

KENEDIX

Retail REIT Corporation



Focused Investment in Shopping Centers for Daily Needs

Semi-annual Report for the 12th Period

(From October 1, 2020 to March 31, 2021)



The 12th fiscal period ended March 31, 2021

Distribution per unit

JPY 7,095

Forecast DPU
for the 13th fiscal period

JPY 7,150

Forecast DPU
for the 14th fiscal period

JPY 7,000

Total assets (by acquisition price) /
Number of properties

JPY 226.7_{bn} / 64

Number of tenants

502

Occupancy rate
at the end of period

99.8%

Contents

I Overview of KRR

- From the Executive Director
- External Growth Strategies
- ESG Initiatives
- Close-up KRR Vol.12
 - Apita Terrace Yokohama Tsunashima
- Financial Highlights
- Portfolio List
- Portfolio Map
- Overview of Portfolio
- Summary of Investment Unit

II Asset Management Report

- Overview of Asset Management
- Profile of KRR
- Status on Investment Properties
- Capital Expenditures
- Expenses and Liabilities
- Acquisition and Disposition
- Accounting
- Others



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 twelfth fiscal period (from October 1, 2020 to March 31, 2021).

During the twelfth fiscal period, we faced another challenging period amid the COVID-19 pandemic and the government’s second state of emergency declaration. Despite these circumstances, shopping centers for daily needs with grocery supermarkets as core tenants have continued to act as vital retail infrastructure providing fundamental functions to maintain day-to-day life of consumers. Therefore, impact of the pandemic remained limited for KRR. On the other hand, we decided to dispose of Daikanyama Address Dixsept in three phases, as we viewed the property not as stable as other assets that we manage. We are also taking advantage of the gains on sale of the property from the twelfth to fourteenth periods. As a result, for the twelfth fiscal period, operating revenue totaled 8,717 million yen, operating income was 4,379 million yen, ordinary income was 3,799 million yen, and net income was 3,798 million yen. The distribution to unitholders for the twelfth fiscal period was 7,095, increasing from the previous fiscal period.

Going into the thirteenth fiscal period, we acquired four additional properties in connection with the fifth public offering. Through these dispositions and acquisitions, our portfolio consists 65 properties for 243,657 million yen in acquisition price.

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

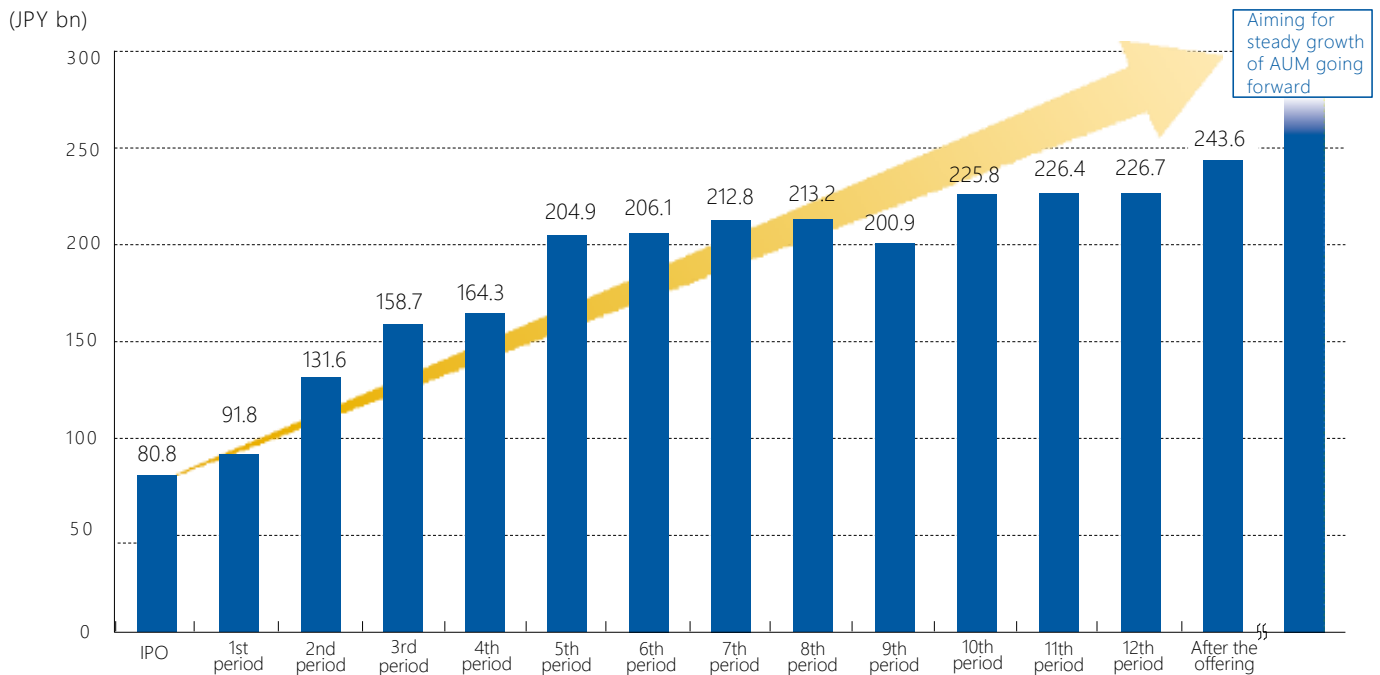
渡辺 萌

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

External Growth Strategies

1 Steady AUM growth

Since IPO in 2015, KRR achieved steady growth in AUM through five public offerings. AUM size that was 80.8 billion yen at IPO has expanded 3 times.



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

T-4 Daikanyama Address Dixsept

Urban Station-Front SC



Location	Shibuya ward, Tokyo	Disposition price	JPY 6,644 mn
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O-7 Hankyu Oasis HiraKatadeguchi

SM



Location	Hirakata, Osaka	Disposition price	JPY 1,500 mn
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T-5 Unicus Ina (20% quasi-co-ownership interest)

NSC



Location	Kitaadachi-gun, Saitama	Disposition price	JPY 1,048 mn
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Note: 40% of the quasi-co-ownership interest was disposed of in the 12th fiscal period and 30% in the 13th fiscal period. Remaining 30% is scheduled to be disposed of in the 14th fiscal period.

