real estate | 4,135 | 4,350 |
| | R-9 | NSC | Seiyu Rakuichi Moriya (Land) | Moriya, Ibaraki | Trust beneficiary interest in real estate | 4,320 | 4,260 |
| | R-10 | NSC | Sun Street Hamakita | Hamamatsu, Shizuoka | Trust beneficiary interest in real estate | 10,661 (Note 4) | 11,160 (Note 4) |
| | R-11 | SS | Costco Wholesale Sapporo Warehouse | Sapporo, Hokkaido | Trust beneficiary interest in real estate | 4,271 | 4,420 |
| | T | L-1 | L | Zama Distribution Center | Zama, Kanagawa | Real estate | 1,472 |
| L-2 | | L | Oppama Distribution Center | Yokosuka, Kanagawa | Real estate | 1,357 | 1,600 |
| L-3 | | L | Musashi Ranzan Distribution Center | Hiki-gun, Saitama | Trust beneficiary interest in real estate | 3,836 (Note 4) | 4,090 (Note 4) |
| L-4 | | L | Yokohama Kamigo Distribution Center | Yokohama, Kanagawa | Trust beneficiary interest in real estate | 957 | 970 |
| L-5 | | L | Gyoda Distribution Center | Gyoda, Saitama | Trust beneficiary interest in real estate | 3,160 | 3,440 |
| L-6 | | L | Shinjuku Nishiochiai Distribution Center | Shinjuku ward, Tokyo | Real estate | 856 | 821 |
| Total | | | | | | 228,266 | 242,832 |

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

| Type of shopping centers for daily needs | Features | Trade area |
|--|----------|------------|
|--|----------|------------|

| | | |
|--------------------------------------|--|----------|
| NSC (Neighborhood Shopping Centers) | Shopping centers with a supermarket as an anchor or core tenant and several specialty store tenants | 3km-5km |
| SM (Supermarkets) | Stand-alone stores that primarily provide groceries, with a retail trade area | 3km |
| CSC (Community Shopping Centers) | Larger shopping centers than NSC, which have a supermarket as an anchor or core tenant in addition to specialty store tenants | 5km-10km |
| Urban Station-Front Shopping Centers | Shopping centers that are located in the immediate vicinity of an urban public transportation station, which take advantage of stable foot traffic | 3km-10km |
| SS (Specialty Stores) | Single- or multiple-tenant shopping centers that specialize in a single type of merchandise or service, such as drug stores, convenience stores, health clubs or electronic appliance stores | 1km-10km |

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

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

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

Note 4: The amount and proportion of quasi co-ownership interests that KRR owns are shown.

[Earnings Performance for the Individual Properties]

| Property number | Property type | Property name | Tenth fiscal period As of March 31, 2020 | | | | Eleventh fiscal period as of September 30, 2020 | | | |
|-----------------|------------------------|---|---|--------------------|--|-----------------------------------|--|--------------------|--|-----------------------------------|
| | | | Number of tenants (Note 1) | Occupancy rate (%) | Rental revenue (million yen) (Note 2) | Ratio to total rental revenue (%) | Number of tenants (Note 1) | Occupancy rate (%) | Rental revenue (million yen) (Note 2) | Ratio to total rental revenue (%) |
| T-2 | Urban Station-Front SC | MONA Shin-Urayasu | 1(57) | 99.5 | 528 | 6.4 | 1(55) | 97.6 | 498 | 6.0 |
| T-3 | Urban Station-Front SC | Passaggio Nishiarai | 1(42) | 100.0 | 303 | 3.7 | 1(41) | 100.0 | 279 | 3.4 |
| T-4 | Urban Station-Front SC | Daikanyama Address Dixsept | 1(27) | 99.1 | 267 | 3.3 | 1(26) | 96.0 | 250 | 3.0 |
| T-5 | NSC | Unicus Ina | 1 | 100.0 | 143 | 1.7 | 1 | 100.0 | 141 | 1.7 |
| T-6 | NSC | Yorktown Kita-Kaname | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-7 | NSC | Unicus Yoshikawa | 1(10) | 99.6 | 132 | 1.6 | 1(10) | 99.6 | 134 | 1.6 |
| T-8 | SS | Sports Club Renaissance Fujimidai | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-9 | NSC | Super Viva Home Iwatsuki (Land) | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-10 | SS | K's Denki Shonan-Fujisawa (Land) | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-11 | NSC | Unicus Kamisato (Land) | 1 | 100.0 | 75 | 0.9 | 1 | 100.0 | 75 | 0.9 |
| T-12 | NSC | Unicus Konosu (Land) | 1 | 100.0 | 43 | 0.5 | 1 | 100.0 | 43 | 0.5 |
| T-13 | SM | Inageya Yokohama Minamihonjuku (Land) | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-15 | NSC | Nakamachidai Tokyu Store | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-16 | SS | Central Wellness Club Nagatsuta Minamidai | 1 | 81.0 | — (Note 3) | — (Note 3) | 1 | 81.0 | — (Note 3) | — (Note 3) |
| T-17 | SM | Life Kameido | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-18 | NSC | Totsuka-Fukaya Shopping Center (Land) | 2 | 100.0 | — (Note 3) | — (Note 3) | 2 | 100.0 | — (Note 3) | — (Note 3) |
| T-19 | NSC | Yumemachi Narashinodai Mall | 1(14) | 100.0 | 141 | 1.7 | 1(14) | 100.0 | 142 | 1.7 |
| T-20 | NSC | Kawamachi Yahagi Mall | 1(12) | 100.0 | 114 | 1.4 | 1(12) | 100.0 | 112 | 1.4 |
| T-21 | SS | Prime Square Jiyugaoka | 2 | 100.0 | — (Note 3) | — (Note 3) | 2 | 100.0 | — (Note 3) | — (Note 3) |
| T-22 | SS | Round1 Ichikawa-Onitaka | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-23 | SM | Ozeki Tokiwadai | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-24 | SS | Konami Sports Club Shibuya | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-25 | NSC | Apita Terrace Yokohama Tsunashima | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-26 | NSC | Kalsa Hiratsuka | 3 | 100.0 | — (Note 3) | — (Note 3) | 3 | 100.0 | — (Note 3) | — (Note 3) |
| T-27 | NSC | Monenosato Mall | 1(6) | 100.0 | 80 | 1.0 | 1(6) | 100.0 | 96 | 1.2 |
| T-28 | NSC | KDX Chofu Building (Retail wing) | 3 | 100.0 | 75 | 0.9 | 3 | 100.0 | 85 | 1.0 |
| T-29 | NSC | Across Plaza Urayasu Higashino (Land) | 1 | 100.0 | — (Note 3) | — (Note 3) | 1 | 100.0 | — (Note 3) | — (Note 3) |
| T-30 | SM | Comfort Market Nishi-Magome | - | - | - | - | 1 | 100.0 | 44 | 0.5 |

Area

| Area | Property number | Property type | Property name | Ninth fiscal period as of September 30, 2019 | | | | Tenth fiscal period As of March 31, 2020 | | | |
|------|-----------------|------------------------|--|---|--------------------|--|-----------------------------------|---|--------------------|--|-----------------------------------|
| | | | | Number of tenants (Note 1) | Occupancy rate (%) | Rental revenue (million yen) (Note 2) | Ratio to total rental revenue (%) | Number of tenants (Note 1) | Occupancy rate (%) | Rental revenue (million yen) (Note 2) | Ratio to total rental revenue (%) |
| O | O-1 | NSC | Blumer Maitamon | 50 | 99.7 | 478 | 5.8 | 50 | 99.7 | 485 | 5.9 |
| | O-2 | SM | Life Takadono (Land) | 1 | 100.0 | — | — | 1 | 100.0 | — | — |
| | O-3 | NSC | DCM Kahma MEGA Don Quijote UNY Omihachiman | 2 | 100.0 | (Note 3) | (Note 3) | 2 | 100.0 | (Note 3) | (Note 3) |
| | O-4 | NSC | Blumer HAT Kobe | 1(42) | 99.5 | 464 | 5.6 | 1(41) | 99.1 | 477 | 5.8 |
| | O-5 | Urban Station-Front SC | Carino Esaka | 1(29) | 98.8 | 301 | 3.7 | 1(28) | 97.4 | 280 | 3.4 |
| | O-6 | Urban Station-Front SC | COMBOX Komyoike | 1 | 100.0 | 226 | 2.7 | 1 | 100.0 | 225 | 2.7 |
| | O-7 | SM | Hankyu Oasis Hirakatadeguchi | 1 | 100.0 | — | — | 1 | 100.0 | (Note 3) | (Note 3) |
| | O-8 | SS | Welcia Kishiwadakamori (Land) (Note 4) | - | - | (Note 3) | (Note 3) | - | - | - | - |
| | O-9 | SM | Life Nishi-Tengachaya | 1 | 100.0 | 44 | 0.5 | 1 | 100.0 | 44 | 0.5 |
| | O-10 | NSC | Million Town Tsukaguchi (Land) | 1 | 100.0 | — | — | 1 | 100.0 | — | — |
| | O-11 | NSC | Habikigaoka Shopping Center | 2 | 100.0 | (Note 3) | (Note 3) | 2 | 100.0 | (Note 3) | (Note 3) |
| N | N-1 | SS | DCM Kahma Nakagawa Tomita (Land) | 1 | 100.0 | — | — | 1 | 100.0 | (Note 3) | (Note 3) |
| | N-2 | NSC | Valor Ichinomiya-Nishi | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | N-4 | SS | Homecenter Kohnan Sunadabashi | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | N-5 | SS | K's Denki Shin-Moriyama (Land) (Note 4) | 1 | 100.0 | (Note 3) | (Note 3) | - | - | (Note 3) | (Note 3) |
| | N-6 | NSC | Resora Obu Shopping Terrace | 1(39) | 97.1 | 278 | 3.4 | 1(40) | 97.2 | 285 | 3.5 |
| | N-7 | SM | Valor Nakashidami (Land) | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| F | F-1 | SM | Sunny Noma | 1 | 100.0 | — | — | 1 | 100.0 | — | — |
| | F-2 | SS | Round1 Stadium Hakata-Hanmichibashi | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | F-3 | NSC | Kurume-Nishi Shopping Center | 4 | 100.0 | 52 | 0.6 | 4 | 100.0 | 52 | 0.6 |
| R | R-1 | NSC | Roseo Mito | 1(23) | 100.0 | 383 | 4.7 | 1(23) | 100.0 | 382 | 4.6 |
| | R-2 | SS | K's Denki Aomori Honten | 1 | 100.0 | — | — | 1 | 100.0 | — | — |
| | R-3 | SS | Super Sports Xebio Aomori-Chuo | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | R-4 | NSC | Ashico Town Ashikaga | 1(28) | 95.0 | 251 | 3.1 | 1(30) | 99.4 | 255 | 3.1 |
| | R-5 | NSC | Yorktown Shinden-Higashi | 2 | 100.0 | — | — | 2 | 100.0 | — | — |
| | R-6 | SM | Kasumi Technopark Sakura | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | R-8 | NSC | P-1 Plaza Tenno | 1(7) | 100.0 | 137 | 1.7 | 1(7) | 100.0 | 138 | 1.7 |
| | R-9 | NSC | Seiyu Rakuichi Moriya (Land) | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | R-10 | NSC | Sun Street Hamakita | 1(51) | 99.5 | 516 | 6.3 | 1(53) | 99.7 | 513 | 6.2 |
| | R-11 | SS | Costco Wholesale Sapporo Warehouse | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| | T | L-1 | L | Zama Distribution Center | 1 | 100.0 | — | — | 1 | 100.0 | — |
| L-2 | | L | Oppama Distribution Center | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| L-3 | | L | Musashi Ranzan Distribution Center | 1 | 100.0 | (Note 3) | (Note 3) | 1 | 100.0 | (Note 3) | (Note 3) |
| L-4 | | L | Yokohama Kamigo Distribution Center | 1 | 100.0 | (Note 3) | (Note 3) | 2 | 100.0 | (Note 3) | (Note 3) |

| | | | | | | | | | | |
|-------|---|--|-----|-------|---------------|-------|-----|-------|---------------|---------------|
| L-5 | L | Gyoda Distribution Center | 1 | 100.0 | | | 1 | 100.0 | | |
| L-6 | L | Shinjuku Nishiochiai Distribution Center | — | — | — (Note 3) | — | 1 | 100.0 | — (Note 3) | — (Note 3) |
| Total | | | 496 | 99.4 | 8,324 | 100.0 | 496 | 99.7 | 8,272 | 100.0 |

Note 1: Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of September 30, 2020. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. As for the "Total" of "Number of tenants", the number of end-tenants is used for pass-through type master leases and the number of master lessee is used for sublease type master leases.

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

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

Note 4: Welcia Kishiwadakamori (Land) was disposed of on October 31, 2019 and K's Denki Shin-Moriyama (Land) was disposed on September 30, 2020.

(4) Specified Transaction

As of September 30, 2020, the contract amount and fair value of the outstanding transaction under the specified transaction account of KRR are as follows.

| | Type | Contract amount (million yen) ^(Note 1) | | Fair value (million yen) ^{(Note 2) (Note 3)} |
|-------|--|---|---|---|
| | | | Due after one year ^(Note 1) | |
| OTC | Interest rate swaps: Receive floating / pay fixed | 71,310 | 61,710 | -354 |
| Total | — | 71,310 | 61,710 | -354 |

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

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

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

(5) Other Assets

Real estate or beneficiary rights of real estate in trust owned by KRR are disclosed in “(3) Overview of the Portfolio”.

KRR has no other specified assets.

(6) Asset in Geographic Area

KRR owns no asset in specified area other than Japan.

Capital Expenditures

(1) Planned Capital Expenditures

The table below shows major capital expenditures ^(Note) for renovations, repairs and other projects that are planned for the Eleventh fiscal period ending March 31, 2021. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditure that will be recorded as expenses rather than capital expenditures for accounting purposes.

| Property number | Property name | Location | Purpose | Schedule | Planned amount of capital expenditure (Millions of yen) | | |
|-----------------|----------------------------|--------------------|--|---------------------------------|---|------------------------|---------------------------|
| | | | | | Total | Payment for the period | Total amount already paid |
| T-2 | MONA Shin-Urayasu | Urayasu, Chiba | Exterior wall repair work (Phase 1) | From October 2020 to March 2021 | 99 | - | - |
| T-2 | MONA Shin-Urayasu | Urayasu, Chiba | Air Conditioning equipment replacement (phase 2) | From October 2020 to March 2021 | 95 | | |
| O-1 | Blumer Maitamon | Kobe, Hyogo | Exterior wall repair work (phase 2) | From October 2020 to March 2021 | 76 | | |
| L-5 | Gyoda Distribution Center | Gyoda, Saitama | Exterior wall repair work | From October 2020 to March 2021 | 66 | - | - |
| R-4 | Ashico Town Ashikaga | Ashikaga, Tochigi | Solar panel installation | From October 2020 to March 2021 | 51 | - | - |
| L-2 | Oppama Distribution Center | Yokosuka, Kanagawa | Water supply system Replacement | From October 2020 to March 2021 | 17 | - | - |
| L-1 | Zama Distribution Center | Zama, Kanagawa | Lighting system Replacement | From October 2020 to March 2021 | 15 | - | - |

(2) Capital Expenditures during the Fiscal Period under Review

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

The amount of capital expenditures in the fiscal period under review was 544 million yen. There were also expenditures of 239 million yen that were recorded as repair expenses. In total KRR spent 783 million yen on the projects.

| Property number | Property name | Location | Purpose | Schedule | Capital expenditure (Millions of yen) |
|-----------------|-----------------------|---------------------|--|-----------------------------------|---------------------------------------|
| T-2 | MONA Shin-Urayasu | Urayasu, Chiba | Air conditioning equipment replacement (phase 1) | From April 2020 to September 2020 | 183 |
| R-4 | Ashico Town Ashikaga | Ashikaga, Tochigi | Compartment division construction | From June 2020 to September 2020 | 89 |
| O-1 | Blumer Maitamon | Kobe, Hyogo | Exterior wall repair work (phase 1) | From April 2020 to September 2020 | 75 |
| T-20 | Kawamachi Yahagi Mall | Chiba, Chiba | Solar panel installation | From June 2020 to July 2020 | 41 |
| R-10 | Sun Street Hamakita | Hamamatsu, Shizuoka | Installation of a parking lot fill-up control system | From July 2020 to September 2020 | 26 (Note 1) |
| Others | | | | | 128 |
| Total | | | | | 544 |

Note 1: The amount corresponding to the quasi co-ownership interest held by the KRR is shown.

Note 2: Construction work related to the construction (property expansion) of the restaurant building at Yokohama Kamigo Distribution Center is not included in this item (2), as it involves the acquisition of a new building and does not fall under the category of capital expenditures for renovation, etc.

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

Not applicable

Expenses and Liabilities

(1) Expenses related to Asset Management

| | (in thousands of yen) | |
|---|--|---|
| | Tenth fiscal period (From October 1, 2019 To March 31, 2020) | Eleventh fiscal period (From April 1, 2020 To September 30, 2020) |
| Asset management fees ^(Note) | 685,500 | 706,110 |
| Asset custody fees | 9,643 | 10,098 |
| Administrative service fees | 32,189 | 32,656 |
| Directors' compensation | 4,500 | 4,500 |
| Other operating expenses | 98,176 | 83,784 |
| Total | 830,010 | 837,151 |

Note: In addition to above, the amount of asset management fees capitalized are 253,581 thousand yen for the tenth fiscal period and 20,390 thousand yen for the eleventh fiscal period related to the acquisition of properties that entered the book value of the properties, and 2,800 thousand yen for the tenth fiscal period and 7,639 thousand yen for the eleventh fiscal period related to the disposition of properties.

(2) Status of Borrowings

Borrowings on a financial institution basis as of September 30, 2020 are as follows.

| Classification | Lender | Balance at the beginning of period (Thousands of yen) | Increase during the period (Thousands of yen) | Decrease during the period (Thousands of yen) | Balance at the end of period (Thousands of yen) | Average interest rate (Note 1) (Note 2) (%) | Payment due date (Note 3) | Use | Remarks |
|--|--|---|---|---|---|---|---------------------------|----------|------------------------|
| Short-Term Loans Payable | Sumitomo Mitsui Banking Corporation | 700,000 | — | 700,000 | — | 0.459 | September 30, 2020 | (Note 4) | Unsecured/Unguaranteed |
| | Sumitomo Mitsui Banking Corporation | 2,750,000 | — | — | 2,750,000 | 0.459 | January 31, 2021 | | |
| | Sub Total | 3,450,000 | — | 700,000 | 2,750,000 | | | | |
| Current Portion of Long-Term Loans Payable | Sumitomo Mitsui Banking Corporation | 3,000,000 | — | — | 3,000,000 | 0.865 | February 10, 2021 | (Note 4) | Unsecured/Unguaranteed |
| | MUFG Bank, Ltd. | 700,000 | — | — | 700,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 500,000 | — | — | 500,000 | | | | |
| | Aozora Bank, Ltd. | 450,000 | — | — | 450,000 | | | | |
| | Resona Bank, Ltd. | 450,000 | — | — | 450,000 | | | | |
| | Mizuho Bank, Ltd. | 400,000 | — | — | 400,000 | | | | |
| | Development Bank of Japan Inc. (Note5) | 1,500,000 | — | — | 1,500,000 | 0.925 | February 10, 2021 | | |
| | Sumitomo Mitsui Banking Corporation | 2,400,000 | — | — | 2,400,000 | 0.459 | February 28, 2021 | | |
| | MUFG Bank, Ltd. | 1,600,000 | — | — | 1,600,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 550,000 | — | — | 550,000 | | | | |
| | Resona Bank, Ltd. | 500,000 | — | — | 500,000 | | | | |
| | Aozora Bank, Ltd. | 500,000 | — | — | 500,000 | | | | |
| | Mizuho Bank, Ltd. | 350,000 | — | — | 350,000 | | | | |
| | Mizuho Trust & Banking Co., Ltd. | 300,000 | — | — | 300,000 | | | | |
| | The Gunma Bank, Ltd. (Note5) (Note6) | 500,000 | — | — | 500,000 | 0.550 | September 30, 2021 | | |
| | Sumitomo Mitsui Banking Corporation (Note6) | 2,600,000 | — | — | 2,600,000 | 0.485 | April 27, 2021 | | |
| | Aozora Bank, Ltd. (Note6) | 500,000 | — | — | 500,000 | | | | |
| | MUFG Bank, Ltd. (Note6) | 400,000 | — | — | 400,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Ltd. (Note6) | 300,000 | — | — | 300,000 | | | | |
| | Resona Bank, Ltd. (Note6) | 300,000 | — | — | 300,000 | | | | |
| | MUFG Bank, Ltd. (Note5) (Note6) | 600,000 | — | — | 600,000 | | | | |
| | Development Bank of Japan Inc. (Note5) (Note6) | 500,000 | — | — | 500,000 | 0.553 | April 27, 2021 | | |
| | Mizuho Bank, Ltd. (Note5) (Note6) | 400,000 | — | — | 400,000 | 0.553 | | | |
| | Mizuho Trust & Banking Co., Ltd. (Note5) (Note6) | 200,000 | — | — | 200,000 | 0.553 | | | |
| | Sumitomo Mitsui Banking Corporation (Note7) | — | 1,900,000 | 1,000,000 | 900,000 | 0.460 | April 30, 2021 | | |
| | Sub Total | 19,500,000 | 1,900,000 | 1,000,000 | 20,400,000 | | | | |
| | Long-Term Loans Payable | Sumitomo Mitsui Banking Corporation | 2,600,000 | — | — | 2,600,000 | 0.978 | | |
| MUFG Bank, Ltd. | | 800,000 | — | — | 800,000 | | | | |
| Sumitomo Mitsui Trust Bank, Ltd. | | 600,000 | — | — | 600,000 | | | | |
| Aozora Bank, Ltd. | | 400,000 | — | — | 400,000 | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 400,000 | — | — | 400,000 | | | | |
| Mizuho Bank, Ltd. | | 300,000 | — | — | 300,000 | | | | |
| Resona Bank, Ltd. | | 300,000 | — | — | 300,000 | | | | |
| Development Bank of Japan Inc. (Note5) | | 1,600,000 | — | — | 1,600,000 | 1.033 | February 10, 2022 | | |
| Sumitomo Mitsui Banking Corporation | | 4,600,000 | — | — | 4,600,000 | 1.366 | April 16, 2025 | | |
| MUFG Bank, Ltd. | | 1,000,000 | — | — | 1,000,000 | 0.975 | March 31, 2023 | | |
| Sumitomo Mitsui Trust Bank, Ltd. | | 600,000 | — | — | 600,000 | | | | |
| Mizuho Bank, Ltd. | | 400,000 | — | — | 400,000 | | | | |
| Resona Bank, Ltd. | | 400,000 | — | — | 400,000 | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 400,000 | — | — | 400,000 | | | | |
| MUFG Bank, Ltd. | | 400,000 | — | — | 400,000 | | | | |
| Development Bank of Japan Inc. (Note5) | | 1,500,000 | — | — | 1,500,000 | 0.994 | March 31, 2023 | | |
| MUFG Bank, Ltd. | | 450,000 | — | — | 450,000 | 0.987 | March 31, 2023 | | |
| Resona Bank, Ltd. | | 200,000 | — | — | 200,000 | | | | |
| The Musashino Bank, Ltd. | | 150,000 | — | — | 150,000 | | | | |
| Development Bank of Japan Inc. (Note5) | | 1,500,000 | — | — | 1,500,000 | 1.013 | March 31, 2023 | | |
| Sumitomo Mitsui Banking Corporation | | 3,000,000 | — | — | 3,000,000 | 1.110 | March 31, 2024 | | |
| Mizuho Bank, Ltd. | 1,150,000 | — | — | 1,150,000 | | | | | |
| MUFG Bank, Ltd. | 1,000,000 | — | — | 1,000,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | 700,000 | — | — | 700,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Ltd. | 650,000 | — | — | 650,000 | | | | | |
| Resona Bank, Ltd. | 500,000 | — | — | 500,000 | | | | | |

| | | | | | | | | | |
|-------------------------------------|--|-----------|---|-----------|-----------|------------------|--------------------|----------|----------------------------|
| Long-Term Loans Payable | Sumitomo Mitsui Banking Corporation | 1,500,000 | — | — | 1,500,000 | 1.243 | April 16, 2025 | (Note 4) | Unsecured/ Unguaranteed |
| | MUFG Bank, Ltd. | 400,000 | — | — | 400,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 450,000 | — | — | 450,000 | 0.803 | September 30, 2024 | | |
| | Development Bank of Japan Inc. (Note5) | 890,000 | — | — | 890,000 | 0.760 | September 30, 2024 | | |
| | Sumitomo Mitsui Banking Corporation | 2,670,000 | — | — | 2,670,000 | 0.932 | April 21, 2026 | | |
| | MUFG Bank, Ltd. | 890,000 | — | — | 890,000 | 0.888 | October 31, 2025 | | |
| | Development Bank of Japan Inc. (Note5) | 2,000,000 | — | — | 2,000,000 | 1.049 | January 31, 2027 | | |
| | Mizuho Trust & Banking Co., Ltd. (Note5) | 1,000,000 | — | — | 1,000,000 | 1.049 | | | |
| | Resona Bank, Ltd. | 500,000 | — | — | 500,000 | 1.002 | | | |
| | Sumitomo Mitsui Banking Corporation | 1,500,000 | — | — | 1,500,000 | 0.772 | October 31, 2024 | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 400,000 | — | — | 400,000 | | | | |
| | Aozora Bank, Ltd. | 400,000 | — | — | 400,000 | | | | |
| | Resona Bank, Ltd. | 300,000 | — | — | 300,000 | | | | |
| | MUFG Bank, Ltd. (Note5) | 600,000 | — | — | 600,000 | 0.696 | October 31, 2024 | | |
| | Mizuho Bank, Ltd. (Note5) | 600,000 | — | — | 600,000 | 0.815 | | | |
| | Development Bank of Japan Inc. (Note5) | 500,000 | — | — | 500,000 | 0.814 | | | |
| | Mizuho Trust & Banking Co., Ltd. (Note5) | 200,000 | — | — | 200,000 | 0.814 | | | |
| | MUFG Bank, Ltd. (Note5) | 500,000 | — | — | 500,000 | 0.903 | | | |
| | Sumitomo Mitsui Banking Corporation | 500,000 | — | — | 500,000 | 1.033 | May 18, 2027 | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 500,000 | — | — | 500,000 | | | | |
| | Resona Bank, Ltd. | 400,000 | — | — | 400,000 | | | | |
| | Development Bank of Japan Inc. (Note5) | 500,000 | — | — | 500,000 | 1.050 | May 18, 2027 | | |
| | Mizuho Bank, Ltd. (Note5) | 500,000 | — | — | 500,000 | 1.049 | | | |
| | Mizuho Trust & Banking Co., Ltd. (Note5) | 300,000 | — | — | 300,000 | 1.050 | | | |
| | MUFG Bank, Ltd. (Note5) | 500,000 | — | — | 500,000 | 0.670 | September 29, 2023 | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 1,500,000 | — | — | 1,500,000 | 0.918 | September 30, 2026 | | |
| | MUFG Bank, Ltd. (Note5) | 500,000 | — | — | 500,000 | 0.930 | September 29, 2027 | | |
| | Mizuho Bank, Ltd. (Note5) | 1,500,000 | — | — | 1,500,000 | 1.029 | | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 1,500,000 | — | — | 1,500,000 | 1.100 | September 29, 2028 | | |
| | Sumitomo Mitsui Banking Corporation | 500,000 | — | — | 500,000 | 1.035 | October 3, 2027 | | |
| | MUFG Bank, Ltd. (Note5) | 1,200,000 | — | — | 1,200,000 | 1.000 | February 10, 2028 | | |
| | MUFG Bank, Ltd. | 1,250,000 | — | — | 1,250,000 | 0.603 | August 31, 2022 | | |
| | Mizuho Bank, Ltd. | 800,000 | — | — | 800,000 | | | | |
| | Sumitomo Mitsui Banking Corporation | 900,000 | — | — | 900,000 | 0.988 | April 30, 2027 | | |
| | Sumitomo Mitsui Banking Corporation | 2,600,000 | — | — | 2,600,000 | 0.985 | April 30, 2027 | | |
| | Sumitomo Mitsui Banking Corporation | 2,000,000 | — | — | 2,000,000 | 0.902 | April 30, 2026 | | |
| | Mizuho Bank, Ltd. | 1,000,000 | — | — | 1,000,000 | 1.090 | April 30, 2028 | | |
| | The Bank of Fukuoka, Ltd. | 1,000,000 | — | — | 1,000,000 | 0.907 | May 31, 2026 | | |
| | Sumitomo Mitsui Banking Corporation | 1,500,000 | — | — | 1,500,000 | 0.999 | May 31, 2027 | | |
| | MUFG Bank, Ltd. (Note5) | 500,000 | — | — | 500,000 | 0.900 | | | |
| | Mizuho Bank, Ltd. | 500,000 | — | — | 500,000 | 0.999 | | | |
| | Mizuho Trust & Banking Co., Ltd. | 500,000 | — | — | 500,000 | 0.999 | | | |
| | Nippon Life Insurance Company | 700,000 | — | — | 700,000 | 0.913 | March 31, 2025 | | |
| | Sumitomo Mitsui Trust Bank, Ltd. | 700,000 | — | — | 700,000 | 0.726 | March 31, 2026 | | |
| | Resona Bank, Ltd. | 500,000 | — | — | 500,000 | 0.676 | | | |
| | Aozora Bank, Ltd. | 500,000 | — | — | 500,000 | 0.726 | | | |
| | Mizuho Bank, Ltd. | 400,000 | — | — | 400,000 | 0.726 | | | |
| The Musashino Bank, Ltd. | 400,000 | — | — | 400,000 | 0.676 | | | | |
| Sumitomo Mitsui Banking Corporation | 1,850,000 | — | — | 1,850,000 | 0.910 | March 31, 2028 | | | |
| MUFG Bank, Ltd. | 1,300,000 | — | — | 1,300,000 | 0.860 | | | | |
| Resona Bank, Ltd. | 650,000 | — | — | 650,000 | 0.460 | August 31, 2024 | | | |
| Aozora Bank, Ltd. | 890,000 | — | — | 890,000 | 0.585 | August 31, 2026 | | | |
| Mizuho Bank, Ltd. | 1,370,000 | — | — | 1,370,000 | 0.718 | March 31, 2028 | | | |
| Sumitomo Mitsui Trust Bank, Ltd. | 820,000 | — | — | 820,000 | 0.550 | October 31, 2024 | | | |
| MUFG Bank, Ltd. | 1,270,000 | — | — | 1,270,000 | 0.750 | January 31, 2028 | | | |