3 Assets acquired in the 12th fiscal period

L-7 Chiba-Kita Distribution Center

Distribution center in an area with increasing concentration as an outlying area of the Tokyo Bay Area



Location	Chiba, Chiba
Acquisition price	JPY 1,250mn
Appraisal value	JPY 1,340mn
Appraisal NOI yield	4.6%

L-8 Sapporo Shiroishi Distribution Center

Distribution center located in a prime location in the Sapporo metropolitan area

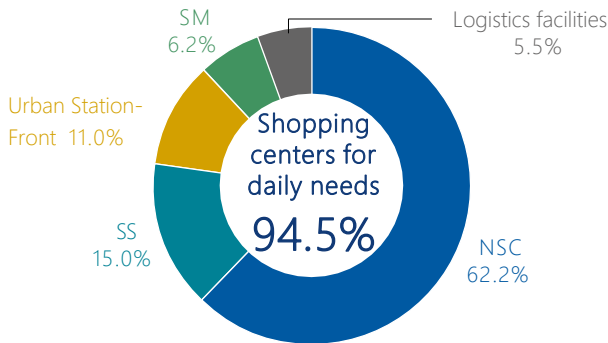


Location	Sapporo, Hokkaido
Acquisition price	JPY 800mn
Appraisal value	JPY 1,020mn
Appraisal NOI yield	7.3%

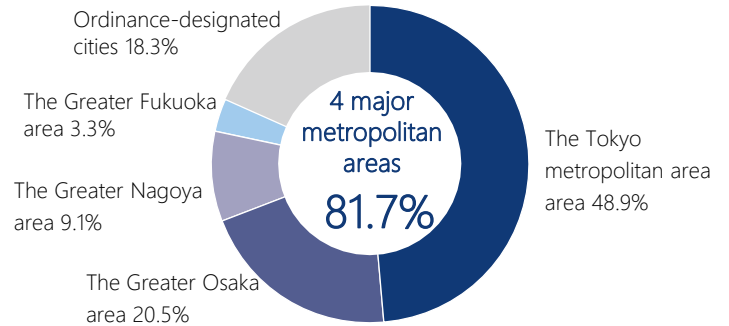
Note: In addition to the above, Monenosato Mall (2 New Buildings) and Yokohama Kamigo Distribution Center (lounge building) were acquired in the 12th fiscal period.

4 Portfolio after the 5th public offering

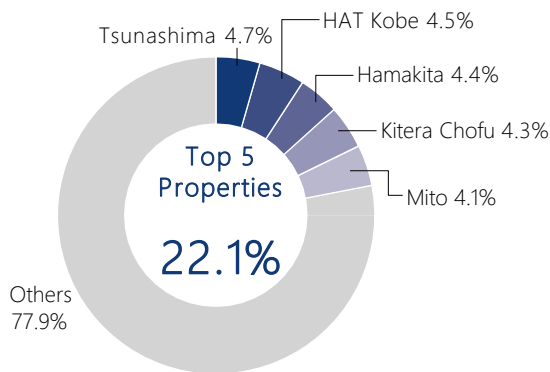
▶ By asset type (based on acquisition price)



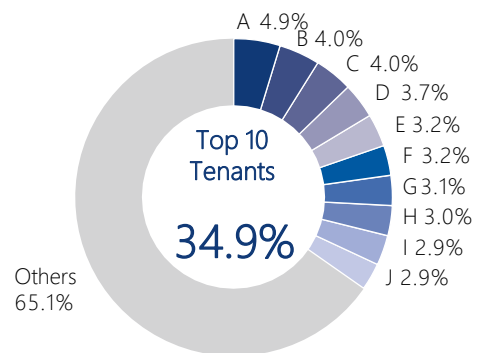
▶ By location (based on acquisition price)



▶ Top 5 properties (based on acquisition price)



▶ Top 10 tenants (based on rent)

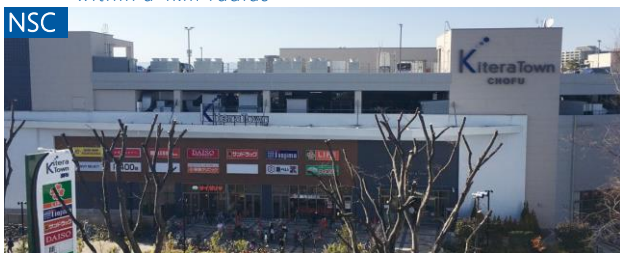


5 Assets acquired in the 13th fiscal period

Acquired the following properties through the 5th public offering.

T-31 Kitera Town Chofu

An NSC with Life, a grocery supermarket, as the core tenant and a retail trade area of over 40,000 people within a 1km radius



Location	Chofu, Tokyo	Appraisal value	JPY 11,400mn
Acquisition price	JPY 10,500mn	Appraisal NOI yield	5.2%

T-25 Apita Terrace Yokohama Tsunashima (49% quasi-co-ownership interest)

An NSC that meets diverse needs of a growing next-generation smart city with a concentrated population



Location	Yokohama, Kanagawa	Appraisal value	JPY 5,930mn
Acquisition price	JPY 5,667mn	Appraisal NOI yield	4.7%

O-12 Merado Daikai

An NSC with Kansai Super Market, a grocery supermarket, as the core tenant and a retail trade area of over 50,000 people within a 1km radius



Location	Kobe, Hyogo	Appraisal value	JPY 5,780mn
Acquisition price	JPY 5,440mn	Appraisal NOI yield	5.3%

T-32 Unicus Urawamisono (Land)

The underlying land for a community-based NSC developed in "Misono Wing City" in Saitama, a new town with growing population



Location	Saitama, Saitama	Appraisal value	JPY 817mn
Acquisition price	JPY 732mn	Appraisal NOI yield	4.6%

ESG Initiatives

1 Certifications on Environmental Initiatives

Awarded GRESB "Green Star" Rating for five consecutive year

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 March 31, 2021)

	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
BELS Assessment	1	19,605.67	4.8

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (731,245.10m², 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 March 2021.

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

T-4 Daikanyama Address Dixept O-1 Blumer Maitamon

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

T-2 MONA Shin-Urayasu T-7 Unicus Yoshikawa O-5 Carino Esaka R-4 Sun Street Hamakita
 T-3 Passaggio Nishiarai T-20 Kawamachi Yahagi Mall R-1 Roseo Mito
 T-5 Unicus Ina O-4 Blumer HAT Kobe R-10 Ashico Town Ashikaga

Properties with high environmental & social awareness (★★)

T-19 Yumemachi Narashinodai Mall N-6 Resora Obu Shopping Terrace

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 March 31, 2021, KRR has acquired CASBEE real estate evaluation certification for the following five properties.