| | | | | | | | | | |
|-------------------------|--|------------|-----------|-------------|------------|-------|--------------------|----------|----------------------------|
| Long-Term Loans Payable | Mizuho Trust & Banking Co., Ltd. (Note5) | 650,000 | — | — | 650,000 | 0.670 | April 30, 2028 | (Note 4) | Unsecured/ Unguaranteed |
| | MUFG Bank, Ltd. (Note5) | 1,500,000 | — | — | 1,500,000 | 0.520 | October 31, 2026 | | |
| | Sumitomo Mitsui Banking Corporation | 1,000,000 | — | — | 1,000,000 | 0.644 | | | |
| | Mizuho Bank, Ltd. | 1,000,000 | — | — | 1,000,000 | 0.644 | | | |
| | Mizuho Trust & Banking Co., Ltd. (Note5) | 500,000 | — | — | 500,000 | 0.550 | | | |
| | Resona Bank, Ltd. | 300,000 | — | — | 300,000 | 0.644 | | | |
| | Development Bank of Japan Inc. (Note5) | 500,000 | — | — | 500,000 | 0.830 | October 31, 2029 | | |
| | The Gunma Bank, Ltd. | 400,000 | — | — | 400,000 | 0.498 | January 31, 2025 | | |
| | The Musashino Bank, Ltd. (Note5) | 400,000 | — | — | 400,000 | 0.478 | January 31, 2025 | | |
| | Sumitomo Mitsui Banking Corporation | — | 700,000 | — | 700,000 | 0.758 | September 30, 2028 | | |
| | Sub Total | 80,950,000 | 700,000 | — | 81,650,000 | | | | |
| Total | 103,900,000 | 2,600,000 | 1,700,000 | 104,800,000 | | | | | |

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

Note 2: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate swaps are indicated.

Note 3: All the repayment methods of debt financing except for the following Note 7 are lump-sum repayments on the due date.

Note 4: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 5: Borrowings at a fixed rate.

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

Note 7: Partial prepayment of 1,000,000 thousand yen was made on April 30, 2020.

(3) Status of Investment Corporation Bonds

| Bonds | Issuance date | Balance as of April 1, 2020 (million yen) | Balance as of September 30, 2020 (million yen) | Interest rate (%) | Maturity date | Redemption method | Use | Remarks |
|---|------------------|---|--|-------------------|------------------|-------------------|----------|----------|
| 1st Series Unsecured Investment Corporation Bonds | October 31, 2016 | 1,000 | 1,000 | 0.200 | October 29, 2021 | Full on maturity | (Note 1) | (Note 3) |
| 2nd Series Unsecured Investment Corporation Bonds | October 31, 2016 | 1,000 | 1,000 | 0.600 | October 30, 2026 | | | |
| 3rd Series Unsecured Investment Corporation Bonds | August 31, 2017 | 1,000 | 1,000 | 0.320 | August 31, 2022 | | (Note 2) | |
| 4th Series Unsecured Investment Corporation Bonds | August 31, 2017 | 2,000 | 2,000 | 0.700 | August 31, 2027 | | | |
| 5th Series Unsecured Investment Corporation Bonds | April 26, 2018 | 2,000 | 2,000 | 0.700 | April 26, 2028 | | | |
| 6th Series Unsecured Investment Corporation Bonds | April 30, 2020 | - | 1,000 | 0.400 | April 30, 2025 | | | |
| Total | | 7,000 | 7,000 | | | | | |

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

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

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

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

(4) Status of Short-Term Investment Corporation Bonds

Not applicable

(5) Status of Subscription Rights to New Investment Units

Not applicable

Acquisition and Disposition

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

| Ownership form | Property number | Property name | Acquisition | | Disposition | | | |
|---|-----------------|--------------------------------|------------------|---|--------------------|---|--------------------------|---------------------------|
| | | | Acquisition date | Acquisition price (million yen) (Note) | Disposition Date | Disposition price (million yen) (Note) | Book value (million yen) | Gain / loss (million yen) |
| Trust beneficiary interest in real estate | T-30 | Comfort Market Nishi-Magome | April 15, 2020 | 1,920 | — | — | — | — |
| Trust beneficiary interest in real estate | N-5 | K's Denki Shin-Moriyama (Land) | - | - | September 30, 2020 | 1,527 | 1,390 | 126 |

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

(2) Acquisition and Disposition of Other Assets

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

(3) Appraisal Values of Specific Assets

i) Real Estate

| Acquisition /disposition | Ownership form | Property number | Property name | Acquisition/ disposition date | Acquisition/ disposition price (million yen) (Note 1) | Appraisal value (million yen) (Note 2) | Appraiser | Evaluation date |
|--------------------------|---|-----------------|---------------------------------|-------------------------------|--|---|---------------------------------------|-----------------|
| Acquisition | Trust beneficiary interest in real estate | T-30 | Comfort Market Nishi-Magome | April 15, 2020 | 1,920 | 2,000 | The Tanizawa Sōgō Appraisal Co., Ltd. | March 1, 2020 |
| Disposition | Trust beneficiary interest in real estate | N-5 | (K's Denki Shin-Moriyama (Land) | September 30, 2020 | 1,527 | 1,440 | Japan Real Estate Institute | March 31, 2020 |

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

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

ii) Others

(A) Investigator regarding values of certain assets

BDO Toyo & Co.

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Article 201 of the Act on Investment Trusts and Investment Corporations, BDO Toyo & Co. performs an investigation of transactions. For the fiscal period from April 1, 2020 to September 30, 2020, the transactions subject to such investigation were one interest rate swap transaction, for which KRR received reports from BDO Toyo & Co. For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions. This survey is not a part of the audit for financial statements, and there is no guarantee of fairness of the price and internal management system.

(4) Related-Party Transactions

i) Transactions

Not applicable

ii) Amounts of Fees Paid

| | Total amount of fee paid (A) (in million) | Related-Party Transaction | | Ratio (B) / (A) (%) |
|-----------|--|---------------------------|--|------------------------|
| | | Payment destination | Amount of fee paid (B) (in million) | |
| Brokerage | 57 | Kenedix, Inc. | 57 | 100.0 |

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

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

Accounting

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

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

(2) Change in Calculation of Depreciation

Not applicable

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

Not applicable

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

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

Not applicable

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

Not applicable

(5) Disclosure of Companies Owning Real Estate Overseas

Not applicable

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

Not applicable

Others

(1) Notice

i) General Meeting of Unitholders

Not applicable

ii) Board of Directors

| Date | Approved items | Summary |
|--------------------|--|--|
| September 24, 2020 | Entrustment of business affairs regarding issuance of investment corporation bonds | In regard to the comprehensive resolution on the issuance of investment corporation bonds approved on the same day, We approved candidate companies for the entrustment of business affairs regarding investment corporation bonds and discretionary decision-making rights on other required matters to the Executive Director. |

(2) Others

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

Independent Auditor's Report

The Board of Directors
Kenedix Retail REIT Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation (the Company), which comprise the balance sheet as at September 30, 2020, and the statement of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

December 25, 2020

吉村 基 

Motoki Yoshimura
Designated Engagement Partner
Certified Public Accountant

吉田 雅彦 

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant

Financial Statements

(11th Fiscal Period: from April 1, 2020 to September 30, 2020)

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

Kenedix Retail REIT Corporation

Balance Sheet

As of September 30, 2020

| | As of September 30, 2020 | As of March 31, 2020 |
|--|--------------------------|----------------------|
| (in thousands of yen) | | |
| Assets | | |
| Current assets | | |
| Cash and deposits (Notes 9 and 11) | ¥9,152,961 | ¥6,125,619 |
| Cash and deposits in trust (Notes 9 and 11) | 12,874,534 | 12,924,521 |
| Operating accounts receivable | 192,124 | 166,961 |
| Prepaid expenses | 163,279 | 32,902 |
| Consumption taxes receivable | - | 863,462 |
| Other | 1,907 | 1,907 |
| Total current assets | 22,384,807 | 20,115,374 |
| Non-current assets | | |
| Property, plant and equipment (Notes 17 and 20) | | |
| Buildings | 745,164 | 735,397 |
| Accumulated depreciation | (45,386) | (29,574) |
| Buildings, net | 699,778 | 705,823 |
| Structures | 38,751 | 38,751 |
| Accumulated depreciation | (2,955) | (1,954) |
| Structures, net | 35,795 | 36,796 |
| Land | 2,951,386 | 2,951,386 |
| Construction in progress | - | 5,062 |
| Buildings in trust | 61,177,360 | 60,239,912 |
| Accumulated depreciation | (7,556,164) | (6,621,134) |
| Buildings in trust, net (Note 3) | 53,621,196 | 53,618,778 |
| Structures in trust | 3,439,796 | 3,419,821 |
| Accumulated depreciation | (539,341) | (474,705) |
| Structures in trust, net (Note 3) | 2,900,455 | 2,945,115 |
| Machinery and equipment in trust | 262,338 | 220,898 |
| Accumulated depreciation | (46,502) | (39,592) |
| Machinery and equipment in trust, net | 215,835 | 181,305 |
| Tools, furniture and fixtures in trust | 150,938 | 147,539 |
| Accumulated depreciation | (52,512) | (40,505) |
| Tools, furniture and fixtures in trust, net | 98,425 | 107,034 |
| Land in trust (Note 3) | 163,431,237 | 163,155,870 |
| Construction in progress in trust | - | 4,115 |
| Total property, plant and equipment, net | 223,954,110 | 223,711,288 |
| Intangible assets (Note 20) | | |
| Leasehold right in trust (Note 17) | 4,304,826 | 4,308,804 |
| Other | 9,507 | 9,937 |
| Total intangible assets | 4,314,334 | 4,318,742 |
| Investments and other assets | | |
| Lease and guarantee deposits | 10,000 | 10,000 |
| Lease and guarantee deposits in trust | 60,236 | 60,236 |
| Long-term prepaid expenses | 743,581 | 830,025 |
| Long-term deposits | 117,010 | 117,110 |
| Other | 2,258 | 8,339 |
| Total investments and other assets | 933,086 | 1,025,711 |
| Total non-current assets | 229,201,531 | 229,055,742 |
| Deferred assets | | |
| Investment corporation bond issuance costs | 38,532 | 36,615 |
| Investment unit issuance costs | 30,906 | 38,633 |
| Total deferred assets | 69,438 | 75,248 |
| Total assets | ¥251,655,777 | ¥249,246,364 |

See accompanying notes to financial statements.

As of September 30, 2020 As of March 31, 2020

(in thousands of yen)

| | As of September 30, 2020 | As of March 31, 2020 |
|--|--------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | ¥983,154 | ¥692,883 |
| Short-term loans payable (Notes 11 and 21) | 2,750,000 | 3,450,000 |
| Current portion of long-term loans payable (Notes 11 and 21) | 20,400,000 | 13,200,000 |
| Accounts payable-other | 474,759 | 463,187 |
| Accrued expenses | 33,791 | 32,558 |
| Income taxes payable | 1,104 | 956 |
| Accrued consumption taxes | 363,159 | 120,675 |
| Advances received | 1,275,682 | 1,266,351 |
| Deposits received | 26,041 | 20,626 |
| Other | 291 | - |
| Total current liabilities | 26,307,983 | 19,247,239 |
| Non-current liabilities | | |
| Investment corporation bonds (Notes 11 and 22) | 8,000,000 | 7,000,000 |
| Long-term loans payable (Notes 11 and 21) | 81,650,000 | 87,250,000 |
| Tenant leasehold and security deposits (Note 11) | 148,083 | 148,083 |
| Tenant leasehold and security deposits in trust (Notes 3 and 11) | 10,833,263 | 10,878,319 |
| Asset retirement obligations (Note 15) | 24,381 | 24,229 |
| Other | 383,202 | 247,638 |
| Total non-current liabilities | 101,038,930 | 105,548,270 |
| Total liabilities | 127,346,914 | 124,795,509 |
| Net assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 121,183,494 | 121,183,494 |
| Deduction from unitholders' capital | | |
| Allowance for temporary difference adjustments (Note 5) | (236,788) | (305,743) |
| Total deduction from unitholders' capital | (236,788) | (305,743) |
| Unitholders' capital, net | 120,946,706 | 120,877,750 |
| Surplus | | |
| Unappropriated retained earnings | 3,716,853 | 3,784,993 |
| Total surplus | 3,716,853 | 3,784,993 |
| Total unitholders' equity | 124,663,559 | 124,662,744 |
| Valuation and translation adjustments | | |
| Deferred gains or losses on hedges (Notes 11 and 12) | (354,696) | (211,889) |
| Total valuation and translation adjustments | (354,696) | (211,889) |
| Total net assets (Note 6) | 124,308,863 | 124,450,854 |
| Total liabilities and net assets | ¥251,655,777 | ¥249,246,364 |

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Income and Retained Earnings

For the period from April 1, 2020 to September 30, 2020

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|--|---|---|
| (in thousands of yen) | | |
| Operating revenues | | |
| Rent revenue-real estate (Note 7) | ¥7,276,824 | ¥7,238,807 |
| Other lease business revenue (Note 7) | 995,638 | 996,119 |
| Gain on sales of real estate property (Note 7) | 126,174 | 56,596 |
| Total operating revenues | 8,398,638 | 8,291,523 |
| Operating expenses | | |
| Expenses related to rent business (Note 7) | 3,479,410 | 3,359,716 |
| Asset management fees | 706,110 | 685,500 |
| Asset custody fees | 10,098 | 9,643 |
| Administrative service fees | 32,656 | 32,189 |
| Directors' compensation | 4,500 | 4,500 |
| Other operating expenses | 83,784 | 98,176 |
| Total operating expenses | 4,316,561 | 4,189,726 |
| Operating income | 4,082,076 | 4,101,796 |
| Non-operating income | | |
| Interest income | 55 | 57 |
| Gain on forfeiture of unclaimed dividends | 310 | 565 |
| Interest on refund | 2,912 | - |
| Other | 10 | - |
| Total non-operating income | 3,288 | 622 |
| Non-operating expenses | | |
| Interest expenses | 450,956 | 453,558 |
| Interest expenses on investment corporation bonds | 21,199 | 19,671 |
| Financing-related expenses | 95,298 | 98,913 |
| Amortization of organization costs | - | 55 |
| Amortization of investment corporation bond issuance costs | 4,340 | 3,714 |
| Amortization of investment unit issuance costs | 7,726 | 26,980 |
| Total non-operating expenses | 579,521 | 602,893 |
| Ordinary income | 3,505,844 | 3,499,525 |
| Income before income taxes | 3,505,844 | 3,499,525 |
| Income taxes | | |
| Current | 1,112 | 965 |
| Total income taxes | 1,112 | 965 |
| Net income | 3,504,731 | 3,498,560 |
| Retained earnings brought forward | 212,121 | 286,433 |
| Unappropriated retained earnings | ¥3,716,853 | ¥3,784,993 |

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Changes in Net Assets

For the period from April 1, 2020 to September 30, 2020

| | Unitholders' equity | | | | | | Total unitholders' equity |
|---|-------------------------|---|---|------------------------------|---|------------------|---------------------------------|
| | Unitholders' capital | | | Surplus | | | |
| | Unitholders' capital | Deduction from unitholders' capital | | Unitholders' capital, net | Unappropri- ated retained earnings | Total surplus | |
| | | Allowance for temporary difference adjustments | Total deduction from unitholders' capital | | | | |
| (in thousands of yen) | | | | | | | |
| Balance as of September 30, 2019 (Note 8) | ¥113,399,022 | ¥ (181,865) | ¥ (181,865) | ¥113,217,156 | ¥3,455,496 | ¥3,455,496 | ¥116,672,653 |
| Changes of items during the period | | | | | | | |
| Issuance of new investment units | 7,784,472 | | | 7,784,472 | | | 7,784,472 |
| Dividends from surplus | | | | | (3,169,063) | (3,169,063) | (3,169,063) |
| Distributions in excess of earnings from allowance for temporary difference adjustments | | (123,878) | (123,878) | (123,878) | | | (123,878) |
| Net income | | | | | 3,498,560 | 3,498,560 | 3,498,560 |
| Net changes of items other than unitholders' equity | | | | | | | |
| Total changes of items during the period | 7,784,472 | (123,878) | (123,878) | 7,660,593 | 329,496 | 329,496 | 7,990,090 |
| Balance as of March 31, 2020 (Note 8) | ¥121,183,494 | ¥ (305,743) | ¥ (305,743) | ¥120,877,750 | ¥3,784,993 | ¥3,784,993 | ¥124,662,744 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | | | (3,498,554) | (3,498,554) | (3,498,554) |
| Distributions in excess of earnings from allowance for temporary difference adjustments | | (5,361) | (5,361) | (5,361) | | | (5,361) |
| Reversal of allowance for temporary difference adjustments | | 74,317 | 74,317 | 74,317 | (74,317) | (74,317) | - |
| Net income | | | | | 3,504,731 | 3,504,731 | 3,504,731 |
| Net changes of items other than unitholders' equity | | | | | | | |
| Total changes of items during the period | - | 68,955 | 68,955 | 68,955 | (68,140) | (68,140) | 815 |
| Balance as of September 30, 2020 (Note 8) | ¥121,183,494 | ¥ (236,788) | ¥ (236,788) | ¥120,946,706 | ¥3,716,853 | ¥3,716,853 | ¥124,663,559 |

| | Valuation and translation adjustments | | Total net assets |
|---|---------------------------------------|---|------------------|
| | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| | (in thousands of yen) | | |
| Balance as of September 30, 2019 (Note 8) | ¥(286,206) | ¥(286,206) | ¥116,386,446 |
| Changes of items during the period | | | |
| Issuance of new investment units | | | 7,784,472 |
| Dividends from surplus | | | (3,169,063) |
| Distributions in excess of earnings from allowance for temporary difference adjustments | | | (123,878) |
| Net income | | | 3,498,560 |
| Net changes of items other than unitholders' equity | 74,317 | 74,317 | 74,317 |
| Total changes of items during the period | 74,317 | 74,317 | 8,064,408 |
| Balance as of March 31, 2020 (Note 8) | ¥(211,889) | ¥(211,889) | ¥124,450,854 |
| Changes of items during the period | | | |
| Dividends from surplus | | | (3,498,554) |
| Distributions in excess of earnings from allowance for temporary difference adjustments | | | (5,361) |
| Reversal of allowance for temporary difference adjustments | | | - |
| Net income | | | 3,504,731 |
| Net changes of items other than unitholders' equity | (142,806) | (142,806) | (142,806) |
| Total changes of items during the period | (142,806) | (142,806) | (141,991) |
| Balance as of September 30, 2020 (Note 8) | ¥(354,696) | ¥(354,696) | ¥124,308,863 |

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Cash Flows

For the period from April 1, 2020 to September 30, 2020

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|---|---|---|
| (in thousands of yen) | | |
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | ¥3,505,844 | ¥3,499,525 |
| Depreciation and amortization | 1,041,266 | 1,025,511 |
| Amortization of organization costs | - | 55 |
| Amortization of investment corporation bond issuance costs | 4,340 | 3,714 |
| Amortization of investment unit issuance costs | 7,726 | 26,980 |
| Interest income | (55) | (57) |
| Interest expenses | 472,156 | 473,230 |
| Decrease (increase) in operating accounts receivable | (25,162) | 63,055 |
| Decrease (increase) in consumption taxes receivable | 863,462 | (863,462) |
| Decrease (increase) in prepaid expenses | (130,377) | 104,132 |
| Increase (decrease) in operating accounts payable | 104,472 | (101,513) |
| Increase (decrease) in accounts payable-other | 10,077 | (56,055) |
| Increase (decrease) in accrued consumption taxes | 242,484 | (435,763) |
| Increase (decrease) in advances received | 9,330 | 72,761 |
| Increase (decrease) in deposits received | 5,414 | (50,778) |
| Decrease (increase) in long-term prepaid expenses | 86,443 | (4,072) |
| Increase (decrease) in long-term deposits received | 100 | 40,000 |
| Decrease in net property, plant and equipment held in trust due to sale | 1,390,848 | 497,568 |
| Other | (3,503) | (65) |
| Subtotal | 7,584,869 | 4,294,767 |
| Interest income received | 55 | 57 |
| Interest expenses paid | (470,942) | (464,671) |
| Income taxes paid | (965) | (1,117) |
| Net cash provided by (used in) operating activities | 7,113,017 | 3,829,036 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (9,767) | (884,765) |
| Purchase of property, plant and equipment in trust | (2,474,133) | (25,672,644) |
| Purchase of intangible assets | (836) | (3,580) |
| Proceeds from lease and guarantee deposits in trust | - | 20 |
| Proceeds from tenant leasehold and security deposits | - | 19,460 |
| Repayments of tenant leasehold and security deposits in trust | (171,871) | (151,208) |
| Proceeds from tenant leasehold and security deposits in trust | 129,316 | 1,093,091 |
| Proceeds from restricted bank deposits in trust | 17,500 | 15,000 |
| Net cash provided by (used in) investing activities | (2,509,792) | (25,584,626) |
| Net cash provided by (used in) financing activities | | |
| Proceeds from short-term loans payable | - | 2,750,000 |
| Repayments of short-term loans payable | (700,000) | (3,370,000) |
| Proceeds from long-term loans payable | 2,600,000 | 14,540,000 |
| Repayments of long-term loans payable | (1,000,000) | (9,120,000) |
| Proceeds from issuance of investment corporation bonds | 993,742 | - |
| Proceeds from issuance of investment units | - | 7,738,113 |
| Dividends paid | (3,502,111) | (3,292,016) |
| Net cash provided by (used in) financing activities | (1,608,369) | 9,246,096 |
| Net increase (decrease) in cash and cash equivalents | 2,994,855 | (12,509,493) |
| Cash and cash equivalents at the beginning of the period | 18,810,140 | 31,319,634 |
| Cash and cash equivalents at the end of the period (Note 9) | ¥21,804,996 | ¥18,810,140 |

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from April 1, 2020 to September 30, 2020

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Retail REIT Corporation (“KRR”) was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On February 10, 2015, KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453). Subsequently, KRR raised funds through public offerings, including international offerings. As a result, the number of investment units issued as of September 30, 2020 was 536,177 units.

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

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

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

KRR acquired eight properties (Gyoda Distribution Center with acquisition price of 3,160 million yen, Monenosato Mall with acquisition price of 2,410 million yen, Chofu Center Building with acquisition price of 2,300 million yen, Across Plaza Urayasu Higashino(Land) with acquisition price of 2,248 million yen, Apita Terrace Yokohama Tsunashima with acquisition price of 5,899 million yen, Kalsa Hiratsuka with acquisition price of 5,980 million yen, Valor Nakashidami (Land) with acquisition price of 2,551 million yen, Shinjuku Nishiochiai Distribution Center with acquisition price of 810 million yen), and sold one property (Welcia Kishiwadakamori (Land) with sale price of 560 million yen (initial acquisition price of 487 million yen). For the period ended March 31, 2020, the portfolio of 62 properties (total acquisition price of 225,810 million yen) as a whole performed well with an overall occupancy ratio of 99.4% as of March 31, 2020.

KRR acquired one property (Comfort Market Nishi-Magome with acquisition price of 1,920 million yen). KRR disposed of one property (K’s Denki Shin-Moriyama (Land) with sale price of 1,527 million yen (acquisition price was 1,370 million yen)). KRR also completed additional acquisition with construction cost of 119 million yen) at Yokohama Kamigo Distribution Center. For the period ended September 30, 2020, the portfolio of 62 properties (total acquisition price of 226,479 million yen) as a whole performed well with an overall occupancy ratio of 99.7% as of September 30, 2020.

Furthermore, the portfolio was diversified in terms of tenants as there were 496 and 496 end-tenants as of March 31, 2020 and September 30, 2020 in KRR’s properties, respectively.

Basis of Presentation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|-------------------------------|---|---|
| Buildings | 2-70 years | 2-70 years |
| Structures | 8-59 years | 8-59 years |
| Machinery and equipment | 2-25 years | 2-25 years |
| Tools, furniture and fixtures | 3-15 years | 3-15 years |

(B) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

(C) Long-term Prepaid Expenses

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

(D) Investment Unit Issuance Costs

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

(E) Investment Corporation Bond Issuance Costs

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

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

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

(G) Revenue Recognition

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

(H) Taxes on Property and Equipment

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

When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥32,362 thousand and ¥2,495 thousand as of March 31, 2020 and September 30, 2020, respectively.

(I) Income Taxes

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

(J) Consumption Taxes

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

(K) Derivative Financial Instruments

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

(L) Cash and Cash Equivalents

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

(M) Presentation of Amounts

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

(Accounting standards issued but not yet effective)

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 (IASB) and Topic 606 (FASB)) in May 2014. Given the situation where IFRS 15 will be applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 will be applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance.

The basic policy of the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which comparability is not impaired.

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending September 30, 2021.

(3) Impact of applying the accounting standards

The impact of applying “Accounting Standard for Revenue Recognition” and its guidance on KRR’s financial statements is currently under evaluation.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2019)

(1) Overview

The IASB and the FASB have established detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” (IASB) and Topic 820 “Fair Value Measurement” (FASB)). The ASBJ repeatedly considered the guidance regarding fair value of financial instruments and disclosure in order to

improve the comparability with such international accounting standards, and issued “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement.”

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending September 30, 2021.

(3) Impact of applying the accounting standards

The impact of applying the “Accounting Standard for Fair Value Measurement” and its guidance on KRR’s financial statements is currently under evaluation.

• “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Overview

The ASBJ’s Standards Advisory Council recommended that the ASBJ consider enhancing disclosures for notes relating to “accounting policies and methods adopted in the cases where the relevant accounting standards were not clear.” In response to such recommendations, the ASBJ issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

(2) Scheduled date of application

The accounting standards will be applied from the end of the fiscal period ending March 31, 2021.

• “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31 issued on March 31, 2020)

(1) Overview

Paragraph 125 of International Accounting Standard 1 (IAS 1), “Presentation of Financial Statements,” (issued by the IASB in 2003) requires disclosure of information about the “assumptions the entity makes about the future, and other major sources of estimation uncertainty.” In this regard, there has been a request that the major sources of estimation uncertainty should be disclosed in the notes to financial statements under Japanese GAAP to provide useful information to users of financial statements. In response to this request, the ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates.”

(2) Scheduled date of application

The accounting standards will be applied from the end of the fiscal period ending March 31, 2021.