Certification rank: S rank

T-25 Apita Terrace Yokohama Tsunashima N-6 Resora Obu Shopping Terrace
 N-4 Homecenter Kohnan Sunadabashi

Certification rank: A rank

N-4 Costco Wholesale Sapporo Warehouse
 L-3 Musashi Ranzan Distribution Center

Earned Certification for Building-Housing Energy-efficiency Labeling System (BELS)

"Certification for Building-Housing Energy-efficiency Labeling System (BELS)" is a third-party certification system that grades housing and buildings in accordance with an obligation to make an effort to indicate energy saving performance stipulated in the Act on the Improvement of Energy Consumption Performance of Buildings, based on the Building Energy Index (BEI) values calculated from primary energy consumption volume based on nationally-stipulated performance standards for building energy consumption.

KRR has acquired BELS for the following property.

Certification rank ★★★★★ Apita Terrace Yokohama Tsunashima



この部分のエネルギー消費量 **53%**削減
 2020年12月25日交付 国土交通省告示に基づく第三者認証

2 Environmental initiatives

Solar panel installation

We installed solar panels at Unicus Ina, Kawamachi Yahagi Mall and Apita Terrace Yokohama Tsunashima to decrease CO₂ emissions.



Unicus Ina
Power generation capacity:
334.53 kW



Kawamachi Yahagi Mall
Power generation capacity:
302.40 kW



Apita Terrace Yokohama Tsunashima
Power generation capacity:
25.26 kW

Power generation results (Note)

Unicus Ina: 337,735kWh	Kawamachi Yahagi Mall: 130,495kWh	Apita Terrace Yokohama Tsunashima: 29,147kWh
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Note: The figures of Unicus Ina and Apita Terrace Yokohama Tsunashima are for the period April 2020 to March 2021, and the figures of Kawamachi Yahagi Mall are for the period October 2020 to March 2021.

3 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.



Supporting UNICEF

KRR supports the activity of UNICEF (United Nations Children's Fund) by providing common areas of its properties for their fund-raising campaign.



Local events at our properties (Note)

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

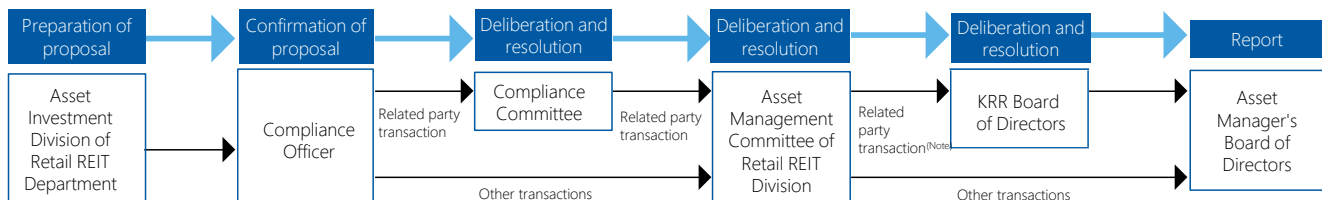


Note: Some events are restrained or restricted due to the COVID-19 pandemic.

4 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.



T-25 NSC

Apita Terrace Yokohama Tsunashima

Shopping center in Yokohama that constitutes a next-generation smart city

Apita Terrace Yokohama Tsunashima is a shopping center opened in March 2018. It was developed as a center for food, health, and community within the next-generation smart city “Tsunashima Sustainable Smart Town” located between Tokyu Toyoko Line’s Tsunashima and Hiyoshi Stations. The shopping center is located facing the Tsunashima Street and Prefectural Road 102, making the facility highly accessible for both cars and bicycles, together with approximately 900 parking spaces for cars and 450 spaces for bicycles.

Kohoku ward, where the property is located, has the largest population and number of households among the 18 administrative districts comprising Yokohama, and is one of the most growing areas in the city. In particular, the Sotetsu and Tokyu lines are scheduled to be connected in 2022 in the Tsunashima area, and Shin-Tsunashima Station of the new line will be connected to Shin-Yokohama station. Further future development of the neighboring area is expected by the improving traffic access. In addition, development of a large-scale condominium complex totaling approximately 1300 units is underway in the vicinity of this property, and the population of the trade area is expected to further increase.

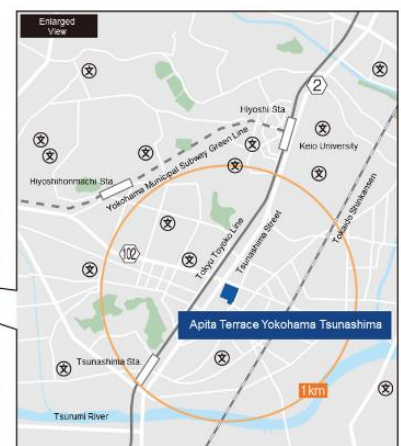
As for the tenant composition of the property, in addition to a grocery supermarket, Apita Food Market, as the core tenant, there is a one-stop lineup of goods and services necessary for daily life. Tenants include community-based specialty stores such as Nitori, a drug store and a dollar shop as well as a clinic mall and a post office.

Tenant mix also include service-oriented tenants to help customers enjoy their stay, such as a food court and a bookstore & cafe, to meet the diverse needs of a wide range of generations. The high percentage of tenants handling food and other daily necessities, for which demand is increasing amid the COVID-19 pandemic, have also led to an increase in the number of visitors to this property even in the pandemic.

Tsunashima Sustainable Smart Town, where this property is located, is pursuing comfort and future lifestyles from various perspectives, including residents, workers and visitors. Initiatives that take into account the global environment and local communities are introduced in this property, including solar panels, manhole toilets and benches for cooking stove for disaster use. In recognition of these efforts, the property received the Building Energy Efficiency Indication System (BELS) Evaluation (Evaluation Results: ★★★★★) in December 2020 and CASBEE Real Estate Evaluation Certification (Evaluation Rank: S Rank) in February 2021. In November 2019, KRR acquired a 51% co-ownership interest in the property and the remaining 49% co-ownership interest through the public offering in April 2021, bringing the interest to 100%. Going forward, we will continue to work to revitalize the facility as a shopping center for daily needs, with a focus on management in concert with the local community.

Acquisition price	JPY 11,566 mn
Location	Yokohama, Kanagawa
Land area	183,300.01m ²
Gross floor area	38,442.49m ²
Core tenant	UNY Co., Ltd.