3. COLLATERAL

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

| Assets pledged as collateral | As of September 30, 2020 | As of March 31, 2020 |
|------------------------------|--------------------------|----------------------|
| (in thousands of yen) | | |
| Buildings in trust | ¥658,814 | ¥668,630 |
| Structures in trust | 22,786 | 23,989 |
| Land in trust | 2,709,001 | 2,709,001 |
| Total | ¥3,390,602 | ¥3,401,621 |

| Secured liabilities | As of September 30, 2020 | As of March 31, 2020 |
|---|--------------------------|----------------------|
| Tenant leasehold and security deposits in trust | ¥436,067 | ¥460,565 |
| Total | ¥436,067 | ¥460,565 |

4. COMMITMENT LINE CONTRACTS

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

| | As of September 30, 2020 | As of March 31, 2020 |
|---|--------------------------|----------------------|
| (in thousands of yen) | | |
| Total amount of commitment line contracts | ¥3,000,000 | ¥3,000,000 |
| Balance of loans payable outstanding | - | - |
| Remaining amount | ¥3,000,000 | ¥3,000,000 |

5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of September 30, 2020

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

| Related assets, etc. | Reason for allowance | Initial amount | Balance at the beginning of the period | Allowance during the period | Reversal during the period | Balance at the end of the period | Reason for reversal |
|--|---|----------------|--|-----------------------------|----------------------------|----------------------------------|--|
| (in thousands of yen) | | | | | | | |
| Buildings in trust, Leasehold right in trust | Amortization of leasehold right in trust and the amount in excess of depreciation | ¥24,937 | ¥19,575 | ¥5,361 | ¥ - | ¥24,937 | - |
| Deferred gains or losses on hedges | Loss on interest-rate swaps recognized at the end of the fiscal period | 286,168 | 286,168 | - | (74,317) | 211,851 | Changes in fair value of derivative transactions |
| Total | | ¥311,105 | ¥305,743 | ¥5,361 | ¥ (74,317) | ¥236,788 | - |

2. Method of reversal

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

The following summarizes allowance for temporary difference adjustments as of March 31, 2020

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

| Related assets, etc. | Reason for allowance | Initial amount | Balance at the beginning of the period | Allowance during the period | Reversal during the period | Balance at the end of the period | Reason for reversal |
|--|---|----------------|--|-----------------------------|----------------------------|----------------------------------|---------------------|
| (in thousands of yen) | | | | | | | |
| Buildings in trust, Leasehold right in trust | Amortization of leasehold right in trust and the amount in excess of depreciation | ¥19,575 | ¥14,324 | ¥5,251 | ¥ - | ¥19,575 | - |
| Deferred gains or losses on hedges | Loss on interest-rate swaps recognized at the end of the fiscal period | 286,168 | 167,541 | 118,627 | - | 286,168 | - |
| Total | | ¥305,743 | ¥181,865 | ¥123,878 | ¥ - | ¥ 305,743 | - |

2. Method of reversal

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

6. NET ASSETS

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

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

Rental and other operating revenues and property-related expenses for the periods from April 1, 2020 to September 30, 2020 and October 1, 2019 to March 31, 2020 from consist of the following:

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|---|---|---|
| | (in thousands of yen) | |
| Rental and other operating revenues: | | |
| Rent revenue-real estate: | | |
| Rental revenues | ¥5,990,907 | ¥5,957,213 |
| Rental revenues from limited proprietary rights of land | 1,024,012 | 1,014,174 |
| Common area charges | 261,904 | 267,419 |
| Subtotal | 7,276,824 | 7,238,807 |
| Other lease business revenue: | | |
| Parking space rental revenues | 197,975 | 204,170 |
| Utility charge reimbursement | 576,777 | 529,178 |
| Miscellaneous | 220,885 | 262,770 |
| Subtotal | 995,638 | 996,119 |
| Total rental and other operating revenues | 8,272,463 | 8,234,927 |
| Property-related expenses: | | |
| Expenses related to rent business: | | |
| Property management fees and facility management fees | 685,656 | 675,050 |
| Utilities | 517,438 | 495,587 |
| Taxes | 739,968 | 629,029 |
| Repairs and maintenance | 239,310 | 208,221 |
| Insurance | 13,375 | 13,470 |
| Trust fees | 24,883 | 23,926 |
| Depreciation | 1,040,001 | 1,024,057 |
| Others | 218,776 | 290,373 |
| Total property-related expenses | 3,479,410 | 3,359,716 |
| Net operating income from real estate rental business | ¥4,793,053 | ¥4,875,211 |

Gain on sales of real estate property:

From April 1, 2020 to September 30, 2020

(in thousands of yen)

| | |
|--|-----------------|
| K's Denki Shin-Moriyama (Land) | |
| Revenue from sales of real estate property | ¥1,527,900 |
| Cost of real estate property | 1,390,848 |
| Other sales expenses | 10,876 |
| Gain on sales of real estate property | ¥126,174 |

From October 1, 2019 to March 31, 2020

(in thousands of yen)

| | |
|--|----------------|
| Welcia Kishiwadakamori (Land) | |
| Revenue from sales of real estate property | ¥560,000 |
| Cost of real estate property | 497,568 |
| Other sales expenses | 5,835 |
| Gain on sales of real estate property | ¥56,596 |

8. UNITHOLDERS' EQUITY

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

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|---|---|---|
| Total number of authorized investment units | 5,000,000 units | 5,000,000 units |
| Total number of investment units issued and outstanding | 536,177 units | 536,177 units |

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of September 30, 2020 and March 31, 2020:

| | As of September 30, 2020 | As of March 31, 2020 |
|-------------------------------------|--------------------------|----------------------|
| | (in thousands of yen) | |
| Cash and deposits | ¥9,152,961 | ¥6,125,619 |
| Cash and deposits in trust | 12,874,534 | 12,924,521 |
| Restricted bank deposits in trust * | (222,500) | (240,000) |
| Cash and cash equivalents | ¥21,804,996 | ¥18,810,140 |

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

10. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of September 30, 2020 and March 31, 2020 are as follows:

| | As of September 30, 2020 | As of March 31, 2020 |
|-------------------|--------------------------|----------------------|
| | (in thousands of yen) | |
| Due within 1 year | ¥10,500 | ¥10,500 |
| Due after 1 year | 162,298 | 167,548 |
| Total | ¥172,798 | ¥178,048 |

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of September 30, 2020 and March 31, 2020 are as follows:

| | As of September 30, 2020 | As of March 31, 2020 |
|-------------------|--------------------------|----------------------|
| | (in thousands of yen) | |
| Due within 1 year | ¥9,738,412 | ¥9,818,120 |
| Due after 1 year | 56,344,730 | 59,381,345 |
| Total | ¥66,083,142 | ¥69,199,466 |

11. FINANCIAL INSTRUMENTS

(A). Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

Bank deposits are for managing KRR's surplus funds and are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited. Loans payable and investment corporation bonds, which are made or issued primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years and 1 month for loans payable and also have a redemption date of a maximum of 7 years and 7 months for investment corporation bonds as of September 30, 2020, the end of the 11th fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, loans payable with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the loans payable.

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

(3) Risk management for financial instruments

a. Credit risk

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

b. Market risk

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

c. Liquidity risk

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

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

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

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

(B). Estimated Fair Value of Financial Instruments

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

As of September 30, 2020

| | Carrying amount | Estimated fair value | Difference |
|---|-----------------|----------------------|------------|
| (in thousands of yen) | | | |
| (1) Cash and deposits | ¥9,152,961 | ¥9,152,961 | ¥ - |
| (2) Cash and deposits in trust | 12,874,534 | 12,874,534 | - |
| Total | 22,027,496 | 22,027,496 | - |
| (1) Short-term loans payable | 2,750,000 | 2,750,000 | - |
| (2) Current portion of long-term loans payable | 20,400,000 | 20,393,446 | (6,553) |
| (3) Investment corporation bonds | 8,000,000 | 7,979,400 | (20,600) |
| (4) Long-term loans payable | 81,650,000 | 82,206,637 | 556,637 |
| (5) Tenant leasehold and security deposits in trust | 795,154 | 772,848 | (22,305) |
| Total | 113,595,154 | 114,102,333 | 507,178 |
| Derivative transactions | ¥(354,696) | ¥(354,696) | ¥ - |

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

As of March 31, 2020

| | Carrying amount | Estimated fair value | Difference |
|---|-----------------|----------------------|------------|
| (in thousands of yen) | | | |
| (1) Cash and deposits | ¥6,125,619 | ¥6,125,619 | ¥ - |
| (2) Cash and deposits in trust | 12,924,521 | 12,924,521 | - |
| Total | 19,050,140 | 19,050,140 | - |
| (1) Short-term loans payable | 3,450,000 | 3,450,000 | - |
| (2) Current portion of long-term loans payable | 13,200,000 | 13,223,248 | 23,248 |
| (3) Investment corporation bonds | 7,000,000 | 7,003,600 | 3,600 |
| (4) Long-term loans payable | 87,250,000 | 87,807,444 | 557,444 |
| (5) Tenant leasehold and security deposits in trust | 853,538 | 828,393 | (25,145) |
| Total | 111,753,538 | 112,312,685 | 559,147 |
| Derivative transactions | ¥(211,889) | ¥(211,889) | ¥ - |

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

| Classification | As of September 30, 2020 | As of March 31, 2020 |
|--|--------------------------|----------------------|
| | (in thousands of yen) | |
| Tenant leasehold and security deposits (Note) | ¥148,083 | ¥148,083 |
| Tenant leasehold and security deposits in trust (Note) | 10,038,109 | 10,024,780 |
| Total | ¥10,186,192 | ¥10,172,863 |

(Note) It is extremely difficult to determine their fair values based on estimated future cash flows because no quoted market price is available and the repayment dates of those deposits are not certain. Therefore, these items have been excluded from fair value presentation.

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

As of September 30, 2020

| | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|----------------------------|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | (in thousands of yen) | | | | | |
| Cash and deposits | ¥9,152,961 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Cash and deposits in trust | 12,874,534 | - | - | - | - | - |
| Total | ¥22,027,496 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

As of March 31, 2020

| | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|----------------------------|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | (in thousands of yen) | | | | | |
| Cash and deposits | ¥6,125,619 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Cash and deposits in trust | 12,924,521 | - | - | - | - | - |
| Total | ¥19,050,140 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

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

As of September 30, 2020

| | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|---|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | (in thousands of yen) | | | | | |
| Short-term loans payable | ¥2,750,000 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Investment corporation bonds | - | 2,000,000 | - | - | 1,000,000 | 5,000,000 |
| Long-term loans payable | 20,400,000 | 9,050,000 | 7,500,000 | 8,990,000 | 13,320,000 | 42,790,000 |
| Tenant leasehold and security deposits in trust | 13,995 | 13,995 | 13,995 | 13,995 | 13,995 | 68,808 |
| Total | ¥23,163,995 | ¥11,063,995 | ¥7,513,995 | ¥9,003,995 | ¥14,333,995 | ¥47,858,808 |

As of March 31, 2020

| | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|---|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| (in thousands of yen) | | | | | | |
| Short-term loans payable | ¥3,450,000 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Investment corporation bonds | - | 1,000,000 | 1,000,000 | - | - | 5,000,000 |
| Long-term loans payable | 13,200,000 | 13,300,000 | 9,050,000 | 7,500,000 | 8,810,000 | 48,590,000 |
| Tenant leasehold and security deposits in trust | 13,995 | 13,995 | 13,995 | 13,995 | 13,995 | 75,806 |
| Total | ¥16,663,995 | ¥14,313,995 | ¥10,063,995 | ¥7,513,995 | ¥8,823,995 | ¥53,665,806 |

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2020 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

| Hedge accounting method | Type of derivative transactions | Hedged items | Contract amount (in thousands of yen) | | Fair value (in thousands of yen) | Calculation method for applicable fair value |
|--|--|-------------------------|--|-----------------------|-------------------------------------|---|
| | | | | Maturing after 1 year | | |
| Principle method | Interest rate swap transaction: Receive/floating and pay/fixed | Long-term loans payable | ¥39,410,000 | ¥35,310,000 | ¥(354,696) | 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 | 31,900,000 | 26,400,000 | * | - |
| Total | | | ¥71,310,000 | ¥61,710,000 | ¥(354,696) | |

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

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2020 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

| Hedge accounting method | Type of derivative transactions | Hedged items | Contract amount (in thousands of yen) | | Fair value (in thousands of yen) | Calculation method for applicable fair value |
|--|--|-------------------------|--|-----------------------|-------------------------------------|---|
| | | | | Maturing after 1 year | | |
| Principle method | Interest rate swap transaction: Receive/floating and pay/fixed | Long-term loans payable | ¥38,710,000 | ¥38,710,000 | ¥(211,889) | 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 | 31,900,000 | 26,400,000 | * | - |
| Total | | | ¥70,610,000 | ¥65,110,000 | ¥(211,889) | |

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

13. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

11th Fiscal Period (April 1, 2020 to September 30, 2020) and 10th Fiscal Period (October 1, 2019 to March 31, 2020): Not applicable

2. Affiliated companies and other

11th Fiscal Period (April 1, 2020 to September 30, 2020) and 10th Fiscal Period (October 1, 2019 to March 31, 2020): Not applicable

3. Fellow subsidiary companies and other

11th Fiscal Period (April 1, 2020 to September 30, 2020) and 10th Fiscal Period (October 1, 2019 to March 31, 2020): Not applicable

4. Directors, major individual unitholders and other

11th Fiscal Period (April 1, 2020 to September 30, 2020) and 10th Fiscal Period (October 1, 2019 to March 31, 2020): Not applicable

14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 31%. However, KRR may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If KRR does not satisfy all of the requirements, the entire taxable income of KRR will be subject to regular corporate income taxes. Since KRR distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥3,509 million and ¥3,503 million for the periods ended September 30, 2020 and March 31, 2020, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on KRR's income was 0.03% for the periods ended September 30, 2020 and March 31, 2020. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

| | As of September 30, 2020 | As of March 31, 2020 |
|-------------------------------|--------------------------|----------------------|
| Statutory tax rate | 31.46% | 31.46% |
| Deductible cash distributions | (31.50) | (31.50) |
| Others | 0.07 | 0.07 |
| Effective tax rate | 0.03% | 0.03% |

The significant components of deferred tax assets and liabilities:

| | As of September 30, 2020 | As of March 31, 2020 |
|--|--------------------------|----------------------|
| | (in thousands of yen) | |
| Deferred tax assets: | | |
| Enterprise tax payable | ¥ 24 | ¥ 17 |
| Amortization of leasehold right in trust | 14,185 | 12,933 |
| Depreciation | 5,106 | 4,655 |
| Asset retirement obligations | 7,670 | 7,622 |
| Deferred gains or losses on hedges | 111,587 | 66,660 |
| Subtotal deferred tax assets | 138,573 | 91,889 |
| Valuation allowance | (138,573) | (91,889) |
| Total deferred tax assets | ¥ - | ¥ - |

15. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated based on a discount rate of 1.256% after the useful life has been estimated to be 22 years and 2 months based on the time period from the date of acquisition to the expiration of the agreement.