Note: The property was acquired in two separate acquisitions. The acquisition price is the sum of the two acquisition prices.



Financial highlights

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

1 Financial highlights (as of March 31, 2021)

LTV 44.8%	Long-term debt ratio 100.0%	Fixed interest debt ratio 96.8%
Weighted average debt maturity 4.4 years	Number of lenders 12	Average interest rate 1.00%

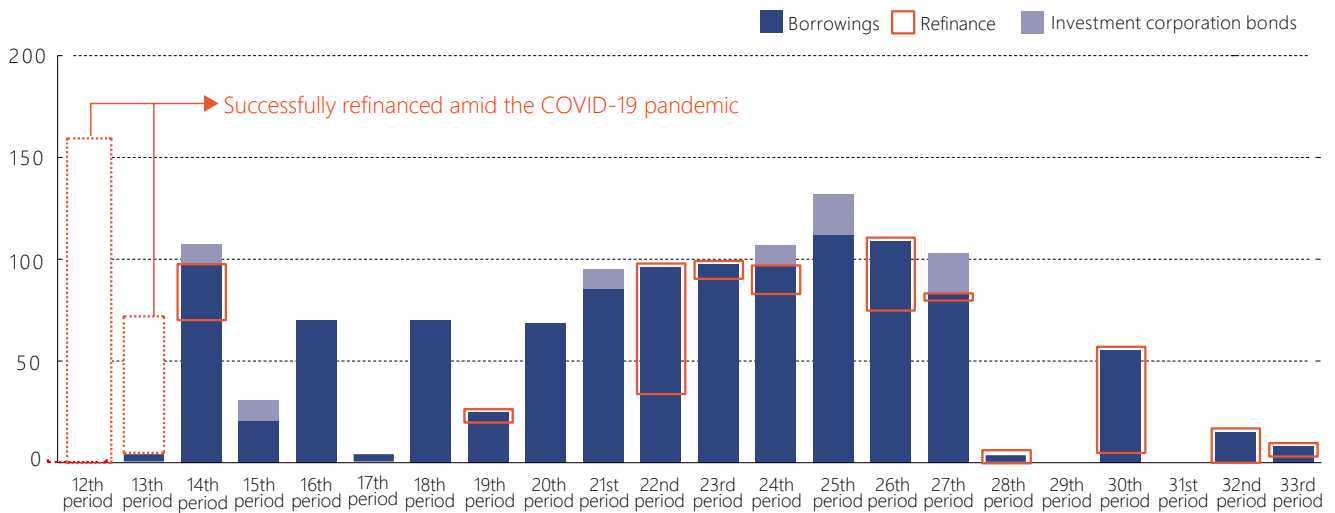
2 Credit rating (as of March 31, 2021)

Credit rating (JCR) A+ (Stable)	Rating Outlook improved from "Stable" to "Positive" (January 2021)
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3 Debt maturity schedule (as of April 30, 2021)

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

Debt outstanding JPY 120,300 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 March 31, 2021

Total acquisition price

JPY 226,725 mn

Weighted average occupancy rate

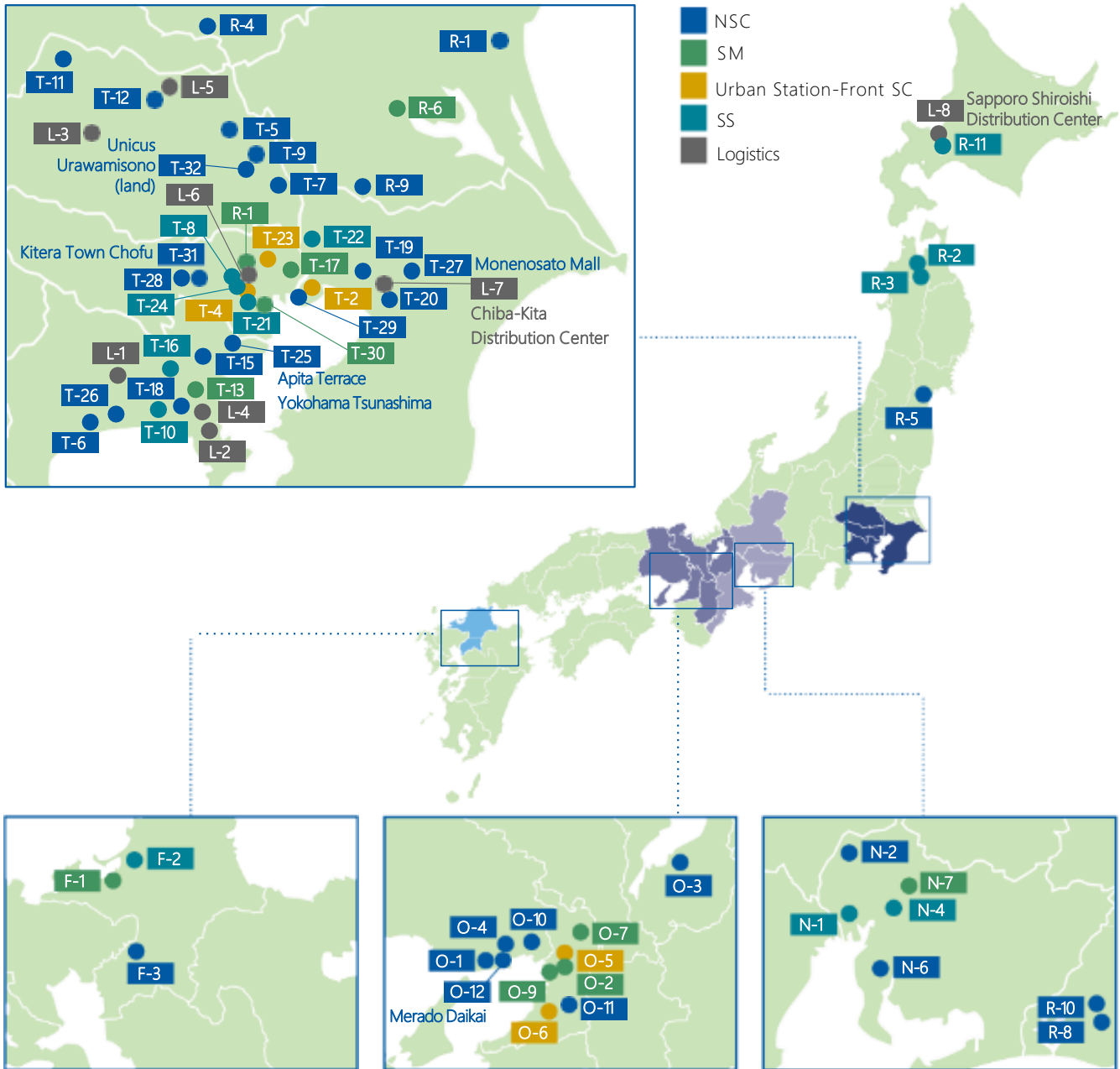
99.8%

Number of tenants

502

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	94.6	53
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	100.0	41
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	3,234	97.2	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	9
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	100.0	2
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	100.0	1
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	2,753	100.0	11
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	99.8	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	98.8	40
O-5	Carino Esaka	Suita, Osaka	6,555	98.6	29
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 Ichinomiyama-Nishi	Ichinomiyama, 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	98.6	42
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
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	100.0	1
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	99.1	29
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2

Portfolio Map as of April 30, 2021



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) (Note 1)	Number of tenants (Note 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	99.4	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	918	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
L-7	Chiba-kita Distribution Center	Chiba, Chiba	1,250	100.0	1
L-8	Sapporo Shiroishi Distribution Center	Sapporo, Hokkaido	800	100.0	1
Total			226,725	99.8	502

Note 1: "Occupancy rate" is as of March 31, 2021.

Note 2: "Number of tenants" indicates the number of end-tenants as of March 31, 2021.

Note 3: Please refer to p.3 for the assets acquired in the 13th fiscal period.

Overview of portfolio (as of April 30, 2021)

T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiari



T-4 Daikanyama Address Dixsept



T-5 Unicus Ina



T-6 Yorktown Kita-Kaname



T-7 Unicus Yoshikawa



T-8 Sports Club Renaissance Fujimidai



T-9 Super Viva Home Iwatsuki (Land)



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



T-11 Unicus Kamisato (Land)



T-12 Unicus Konosu (Land)



T-13 Inageya Yokohama Minamihonjuku (Land)



T-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)



T-29 Across Plaza Urayasu Higashino (Land)



T-30 Comfort Market Nishi-Magome



O-1 Blumer Maitamon



O-2 Life Takadono (Land)



O-3 DCM Kahma MEGA Don Quijote UNY Omihachiman



O-5 Carino Esaka



Note: Please refer p. 2-3 for the assets acquired in the 12th and 13th fiscal periods.

O-4 Blumer HAT Kobe



O-6 COMBOX Komyoike



O-7 Hankyu Oasis Hirakatadeguch



O-9 Life Nishi-Tengachaya



O-10 Million Town Tsukaguchi (Land)



O-11 Habikigaoka 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 Seiyu 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