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

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|--|---|---|
| | (in thousands of yen) | |
| Balance at the beginning of the period | ¥24,229 | ¥24,077 |
| Accretion adjustment | 152 | 151 |
| Balance at the end of the period | ¥24,381 | ¥24,229 |

16. SEGMENT INFORMATION

Segment information for the periods from April 1, 2020 to September 30, 2020 and October 1, 2019 to March 31, 2020 is as follows:

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

17. INVESTMENT AND RENTAL PROPERTIES

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

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|--|---|---|
| | (in thousands of yen) | |
| Book value | | |
| Balance at the beginning of the period | ¥228,027,561 | ¥203,168,529 |
| Changes during the period | 238,719 | 24,859,032 |
| Balance at the end of the period | 228,266,280 | 228,027,561 |
| Fair value at the end of the period | ¥243,356,000 | ¥243,687,900 |

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

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period ended September 30, 2020, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 1 property totaling 2,006,474 thousand yen and additional acquisition of real estate trust beneficiary interest amounting to 128,651 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 1 property totaling 1,390,848 thousand yen and depreciation amounting to 1,039,848 thousand yen and during the fiscal period ended March 31, 2020, the principal increase was due to the acquisitions of real estate and real estate trust beneficiary interests in 8 properties totaling 25,882,004 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 1 property totaling 497,568 thousand yen and depreciation amounting to 1,023,906 thousand yen.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers. The fair value of Daikanyama Address Dixsept as of September 30, 2020, is based on the sales price (6,644,000 thousand yen) under the trust beneficiary interest sales contracts entered into on November 17, 2020. In addition, the fair value of K's Denki Shin-Moriyama (Land) as of March 31, 2020, is based on the sales price (1,527,900 thousand yen) under the trust beneficiary interest sales contracts entered into on March 31, 2020.

The profit or loss for the periods ended September 30, 2020 and March 31, 2020 concerning investment and rental properties is included in Note "7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY."

18. PER UNIT INFORMATION

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|--------------------------|---|---|
| Net asset value per unit | ¥231,842 | ¥232,107 |
| Net income per unit | ¥6,536 | ¥6,568 |

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended September 30, 2020 (536,177 units) and during the fiscal period ended March 31, 2020 (532,612 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

| | From April 1, 2020 to September 30, 2020 | From October 1, 2019 to March 31, 2020 |
|---|---|---|
| Net income (in thousands of yen) | ¥3,504,731 | ¥3,498,560 |
| Net income not attributable to ordinary unitholders (in thousands of yen) | - | - |
| Net income attributable to ordinary unitholders (in thousands of yen) | ¥3,504,731 | ¥3,498,560 |
| Weighted average number of units during the period (units) | 536,177 | 532,612 |

19. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of September 30, 2020:

| Type of asset | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Depreciation | | Net balance at the end of the period | Remarks |
|--|--|----------------------------|----------------------------|----------------------------------|--------------------------|-----------------------------|--------------------------------------|---------|
| | | | | | Accumulated depreciation | Depreciation for the period | | |
| (in thousands of yen) | | | | | | | | |
| Buildings | ¥735,397 | ¥9,767 | ¥ - | ¥745,164 | ¥45,386 | ¥15,812 | ¥699,778 | |
| Structures | 38,751 | - | - | 38,751 | 2,955 | 1,000 | 35,795 | |
| Land | 2,951,386 | - | - | 2,951,386 | - | - | 2,951,386 | |
| Construction in progress | 5,062 | - | 5,062 | - | - | - | - | |
| Subtotal | 3,730,597 | 9,767 | 5,062 | 3,735,302 | 48,342 | 16,813 | 3,686,960 | |
| Buildings in trust | 60,239,912 | 937,448 | - | 61,177,360 | 7,556,164 | 935,029 | 53,621,196 | |
| Structures in trust | 3,419,821 | 19,975 | - | 3,439,796 | 539,341 | 64,635 | 2,900,455 | |
| Machinery and equipment in trust | 220,898 | 41,440 | - | 262,338 | 46,502 | 6,910 | 215,835 | |
| Tools, furniture and fixtures in trust | 147,539 | 4,031 | 633 | 150,938 | 52,512 | 12,481 | 98,425 | |
| Land in trust | 163,155,870 | 1,666,215 | 1,390,848 | 163,431,237 | - | - | 163,431,237 | |
| Construction in progress in trust | 4,115 | - | 4,115 | - | - | - | - | |
| Subtotal | 227,188,158 | 2,669,109 | 1,395,597 | 228,461,671 | 8,194,520 | 1,019,057 | 220,267,150 | |
| Total | 230,918,756 | 2,678,876 | 1,400,659 | 232,196,973 | 8,242,863 | 1,035,870 | 223,954,110 | |
| Intangible assets | | | | | | | | |
| Leasehold right in trust | 4,349,916 | - | - | 4,349,916 | 45,090 | 3,978 | 4,304,826 | |
| Other | 15,883 | 836 | - | 16,719 | 7,211 | 1,265 | 9,507 | |
| Total | ¥4,365,799 | ¥836 | ¥ - | ¥4,366,636 | ¥52,302 | ¥5,244 | ¥4,314,334 | |

Property, plant and equipment and intangible assets consist of the following as of March 31, 2020:

| Type of asset | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Depreciation | | Net balance at the end of the period | Remarks |
|--|--|----------------------------|----------------------------|----------------------------------|--------------------------|-----------------------------|--------------------------------------|---------|
| | | | | | Accumulated depreciation | Depreciation for the period | | |
| (in thousands of yen) | | | | | | | | |
| Buildings | ¥692,529 | ¥42,868 | ¥ - | ¥735,397 | ¥29,574 | ¥15,020 | ¥705,823 | |
| Structures | 37,947 | 803 | - | 38,751 | 1,954 | 985 | 36,796 | |
| Land | 2,115,355 | 836,031 | - | 2,951,386 | - | - | 2,951,386 | |
| Construction in progress | - | 5,062 | - | 5,062 | - | - | 5,062 | |
| Subtotal | 2,845,831 | 884,765 | - | 3,730,597 | 31,529 | 16,005 | 3,699,068 | |
| Buildings in trust | 53,995,091 | 6,244,821 | - | 60,239,912 | 6,621,134 | 922,274 | 53,618,778 | * |
| Structures in trust | 3,055,215 | 364,605 | - | 3,419,821 | 474,705 | 63,884 | 2,945,115 | |
| Machinery and equipment in trust | 220,898 | - | - | 220,898 | 39,592 | 6,403 | 181,305 | |
| Tools, furniture and fixtures in trust | 127,382 | 20,157 | - | 147,539 | 40,505 | 11,359 | 107,034 | |
| Land in trust | 144,794,027 | 18,859,411 | 497,568 | 163,155,870 | - | - | 163,155,870 | * |
| Construction in progress in trust | - | 4,115 | - | 4,115 | - | - | 4,115 | |
| Subtotal | 202,192,614 | 25,493,112 | 497,568 | 227,188,158 | 7,175,938 | 1,003,922 | 220,012,220 | |
| Total | 205,038,446 | 26,377,878 | 497,568 | 230,918,756 | 7,207,467 | 1,019,927 | 223,711,288 | |
| Intangible assets | | | | | | | | |
| Leasehold right in trust | 4,349,916 | - | - | 4,349,916 | 41,111 | 3,978 | 4,308,804 | |
| Other | 12,303 | 3,580 | - | 15,883 | 5,945 | 1,453 | 9,937 | |
| Total | ¥ 4,362,219 | ¥3,580 | ¥ - | ¥4,365,799 | ¥47,057 | ¥5,432 | ¥4,318,742 | |

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

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2020:

| Classification | Lender | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate | Payment due date (Note 4) | Use | Remarks |
|--|--|--|----------------------------|----------------------------|----------------------------------|-----------------------|---------------------------|----------|---------------------------|
| | | | | | | (Note 2) (Note 3) | | | |
| | | | | | (in thousands of yen) | (%) | | | |
| Short-term loans payable | Sumitomo Mitsui Banking Corporation | ¥700,000 | ¥ - | ¥700,000 | ¥ - | 0.459 | September 30, 2020 | (Note 5) | Unsecured/ Non-guaranteed |
| | Sumitomo Mitsui Banking Corporation | 2,750,000 | - | - | 2,750,000 | 0.459 | January 31, 2021 | | |
| | Subtotal | 3,450,000 | - | 700,000 | 2,750,000 | | | | |
| Current portion of long-term loans payable | Sumitomo Mitsui Banking Corporation | 3,000,000 | - | - | 3,000,000 | | | (Note 5) | Unsecured/ Non-guaranteed |
| | MUFG Bank, Ltd. | 700,000 | - | - | 700,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 500,000 | - | - | 500,000 | 0.865 | February 10, 2021 | | |
| | Aozora Bank, Ltd. | 450,000 | - | - | 450,000 | | | | |
| | Resona Bank, Limited | 450,000 | - | - | 450,000 | | | | |
| | Mizuho Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) | 1,500,000 | - | - | 1,500,000 | 0.925 | February 10, 2021 | | |
| | Sumitomo Mitsui Banking Corporation | 2,400,000 | - | - | 2,400,000 | | | | |
| | MUFG Bank, Ltd. | 1,600,000 | - | - | 1,600,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 550,000 | - | - | 550,000 | | | | |
| | Resona Bank, Limited | 500,000 | - | - | 500,000 | 0.459 | February 28, 2021 | | |
| | Aozora Bank, Ltd. | 500,000 | - | - | 500,000 | | | | |
| | Mizuho Bank, Ltd. | 350,000 | - | - | 350,000 | | | | |
| | Mizuho Trust & Banking Co., Ltd. | 300,000 | - | - | 300,000 | | | | |
| | The Gunma Bank, Ltd. (Note 6) (Note 8) | 500,000 | - | - | 500,000 | 0.550 | September 30, 2021 | | |
| | Sumitomo Mitsui Banking Corporation (Note 8) | 2,600,000 | - | - | 2,600,000 | | | | |
| | Aozora Bank, Ltd. (Note 8) | 500,000 | - | - | 500,000 | | | | |
| | MUFG Bank, Ltd. (Note 8) | 400,000 | - | - | 400,000 | 0.485 | April 27, 2021 | | |
| | Sumitomo Mitsui Trust Bank, Limited (Note 8) | 300,000 | - | - | 300,000 | | | | |
| | Resona Bank, Limited (Note 8) | 300,000 | - | - | 300,000 | | | | |
| | MUFG Bank, Ltd. (Note 6) (Note 8) | 600,000 | - | - | 600,000 | 0.400 | | | |
| | Development Bank of Japan Inc. (Note 6) (Note 8) | 500,000 | - | - | 500,000 | 0.553 | | | |
| | Mizuho Bank, Ltd. (Note 6) (Note 8) | 400,000 | - | - | 400,000 | 0.553 | April 27, 2021 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) (Note 8) | 200,000 | - | - | 200,000 | 0.553 | | | | |
| Sumitomo Mitsui Banking Corporation (Note 7) | - | 1,900,000 | 1,000,000 | 900,000 | 0.460 | April 30, 2021 | | | |
| Subtotal | 19,500,000 | 1,900,000 | 1,000,000 | 20,400,000 | | | | | |
| Long-term loans payable | Sumitomo Mitsui Banking Corporation | 2,600,000 | - | - | 2,600,000 | | | (Note 5) | Unsecured/ Non-guaranteed |
| | MUFG Bank, Ltd. | 800,000 | - | - | 800,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 600,000 | - | - | 600,000 | | | | |
| | Aozora Bank, Ltd. | 400,000 | - | - | 400,000 | 0.978 | February 10, 2022 | | |
| | Mizuho Trust & Banking Co., Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Mizuho Bank, Ltd. | 300,000 | - | - | 300,000 | | | | |
| Resona Bank, Limited | 300,000 | - | - | 300,000 | | | | | |
| Long-term loans | Development Bank of Japan Inc. (Note 6) | 1,600,000 | - | - | 1,600,000 | 1.033 | February 10, 2022 | (Note 5) | Unsecured/ Non- |