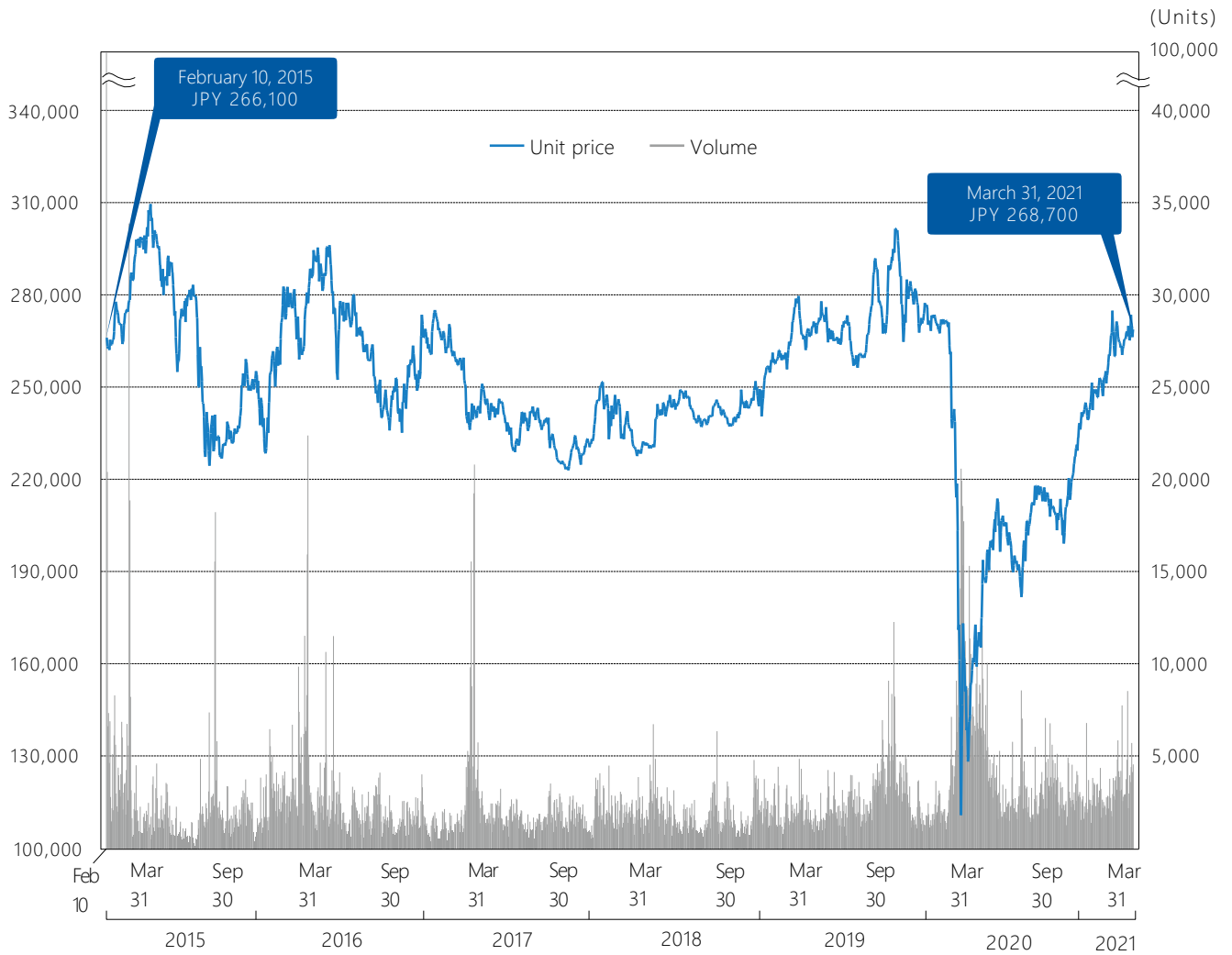


L-6 Shinjuku Nishiochiai Distribution Center



Summary of Investment Unit

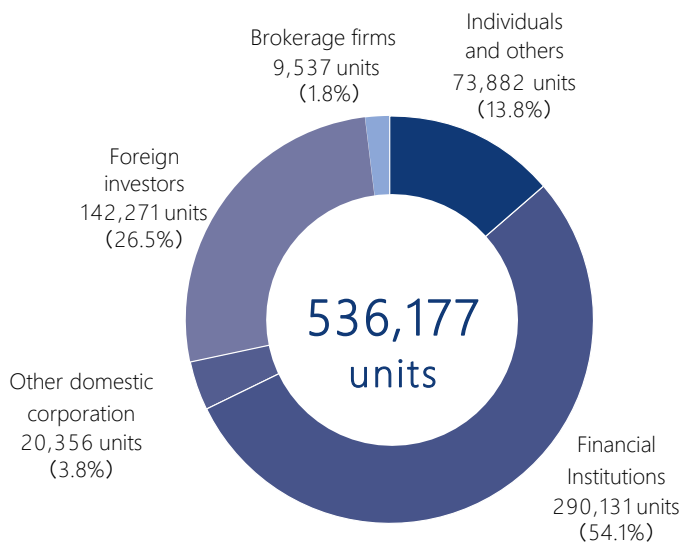
Unit price and trading volume



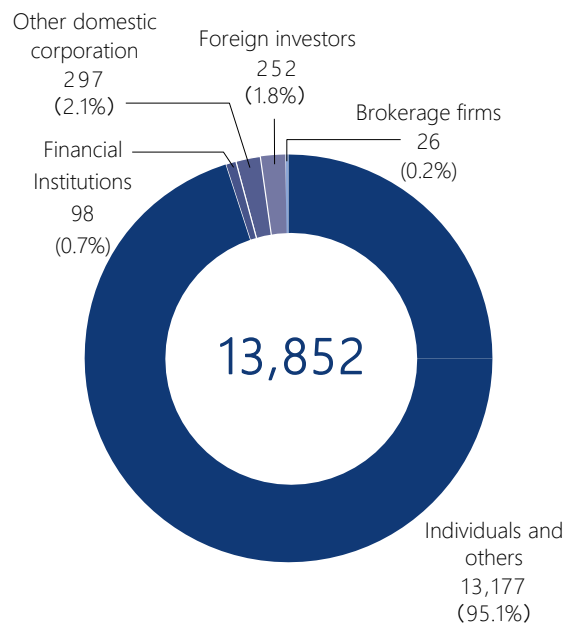
General breakdown of unitholders

As of March 31, 2021

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		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)	Twelfth fiscal period (From October 1, 2020 to March 31, 2021)
Operating revenues	Millions of yen	8,415	8,609	8,291	8,398	8,717
Of which, property-related revenues	8,197	8,367	8,234	8,272	8,234	8,263
Property-related expenses	Millions of yen	4,530	4,729	4,189	4,316	4,338
Of which, property-related expenses	3,733	3,891	3,359	3,479	3,359	3,377
Operating income	Millions of yen	3,884	3,879	4,101	4,082	4,379
Ordinary income	Millions of yen	3,284	3,288	3,499	3,505	3,799
Net income	Millions of yen	3,283	3,287	3,498	3,504	3,798
Total assets	Millions of yen	237,845	236,253	249,246	251,655	251,773
[Period-on-period changes]	%	(-0.3)	(-0.7)	(+5.5)	(+1.0)	(+0.0)
Total net assets	Millions of yen	116,505	116,386	124,450	124,308	124,701
[Period-on-period changes]	%	(-0.2)	(-0.1)	(+6.9)	(-0.1)	(+0.3)
Unitholders' capital ^(Note 2)	Millions of yen	113,399	113,399	121,183	121,183	121,183
Number of investment units issued and outstanding	Units	507,700	507,700	536,177	536,177	536,177
Net assets per unit	Yen	229,477	229,242	232,107	231,842	232,575
Distributions	Millions of yen	3,288	3,292	3,503	3,509	3,804
Distributions per unit	Yen	6,477	6,486	6,535	6,546	7,095
Of which, distributions of earnings	Yen	6,138	6,242	6,525	6,270	7,085
Of which, distributions in excess of retained earnings	Yen	339	244	10	276	10
Ordinary income to total assets ^(Note 3)	%	1.4	1.4	1.4	1.4	1.5
[Annualized] ^(Note 4)	(2.8)	(2.8)	(2.9)	(2.8)	(3.0)	
Return on net assets ^(Note 5)	%	2.8	2.8	2.9	2.8	3.1
[Annualized] ^(Note 4)	(5.6)	(5.6)	(5.8)	(5.6)	(6.1)	
Net assets to total assets ^(Note 6)	%	49.0	49.3	49.9	49.4	49.5
[Period-on-period changes]	(+0.0)	(+0.3)	(+0.7)	(-0.5)	(+0.1)	
Operating days	Days	182	183	183	183	182
Payout ratio ^(Note 7)	%	94.9	96.4	100.0	95.9	100.0
Number of properties		53	55	62	62	64
Leasable area	m ²	913,759.61	850,456.06	945,177.87	941,020.65	956,496.64
Number of tenants ^(Note 8)		511	480	496	496	502
Occupancy ratio	%	99.2	98.9	99.4	99.7	99.8
Depreciation expense	Millions of yen	990	1,019	1,024	1,040	1,068
Capital expenditures	Millions of yen	500	791	475	544	543
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	5,454	5,494	5,899	5,833	5,954
FFO (Funds from operation) ^(Note 10)	Millions of yen	4,105	4,093	4,498	4,431	4,426
FFO per unit ^(Note 11)	Yen	8,085	8,063	8,389	8,265	8,254

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 period ended March 31, 2019, 100.2% for the period ended September 30, 2019, 100.2% for the period ended March 31, 2020, 100.1% for the period ended September 30, 2020 and 100.1% for the period ended March 31, 2021

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

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

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

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

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

(2) Status of Asset Management

(Overview of the Fiscal Period ended March 31, 2021)

i) Transition of KRR

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (“J-REIT”) Market of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the fiscal period ended March 31, 2021 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 ended March 31, 2021, the Japanese economy remained in a severe situation, with weakening employment and income environments and a slowdown in the recovery of consumer spending due to the spread of COVID-19. On the other hand, there were signs of recovery, such as increases in exports and production, as well as gradual improvement in corporate earnings and business confidence, which had deteriorated significantly.

Shopping centers for daily needs, in which KRR focuses its investment, sales of service-oriented tenants including restaurants and some apparel stores have been declining amid the COVID-19 pandemic, but specialty stores such as supermarkets, drug stores and home & garden stores that cater to the day-to-day needs of customers are expected to maintain steady demand.

In the real estate trading market, some investors initially took a cautious stance toward real estate investment due to the spread of the COVID-19. However, investors' willingness to invest in real estate has been recovering against the backdrop of monetary easing policies in Japan and overseas, and active transactions are taking place.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired three assets (Chiba-Kita Distribution Center with acquisition price (Note 1) of 1,250 million yen, Sapporo Shiroishi Distribution Center with acquisition price of 800 million yen and Monenosato Mall (2 New Buildings) with acquisition price of 343 million yen). KRR disposed of one asset (Daikanyama Address Dixsept (40% trust beneficiary quasi co-ownership interests) with sale price (Note 2) of 2,657 million yen (acquisition price was 2,156 million yen)). KRR also completed additional acquisition through construction of a new building (property expansion) (total construction cost (Note 3) 9 million yen) at Yokohama Kamigo Distribution Center.

As a result, the portfolio at the end of the period under review (March 31, 2021) consists of 64 properties with the total acquisition price of 226,725 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 (March 31, 2021) (Note 1). 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 2) 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 99.8%. Furthermore, the portfolio is diversified in terms of tenants as there are 502 end-tenants (Note 3) in KRR’s retail properties and distribution centers.

Note 1: On December 1, 2020, KRR disposed a quasi-co-ownership interest (40% equity interest) in the trust beneficiary interest of Daikanyama Address Dixsept, and accordingly, the PM businesses of the property have been entrusted to persons other than the Asset Manager.

Note 2: “Upside potential” represents feasibility of rental income or cash flow growth.

Note 3: 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 15,950 million yen for refinancing. 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 (March 31, 2021).

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

As a result, the average maturity of debt is 4.4 years, the weighted average interest rate is 1.00%, the long-term debt ratio (Note 1) is 100.0% 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 March 31, 2021 is as follows.

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

(Shelf Registration)

KRR filed a shelf registration statement for investment corporation bonds (excluding short-term investment corporation bonds) on October 1, 2020. Details are as follows.

Planned issue amount	100,000,000,000 yen
Planned issuance period	October 8, 2020 to October 8, 2022
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.

iv) Results of Operations

For this period, revenue was 8,717 million yen, operating income was 4,379 million yen, ordinary income was 3,799 million yen and net income was 3,798 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 3,798,814,045 yen which is almost equivalent to the earnings for the fiscal period. The distribution per unit (excluding excess of earnings) was 7,085 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 5,361,770 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 10 yen.

Consequently, the distribution per unit was 7,095 yen (of which the distribution in excess of earnings per unit was 10 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) (Note 7)		Notes
		Increase	Balance	Increase	Balance	
April 20, 2016	Public offering	64,000	419,250	15,856	93,463	(Note 1)
May 18, 2016	Capital increase through third-party allocation	3,200	422,450	792	94,256	(Note 2)
April 18, 2017	Public offering	81,250	503,700	18,244	112,500	(Note 3)
May 17, 2017	Capital increase through third-party allocation	4,000	507,700	898	113,399	(Note 4)
October 23, 2019	Public offering	27,300	535,000	7,462	120,861	(Note 5)
November 14, 2019	Capital increase through third-party allocation	1,177	536,177	321	121,183	(Note 6)

Note 1: Issued at issue price of 256,717 yen per unit (issue amount of 247,764 yen per unit) for acquisition of new properties.

Note 2: Issued at issue amount of 247,764 yen per unit for repayment of borrowings.

Note 3: Issued at issue price of 232,537 yen per unit (issue amount of 224,547 yen per unit) for acquisition of new properties.

Note 4: Issued at issue amount of 224,547 yen per unit for repayment of borrowings.

Note 5: Issued at issue price of 282,847 yen per unit (issue amount of 273,360 yen per unit) for acquisition of new properties.

Note 6: Issued at issue amount of 273,360 yen per unit for part of future purchase funds for specified assets or repayment of borrowings.

Note 7: 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 For the period ended	Eighth fiscal period March 31, 2019	Ninth fiscal period September 30, 2019	Tenth fiscal period March 31, 2020	Eleventh fiscal period September 30, 2020	Twelfth fiscal period March 31, 2021
Highest	JPY 279,600	JPY 291,800	JPY 301,500	JPY 218,000	JPY 274,900
Lowest	JPY 237,200	JPY 256,300	JPY 110,900	JPY 128,300	JPY 199,200

(4) Distributions

The distribution of earnings for the twelfth fiscal period is 7,085 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 10 yen.

Consequently, the distribution per unit for the fiscal period, including the excess distribution, was 7,095 yen (of which the distribution in excess of earnings per unit was 10 yen).

(in thousands of yen)

Fiscal period For the period ended	Eighth fiscal period March 31, 2019	Ninth fiscal period September 30, 2019	Tenth fiscal period March 31, 2020	Eleventh fiscal period September 30, 2020	Twelfth fiscal period March 31, 2021
Unappropriated retained earnings	3,283,881	3,455,496	3,784,993	3,716,853	4,153,672
Retained earnings carried forward	167,619	286,433	212,121	355,023	250,664
Total distributions	3,288,372	3,292,942	3,503,916	3,509,814	3,804,175
[Distributions per unit]	[6,477 yen]	[6,486 yen]	[6,535 yen]	[6,546 yen]	[7,095 yen]
Of which, distributions of earnings	3,116,262	3,169,063	3,498,554	3,361,829	3,798,814
[Distributions of earnings per unit]	[6,138 yen]	[6,242 yen]	[6,525 yen]	[6,270 yen]	[7,085 yen]
Of which, distributions in excess of retained earnings	172,110	123,878	5,361	147,984	5,361
[Distributions in excess of retained earnings per unit]	[339 yen]	[244 yen]	[10 yen]	[276 yen]	[10 yen]
Total distributions in excess of earnings for the allowance for temporary adjustment	172,110	123,878	5,361	147,984	5,361
[Distributions per unit]	[339 yen]	[244 yen]	[10 yen]	[276 yen]	[10 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 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.