| Classification | Lender | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 4) | Use | Remarks |
|---|---|--|----------------------------|----------------------------|----------------------------------|---|---------------------------|----------|---------------------------|
| | | (in thousands of yen) | | | | (%) | | | |
| payable | Sumitomo Mitsui Banking Corporation | 4,600,000 | - | - | 4,600,000 | 1.366 | April 16, 2025 | | guaranteed |
| | MUFG Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 600,000 | - | - | 600,000 | | | | |
| | Mizuho Bank, Ltd. | 400,000 | - | - | 400,000 | 0.975 | March 31, 2023 | | |
| | Resona Bank, Limited | 400,000 | - | - | 400,000 | | | | |
| | Mizuho Trust & Banking Co., Ltd. | 400,000 | - | - | 400,000 | | | | |
| | MUFG Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) | 1,500,000 | - | - | 1,500,000 | 0.994 | March 31, 2023 | | |
| | MUFG Bank, Ltd. | 450,000 | - | - | 450,000 | | | | |
| | Resona Bank, Limited | 200,000 | - | - | 200,000 | 0.987 | March 31, 2023 | | |
| | The Musashino Bank, Ltd. | 150,000 | - | - | 150,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) | 1,500,000 | - | - | 1,500,000 | 1.013 | March 31, 2023 | | |
| | Sumitomo Mitsui Banking Corporation | 3,000,000 | - | - | 3,000,000 | | | | |
| | Mizuho Bank, Ltd. | 1,150,000 | - | - | 1,150,000 | | | | |
| | MUFG Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 1.110 | March 31, 2024 | | |
| | Mizuho Trust & Banking Co., Ltd. | 700,000 | - | - | 700,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 650,000 | - | - | 650,000 | | | | |
| | Resona Bank, Limited | 500,000 | - | - | 500,000 | | | | |
| | Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | 1.243 | April 16, 2025 | | |
| | MUFG Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 450,000 | - | - | 450,000 | 0.803 | September 30, 2024 | | |
| | Development Bank of Japan Inc. (Note 6) | 890,000 | - | - | 890,000 | 0.760 | September 30, 2024 | | |
| | Sumitomo Mitsui Banking Corporation | 2,670,000 | - | - | 2,670,000 | 0.932 | April 21, 2026 | | |
| | MUFG Bank, Ltd. | 890,000 | - | - | 890,000 | 0.888 | October 31, 2025 | | |
| | Development Bank of Japan Inc. (Note 6) | 2,000,000 | - | - | 2,000,000 | 1.049 | | | |
| | Mizuho Trust & Banking Co., Ltd. (Note 6) | 1,000,000 | - | - | 1,000,000 | 1.049 | January 31, 2027 | | |
| | Resona Bank, Limited | 500,000 | - | - | 500,000 | 1.002 | | | |
| | Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 400,000 | - | - | 400,000 | 0.772 | October 31, 2024 | | |
| | Aozora Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Resona Bank, Limited | 300,000 | - | - | 300,000 | | | | |
| | MUFG Bank, Ltd. (Note 6) | 600,000 | - | - | 600,000 | 0.696 | | | |
| Mizuho Bank, Ltd. (Note 6) | 600,000 | - | - | 600,000 | 0.815 | | | | |
| Development Bank of Japan Inc. (Note 6) | 500,000 | - | - | 500,000 | 0.814 | October 31, 2024 | | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 200,000 | - | - | 200,000 | 0.814 | | | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.903 | October 31, 2026 | | | |
| Long-term loans payable | Sumitomo Mitsui Banking Corporation | 500,000 | - | - | 500,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 500,000 | - | - | 500,000 | 1.033 | May 18, 2027 | (Note 5) | Unsecured/ Non-guaranteed |
| | Resona Bank, Limited | 400,000 | - | - | 400,000 | | | | |

| Classification | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 4) | Use | Remarks |
|---|--|----------------------------|----------------------------|----------------------------------|---|---------------------------|----------|---------------------------|
| Lender | (in thousands of yen) | | | | (%) | | | |
| Development Bank of Japan Inc. (Note 6) | 500,000 | - | - | 500,000 | 1.050 | | | |
| Mizuho Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 1.049 | May 18, 2027 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 300,000 | - | - | 300,000 | 1.050 | | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.670 | September 29, 2023 | | |
| Sumitomo Mitsui Trust Bank, Limited | 1,500,000 | - | - | 1,500,000 | 0.918 | September 30, 2026 | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.930 | September 29, 2027 | | |
| Mizuho Bank, Ltd. (Note 6) | 1,500,000 | - | - | 1,500,000 | 1.029 | | | |
| Sumitomo Mitsui Trust Bank, Limited | 1,500,000 | - | - | 1,500,000 | 1.100 | September 29, 2028 | | |
| Sumitomo Mitsui Banking Corporation | 500,000 | - | - | 500,000 | 1.035 | October 3, 2027 | | |
| MUFG Bank, Ltd. (Note 6) | 1,200,000 | - | - | 1,200,000 | 1.000 | February 10, 2028 | | |
| MUFG Bank, Ltd. | 1,250,000 | - | - | 1,250,000 | 0.603 | August 31, 2022 | | |
| Mizuho Bank, Ltd. | 800,000 | - | - | 800,000 | | | | |
| Sumitomo Mitsui Banking Corporation | 900,000 | - | - | 900,000 | 0.988 | April 30, 2027 | | |
| Sumitomo Mitsui Banking Corporation | 2,600,000 | - | - | 2,600,000 | 0.985 | April 30, 2027 | | |
| Sumitomo Mitsui Banking Corporation | 2,000,000 | - | - | 2,000,000 | 0.902 | April 30, 2026 | | |
| Mizuho Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 1.090 | April 30, 2028 | | |
| The Bank of Fukuoka, Ltd. | 1,000,000 | - | - | 1,000,000 | 0.907 | May 31, 2026 | | |
| Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | 0.999 | | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.900 | May 31, 2027 | | |
| Mizuho Bank, Ltd. | 500,000 | - | - | 500,000 | 0.999 | | | |
| Mizuho Trust & Banking Co., Ltd. | 500,000 | - | - | 500,000 | 0.999 | | | |
| Nippon Life Insurance Company | 700,000 | - | - | 700,000 | 0.913 | March 31, 2025 | | |
| Sumitomo Mitsui Trust Bank, Limited | 700,000 | - | - | 700,000 | 0.726 | | | |
| Resona Bank, Limited | 500,000 | - | - | 500,000 | 0.676 | | | |
| Aozora Bank, Ltd. | 500,000 | - | - | 500,000 | 0.726 | March 31, 2026 | | |
| Mizuho Bank, Ltd. | 400,000 | - | - | 400,000 | 0.726 | | | |
| The Musashino Bank, Ltd. | 400,000 | - | - | 400,000 | 0.676 | | | |
| Sumitomo Mitsui Banking Corporation | 1,850,000 | - | - | 1,850,000 | 0.910 | March 31, 2028 | | |
| MUFG Bank, Ltd. | 1,300,000 | - | - | 1,300,000 | 0.860 | | | |
| Resona Bank, Limited. | 650,000 | - | - | 650,000 | 0.460 | August 31, 2024 | | |
| Aozora Bank, Ltd. | 890,000 | - | - | 890,000 | 0.585 | August 31, 2026 | | |
| Mizuho Bank, Ltd. | 1,370,000 | - | - | 1,370,000 | 0.718 | March 31, 2028 | | |
| Sumitomo Mitsui Trust Bank, Limited | 820,000 | - | - | 820,000 | 0.550 | October 31, 2024 | | |
| MUFG Bank, Ltd. | 1,270,000 | - | - | 1,270,000 | 0.750 | January 31, 2028 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 650,000 | - | - | 650,000 | 0.670 | April 30, 2028 | | |
| MUFG Bank, Ltd. (Note 6) | 1,500,000 | - | - | 1,500,000 | 0.520 | | (Note 5) | Unsecured/ Non-guaranteed |
| Sumitomo Mitsui Banking Corporation | 1,000,000 | - | - | 1,000,000 | 0.644 | October 31, 2026 | | |
| Mizuho Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 0.644 | | | |

| Classification | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 4) | Use | Remarks |
|---|--|----------------------------|----------------------------|----------------------------------|---|------------------------------|-----|---------|
| Lender | (in thousands of yen) | | | | (%) | | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.550 | | | |
| Resona Bank, Limited | 300,000 | - | - | 300,000 | 0.644 | | | |
| Development Bank of Japan Inc. (Note 6) | 500,000 | - | - | 500,000 | 0.830 | October 31, 2029 | | |
| The Gunma Bank, Ltd. | 400,000 | - | - | 400,000 | 0.498 | January 31, 2025 | | |
| The Musashino Bank, Ltd. (Note 6) | 400,000 | - | - | 400,000 | 0.478 | January 31, 2025 | | |
| Sumitomo Mitsui Banking Corporation | - | 700,000 | - | 700,000 | 0.758 | September 30, 2028 | | |
| Subtotal | 80,950,000 | 700,000 | - | 81,650,000 | | | | |
| Total | ¥103,900,000 | ¥2,600,000 | ¥1,700,000 | ¥104,800,000 | | | | |

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

| | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|-------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------|
| | (in thousands yen) | | | | |
| Long-term loans payable | ¥ 9,050,000 | ¥ 7,500,000 | ¥ 8,990,000 | ¥ 13,320,000 | ¥ 42,790,000 |

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

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

Note 4: All the repayment methods of debt financing except for the following Note 7 are lump-sum repayments on the due date.

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

Note 6: Loans payable at a fixed rate.

Note 7: Partial prepayment of 1,000,000 thousand yen was made on April 30, 2020.

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.

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2020:

| Classification | Lender | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate | Payment due date (Note 4) | Use | Remarks |
|--|--|--|----------------------------|----------------------------|----------------------------------|-----------------------|---------------------------|----------|---------------------------|
| | | | | | | (Note 2) (Note 3) | | | |
| | | | | | (in thousands of yen) | (%) | | | |
| Short-term loans payable | Sumitomo Mitsui Banking Corporation | ¥2,750,000 | ¥ - | ¥2,750,000 | ¥ - | 0.473 | January 31, 2020 | (Note 5) | Unsecured/ Non-guaranteed |
| | Sumitomo Mitsui Banking Corporation | 700,000 | - | - | 700,000 | 0.471 | September 30, 2020 | | |
| | Sumitomo Mitsui Trust Bank, Limited (Note 7) | 620,000 | - | 620,000 | - | 0.477 | | | |
| | Sumitomo Mitsui Banking Corporation | - | 2,750,000 | - | 2,750,000 | 0.469 | January 31, 2021 | | |
| | Subtotal | 4,070,000 | 2,750,000 | 3,370,000 | 3,450,000 | | | | |
| Current portion of long-term loans payable | Sumitomo Mitsui Banking Corporation | 2,400,000 | - | 2,400,000 | - | 0.751 | February 10, 2020 | (Note 5) | Unsecured/ Non-guaranteed |
| | MUFG Bank, Ltd. | 800,000 | - | 800,000 | - | | | | |
| | MUFG Bank, Ltd. | 800,000 | - | 800,000 | - | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 550,000 | - | 550,000 | - | | | | |
| | Aozora Bank, Ltd. | 500,000 | - | 500,000 | - | | | | |
| | Resona Bank, Limited. | 500,000 | - | 500,000 | - | | | | |
| | The Gunma Bank, Ltd. | 400,000 | - | 400,000 | - | | | | |
| | The Musashino Bank, Ltd. | 400,000 | - | 400,000 | - | | | | |
| | Mizuho Bank, Ltd. | 350,000 | - | 350,000 | - | | | | |
| | Mizuho Trust & Banking Co., Ltd. | 300,000 | - | 300,000 | - | | | | |
| | MUFG Bank, Ltd. (Note 7) | 1,270,000 | - | 1,270,000 | - | 0.477 | August 31, 2020 | | |
| | Mizuho Trust & Banking Co., Ltd. (Note 7) | 650,000 | - | 650,000 | - | | | | |
| | Sumitomo Mitsui Trust Bank, Limited (Note 7) | 200,000 | - | 200,000 | - | | | | |
| | Sumitomo Mitsui Banking Corporation (Note 8) | 3,000,000 | - | - | 3,000,000 | | | | |
| | MUFG Bank, Ltd. (Note 8) | 700,000 | - | - | 700,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited (Note 8) | 500,000 | - | - | 500,000 | 0.865 | February 10, 2021 | | |
| | Aozora Bank, Ltd. (Note 8) | 450,000 | - | - | 450,000 | | | | |
| | Resona Bank, Limited (Note 8) | 450,000 | - | - | 450,000 | | | | |
| | Mizuho Bank, Ltd. (Note 8) | 400,000 | - | - | 400,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) (Note 8) | 1,500,000 | - | - | 1,500,000 | 0.925 | February 10, 2021 | | |
| | Sumitomo Mitsui Banking Corporation | - | 2,400,000 | - | 2,400,000 | 0.469 | February 28, 2021 | | |
| | MUFG Bank, Ltd. | - | 1,600,000 | - | 1,600,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | - | 550,000 | - | 550,000 | | | | |
| Resona Bank, Limited | - | 500,000 | - | 500,000 | | | | | |
| Aozora Bank, Ltd. | - | 500,000 | - | 500,000 | | | | | |
| Mizuho Bank, Ltd. | - | 350,000 | - | 350,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | - | 300,000 | - | 300,000 | | | | | |
| Subtotal | 16,120,000 | 6,200,000 | 9,120,000 | 13,200,000 | | | | | |
| Long-term loans payable | Sumitomo Mitsui Banking Corporation | 2,600,000 | - | - | 2,600,000 | 0.978 | February 10, 2022 | (Note 5) | Unsecured/ Non-guaranteed |
| | MUFG Bank, Ltd. | 800,000 | - | - | 800,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 600,000 | - | - | 600,000 | | | | |
| | Aozora Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| Long-term loans | Mizuho Trust & Banking Co., Ltd. | 400,000 | - | - | 400,000 | 0.978 | February 10, 2022 | (Note 5) | Unsecured/ Non- |

| Classification | Lender | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 4) | Use | Remarks |
|-------------------------------------|---|--|----------------------------|----------------------------|----------------------------------|---|---------------------------|----------|---------------------------|
| | | (in thousands of yen) | | | | (%) | | | |
| payable | Mizuho Bank, Ltd. | 300,000 | - | - | 300,000 | | | | guaranteed |
| | Resona Bank, Limited | 300,000 | - | - | 300,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) | 1,600,000 | - | - | 1,600,000 | 1.033 | February 10, 2022 | | |
| | Sumitomo Mitsui Banking Corporation | 4,600,000 | - | - | 4,600,000 | 1.366 | April 16, 2025 | | |
| | MUFG Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 600,000 | - | - | 600,000 | | | | |
| | Mizuho Bank, Ltd. | 400,000 | - | - | 400,000 | 0.975 | March 31, 2023 | | |
| | Resona Bank, Limited | 400,000 | - | - | 400,000 | | | | |
| | Mizuho Trust & Banking Co., Ltd. | 400,000 | - | - | 400,000 | | | | |
| | MUFG Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) | 1,500,000 | - | - | 1,500,000 | 0.994 | March 31, 2023 | | |
| | MUFG Bank, Ltd. | 450,000 | - | - | 450,000 | | | | |
| | Resona Bank, Limited | 200,000 | - | - | 200,000 | 0.987 | March 31, 2023 | | |
| | The Musashino Bank, Ltd. | 150,000 | - | - | 150,000 | | | | |
| | Development Bank of Japan Inc. (Note 6) | 1,500,000 | - | - | 1,500,000 | 1.013 | March 31, 2023 | | |
| | Sumitomo Mitsui Banking Corporation | 3,000,000 | - | - | 3,000,000 | | | | |
| | Mizuho Bank, Ltd. | 1,150,000 | - | - | 1,150,000 | 1.110 | March 31, 2024 | | |
| | MUFG Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | | | | |
| | Mizuho Trust & Banking Co., Ltd. | 700,000 | - | - | 700,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 650,000 | - | - | 650,000 | 1.110 | March 31, 2024 | | |
| | Resona Bank, Limited | 500,000 | - | - | 500,000 | | | | |
| | Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | 1.243 | April 16, 2025 | | |
| | MUFG Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | 450,000 | - | - | 450,000 | 0.803 | September 30, 2024 | | |
| | Development Bank of Japan Inc. (Note 6) | 890,000 | - | - | 890,000 | 0.760 | September 30, 2024 | | |
| | Sumitomo Mitsui Banking Corporation | 2,670,000 | - | - | 2,670,000 | 0.932 | April 21, 2026 | | |
| | MUFG Bank, Ltd. | 890,000 | - | - | 890,000 | 0.888 | October 31, 2025 | | |
| | The Gunma Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.550 | September 30, 2021 | | |
| | Development Bank of Japan Inc. (Note 6) | 2,000,000 | - | - | 2,000,000 | 1.049 | | | |
| | Mizuho Trust & Banking Co., Ltd. (Note 6) | 1,000,000 | - | - | 1,000,000 | 1.049 | January 31, 2027 | | |
| | Resona Bank, Limited | 500,000 | - | - | 500,000 | 1.002 | | | |
| | Sumitomo Mitsui Banking Corporation | 2,600,000 | - | - | 2,600,000 | | | | |
| Aozora Bank, Ltd. | 500,000 | - | - | 500,000 | 0.485 | April 27, 2021 | | | |
| MUFG Bank, Ltd. | 400,000 | - | - | 400,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | 300,000 | - | - | 300,000 | 0.485 | April 27, 2021 | | | |
| Resona Bank, Limited | 300,000 | - | - | 300,000 | | | | | |
| MUFG Bank, Ltd. (Note 6) | 600,000 | - | - | 600,000 | 0.400 | April 27, 2021 | | | |
| Long-term loans payable | Development Bank of Japan Inc. (Note 6) | 500,000 | - | - | 500,000 | 0.553 | April 27, 2021 | (Note 5) | Unsecured/ Non-guaranteed |
| | Mizuho Bank, Ltd. (Note 6) | 400,000 | - | - | 400,000 | 0.553 | April 27, 2021 | | |

| Classification | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 4) | Use | Remarks |
|---|--|----------------------------|----------------------------|----------------------------------|---|---------------------------|----------|---------------------------|
| Lender | (in thousands of yen) | | | | (%) | | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 200,000 | - | - | 200,000 | 0.553 | | | |
| Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | | | | |
| Sumitomo Mitsui Trust Bank, Limited | 400,000 | - | - | 400,000 | 0.772 | October 31, 2024 | | |
| Aozora Bank, Ltd. | 400,000 | - | - | 400,000 | | | | |
| Resona Bank, Limited | 300,000 | - | - | 300,000 | | | | |
| MUFG Bank, Ltd. (Note 6) | 600,000 | - | - | 600,000 | 0.696 | | | |
| Mizuho Bank, Ltd. (Note 6) | 600,000 | - | - | 600,000 | 0.815 | | | |
| Development Bank of Japan Inc. (Note 6) | 500,000 | - | - | 500,000 | 0.814 | October 31, 2024 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 200,000 | - | - | 200,000 | 0.814 | | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.903 | October 31, 2026 | | |
| Sumitomo Mitsui Banking Corporation | 500,000 | - | - | 500,000 | | | | |
| Sumitomo Mitsui Trust Bank, Limited | 500,000 | - | - | 500,000 | 1.033 | May 18, 2027 | | |
| Resona Bank, Limited | 400,000 | - | - | 400,000 | | | | |
| Development Bank of Japan Inc. (Note 6) | 500,000 | - | - | 500,000 | 1.050 | | | |
| Mizuho Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 1.049 | May 18, 2027 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | 300,000 | - | - | 300,000 | 1.050 | | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.670 | September 29, 2023 | | |
| Sumitomo Mitsui Trust Bank, Limited | 1,500,000 | - | - | 1,500,000 | 0.918 | September 30, 2026 | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.930 | | | |
| Mizuho Bank, Ltd. (Note 6) | 1,500,000 | - | - | 1,500,000 | 1.029 | September 29, 2027 | | |
| Sumitomo Mitsui Trust Bank, Limited | 1,500,000 | - | - | 1,500,000 | 1.100 | September 29, 2028 | | |
| Sumitomo Mitsui Banking Corporation | 500,000 | - | - | 500,000 | 1.035 | October 3, 2027 | | |
| MUFG Bank, Ltd. (Note 6) | 1,200,000 | - | - | 1,200,000 | 1.000 | February 10, 2028 | | |
| MUFG Bank, Ltd. | 1,250,000 | - | - | 1,250,000 | | | | |
| Mizuho Bank, Ltd. | 800,000 | - | - | 800,000 | 0.603 | August 31, 2022 | | |
| Sumitomo Mitsui Banking Corporation | 900,000 | - | - | 900,000 | 0.988 | April 30, 2027 | | |
| Sumitomo Mitsui Banking Corporation | 2,600,000 | - | - | 2,600,000 | 0.985 | April 30, 2027 | | |
| Sumitomo Mitsui Banking Corporation | 2,000,000 | - | - | 2,000,000 | 0.902 | April 30, 2026 | | |
| Mizuho Bank, Ltd. | 1,000,000 | - | - | 1,000,000 | 1.090 | April 30, 2028 | | |
| The Bank of Fukuoka, Ltd. | 1,000,000 | - | - | 1,000,000 | 0.907 | May 31, 2026 | | |
| Sumitomo Mitsui Banking Corporation | 1,500,000 | - | - | 1,500,000 | 0.999 | May 31, 2027 | | |
| MUFG Bank, Ltd. (Note 6) | 500,000 | - | - | 500,000 | 0.900 | | | |
| Mizuho Bank, Ltd. | 500,000 | - | - | 500,000 | 0.999 | May 31, 2027 | | |
| Mizuho Trust & Banking Co., Ltd. | 500,000 | - | - | 500,000 | 0.999 | | | |
| Long-term loans payable | | | | | | | | |
| Nippon Life Insurance Company | 700,000 | - | - | 700,000 | 0.913 | March 31, 2025 | | |
| Sumitomo Mitsui Trust Bank, Limited | 700,000 | - | - | 700,000 | 0.726 | March 31, 2026 | (Note 5) | Unsecured/ Non-guaranteed |
| Resona Bank, Limited | 500,000 | - | - | 500,000 | 0.676 | | | |

| Classification | Balance at the beginning of the period | Increase during the period | Decrease during the period | Balance at the end of the period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 4) | Use | Remarks |
|---|--|----------------------------|----------------------------|----------------------------------|---|---------------------------|-----|---------|
| Lender | (in thousands of yen) | | | | (%) | | | |
| Aozora Bank, Ltd. | 500,000 | - | - | 500,000 | 0.726 | | | |
| Mizuho Bank, Ltd. | 400,000 | - | - | 400,000 | 0.726 | | | |
| The Musashino Bank, Ltd. | 400,000 | - | - | 400,000 | 0.676 | | | |
| Sumitomo Mitsui Banking Corporation | 1,850,000 | - | - | 1,850,000 | 0.910 | March 31, 2028 | | |
| MUFG Bank, Ltd. | 1,300,000 | - | - | 1,300,000 | 0.860 | | | |
| Resona Bank, Limited. | 650,000 | - | - | 650,000 | 0.460 | August 31, 2024 | | |
| Aozora Bank, Ltd. | 890,000 | - | - | 890,000 | 0.585 | August 31, 2026 | | |
| Mizuho Bank, Ltd. | 1,370,000 | - | - | 1,370,000 | 0.718 | March 31, 2028 | | |
| Sumitomo Mitsui Trust Bank, Limited | - | 820,000 | - | 820,000 | 0.550 | October 31, 2024 | | |
| MUFG Bank, Ltd. | - | 1,270,000 | - | 1,270,000 | 0.750 | January 31, 2028 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | - | 650,000 | - | 650,000 | 0.670 | April 30, 2028 | | |
| MUFG Bank, Ltd. (Note 6) | - | 1,500,000 | - | 1,500,000 | 0.520 | | | |
| Sumitomo Mitsui Banking Corporation | - | 1,000,000 | - | 1,000,000 | 0.644 | | | |
| Mizuho Bank, Ltd. | - | 1,000,000 | - | 1,000,000 | 0.644 | October 31, 2026 | | |
| Mizuho Trust & Banking Co., Ltd. (Note 6) | - | 500,000 | - | 500,000 | 0.550 | | | |
| Resona Bank, Limited | - | 300,000 | - | 300,000 | 0.644 | | | |
| Development Bank of Japan Inc. (Note 6) | - | 500,000 | - | 500,000 | 0.830 | October 31, 2029 | | |
| The Gunma Bank, Ltd. | - | 400,000 | - | 400,000 | 0.498 | January 31, 2025 | | |
| The Musashino Bank, Ltd. (Note 6) | - | 400,000 | - | 400,000 | 0.478 | January 31, 2025 | | |
| Subtotal | 78,910,000 | 8,340,000 | - | 87,250,000 | | | | |
| Total | ¥99,100,000 | ¥17,290,000 | ¥12,490,000 | ¥103,900,000 | | | | |

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

| | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|-------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | (in thousands yen) | | | | |
| Long-term loans payable | ¥ 13,300,000 | ¥ 9,050,000 | ¥ 7,500,000 | ¥ 8,810,000 | ¥ 48,590,000 |

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

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

Note 4: All the repayment methods of debt financing except for the following Note 7 are lump-sum repayments on the due date.

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

Note 6: Loans payable at a fixed rate.

Note 7: Prepayment was made on October 31, 2019.

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.

22. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of September 30, 2020 are as follows.

| Series | Date of issue | Balance at the beginning of period | Decrease during the period | Balance at the end of period | Interest rate (%) | Repayment date | Use | Remarks |
|--|------------------|------------------------------------|----------------------------|------------------------------|-------------------|------------------|---------|-----------|
| | | (in thousands of yen) | | | | | | |
| First series of unsecured investment corporation bonds (Note 1) | October 31, 2016 | ¥1,000,000 | ¥ - | ¥1,000,000 | 0.200 | October 29, 2021 | (Note3) | Unsecured |
| Second series of unsecured investment corporation bonds (Note 1) | October 31, 2016 | 1,000,000 | - | 1,000,000 | 0.600 | October 30, 2026 | | |
| Third series of unsecured investment corporation bonds (Note 1) | August 31, 2017 | 1,000,000 | - | 1,000,000 | 0.320 | August 31, 2022 | (Note4) | |
| Fourth series of unsecured investment corporation bonds (Note 1) | August 31, 2017 | 2,000,000 | - | 2,000,000 | 0.700 | August 31, 2027 | | |
| Fifth series of unsecured investment corporation bonds (Note 1) | April 26, 2018 | 2,000,000 | - | 2,000,000 | 0.700 | April 26, 2028 | | |
| Sixth series of unsecured investment corporation bonds (Note 2) | April 30, 2020 | - | - | 1,000,000 | 0.400 | April 30, 2025 | | |
| Total | | ¥7,000,000 | ¥ - | ¥8,000,000 | | | | |

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

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

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

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

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

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

Outstanding investment corporation bonds as of March 31, 2020 are as follows.

| Series | Date of issue | Balance at the beginning of period | Decrease during the period | Balance at the end of period | Interest rate (%) | Repayment date | Use | Remarks |
|--|------------------|------------------------------------|----------------------------|------------------------------|-------------------|------------------|---------|-----------|
| | | (in thousands of yen) | | | | | | |
| First series of unsecured investment corporation bonds (Note 1) | October 31, 2016 | ¥1,000,000 | ¥ - | ¥1,000,000 | 0.200 | October 29, 2021 | (Note2) | Unsecured |
| Second series of unsecured investment corporation bonds (Note 1) | October 31, 2016 | 1,000,000 | - | 1,000,000 | 0.600 | October 30, 2026 | | |
| Third series of unsecured investment corporation bonds (Note 1) | August 31, 2017 | 1,000,000 | - | 1,000,000 | 0.320 | August 31, 2022 | (Note3) | |
| Fourth series of unsecured investment corporation bonds (Note 1) | August 31, 2017 | 2,000,000 | - | 2,000,000 | 0.700 | August 31, 2027 | | |
| Fifth series of unsecured investment corporation bonds (Note 1) | April 26, 2018 | 2,000,000 | - | 2,000,000 | 0.700 | April 26, 2028 | | |
| Total | | ¥7,000,000 | ¥ - | ¥7,000,000 | | | | |

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

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

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

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

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

23. DISTRIBUTIONS

From April 1, 2020
to September 30, 2020

From October 1, 2019
to March 31, 2020

| | | |
|---|----------------|----------------|
| I. Retained earnings at the end of period | ¥3,716,853,291 | ¥3,784,993,657 |
| II. Distributions in excess of earnings | ¥147,984,852 | ¥5,361,770 |
| Of which, allowance for temporary difference adjustments | ¥147,984,852 | ¥5,361,770 |
| III. Incorporation into unitholders' capital | - | ¥74,317,226 |
| Of which, reversal of allowance for temporary difference adjustments | - | ¥74,317,226 |
| IV. Total distributions | ¥3,509,814,642 | ¥3,503,916,695 |
| Distributions per unit | ¥6,546 | ¥6,535 |
| Of which, distributions of earnings | ¥3,361,829,790 | ¥3,498,554,925 |
| Of which, distributions of earnings per unit | ¥6,270 | ¥6,525 |
| Of which, allowance for temporary difference adjustments | ¥147,984,852 | ¥5,361,770 |
| Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments) | ¥276 | ¥10 |
| V. Retained earnings brought forward to the next period | ¥355,023,501 | ¥212,121,506 |

In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,361,829,790 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act .

Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥147,984,852 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.

In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,498,554,925 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act after deduction of reversal of allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations).

Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥5,361,770 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights .

Method of calculating distribution amount

11th Fiscal Period (From April 1, 2020 to September 30, 2020)

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 | ¥5,178 |
| Deferred gains or losses on hedges | Loss on interest-rate swaps recognized at the end of the fiscal period | ¥142,806 |

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. |

10th Fiscal Period (From October 1, 2019 to March 31, 2020)

1. Reasons, related assets and allowance

(in thousands of yen)

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

2. Reasons, related assets and reversal of allowance

(in thousands of yen)

| Related assets, etc. | Reason | Reversal of allowance for temporary difference adjustments |
|------------------------------------|---|--|
| Deferred gains or losses on hedges | Changes in the fair value of derivative instruments | ¥74,317 |

3. Method of reversal

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



KENEDIX

Retail REIT Corporation