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., both of which are also KFM's parent companies, Nippon Commercial Development Co., Ltd. and P&D Consulting Co., Ltd. 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

KRR passed resolutions at the Board of Directors Meeting held on April 7, 2021 and April 14, 2021, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on April 20, 2021 and May 18, 2021, respectively. KRR plans to use the net proceeds through third-party allotment to fund part of the acquisition of specified assets or repayment of borrowings in the future.

As a result, unitholders' capital totaled 133,103,750,770 yen and total number of investment units issued and outstanding increased to 582,177 as of May 18, 2021.

Issuance of new investment units through public offerings

Total number of units issued:	43,800 units
Issue price (offer price):	267,930 yen per unit
Total amount of issue price (total offer price):	11,735,334,000 yen
Paid-in amount (issue amount):	259,136 yen per unit
Total paid-in amount (total issue amount):	11,350,156,800 yen
Payment date:	April 20, 2021

Issuance of new investment units through third-party allotment

Total number of units issued:	2,200 units
Paid-in amount (issue amount):	259,136 yen per unit
Total paid-in amount (total issue amount):	570,099,200 yen
Payment date:	May 18, 2021
Allottee:	SMBC Nikko Securities Inc.

(Reference Material)

(A) Acquisition of Assets

KRR acquired following asset.

Property number	Property type (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 3)	Appraisal value (million yen) (Note 4)	Acquisition date
T-25	NSC	Apita Terrace Yokohama Tsunashima (49% quasi co-ownership interests)	Yokohama, Kanagawa	G.K. RF3	5,667	5,930	April 30, 2021
T-31	NSC	Kitera Town Chofu	Chofu, Tokyo	G.K. KRF89	10,500	11,400	April 21, 2021
T-32	NSC	Unicus Urawamisono (Land) (Note 5)	Saitama, Saitama	P&D Consulting Co., Ltd.	732	817	April 9, 2021
O-12	NSC	Merado Daikai	Kobe, Hyogo	Undisclosed (Note 2)	5,440	5,780	April 21, 2021

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).

Note 2: Undisclosed as KRR has not obtained consent from the seller.

Note 3: "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 4: Appraisal values are as of March 1, 2021.

Note 5: The trust property for this property is a portion (32.9% of the entire land) of the land underlying the Unicus Urawamisono building.

(B) Disposition of Assets

KRR disposed the following asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note 1)	Sale date
T-4	Urban Station-Front SC	Daikanyama Address Dixsept (30% quasi co-ownership interests)	Shibuya ward, Tokyo	Undisclosed (Note 2)	1,993	April 1, 2021
T-5	NSC	Unicus Ina (20% quasi co-ownership interests)	Inamachi, Kitaadachi-gun, Saitama	P&D Consulting Co., Ltd.	1,048	April 9, 2021

Note 1: "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 2: Undisclosed as KRR has not obtained consent from the seller.

KRR has contracted a purchase and sale agreement to dispose the following asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note 3)	Date of contract	Sale date
T-4	Urban Station-Front SC	Daikanyama Address Dixsept (30% quasi co-ownership interests) (Note 1)	Shibuya ward, Tokyo	Undisclosed (Note 4)	1,993	November 17, 2020	October 1, 2021
O-7	SM	Hankyu Oasis HiraKatadeguchi (Note 2)	Hirakata, Osaka	Undisclosed (Note 4)	1,500	February 25, 2021	August 10, 2021

- Note 1: The purchase and sale agreement with the buyer on the sale of the asset falls under the category of forward commitment made by investment corporations as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” ruled by the Financial Service Agency of Japan. In case the agreement is terminated, either of the parties responsible for the termination shall compensate for the damage resulted from the termination by paying a penalty corresponding to 20% of the sale price (excluding consumption taxes and local consumption taxes) to the other party. However, since KRR is the seller in this transaction and there is no concern such as financing in executing the sale, KRR believes that the risk of KRR paying the penalty and making an important impact on its financial condition is small.
- Note 2: The purchase and sale agreement with the buyer on the sale of the asset falls under the category of forward commitment made by investment corporations as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” ruled by the Financial Service Agency of Japan. In case the agreement is terminated, either of the parties responsible for the termination shall compensate for the damage resulted from the termination by paying a penalty corresponding to 20% of the sale price (excluding consumption taxes and local consumption taxes) to the other party. However, since KRR is the seller in this transaction and there is no concern such as financing in execution the sale, KRR believes that the risk of KRR paying the penalty and making an important impact on its financial condition is small.
- Note 3: “Sale price” represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, etc.) required in the sale of the asset.
- Note 4: Undisclosed as KRR has not obtained consent from the buyer.

(C) Financing

KRR borrowed 5,800 million yen (Series 39) on April 27, 2021 and 900 million yen (Series 41) on April 30, 2021 for the repayment of the borrowings. Furthermore, KRR borrowed 2,000 million yen (Series 38) on April 21, 2021 and 5,500 million yen (Series 40) on April 30, 2021 for the acquisition of assets.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	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)	Twelfth fiscal period (From October 1, 2020 to March 31, 2021)
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	536,177 units	536,177 units	536,177 units
Unitholders' capital	113,399 million yen	113,399 million yen	121,183 million yen	121,183 million yen	121,183 million yen
Number of unitholders	10,931	10,907	13,558	13,941	13,852

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of March 31, 2021.

Name	Address	Number of units held (Units)	Ratio (%) (Note)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	118,502	22.10
CUSTODY BANK OF JAPAN, LTD. (Trust Acct.) (Note 2)	1-8-12 Harumi, Chuo-ku, Tokyo	51,928	9.68
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	26,003	4.84
CUSTODY BANK OF JAPAN, LTD. (Securities Investment Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	17,564	3.27
AOZORA BANK, LTD.	6-1-1 Kojimachi, Chiyoda-ku, Tokyo	11,958	2.23
SSBTC CLIENT OMNIBUS ACCOUNT	3-11-1 Nihonbashi, Chuo-ku, Tokyo Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd.	11,626	2.16
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.	8,928	1.66
HOKKOKU BANK, LTD.	2-12-6 Hirooka, Kanazawa, Ishikawa	7,940	1.48
STATE STREET BANK AND TRUST COMPANY 505103	Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	6,816	1.27
Total		271,315	50.60

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

(3) Matters Concerning Directors and Auditor

i) Executive Director, Supervisory Director, and Independent Auditor as of March 31, 2021

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 Director and audit committee member (outside director) of Loop Inc. Outside director of YOKU MOKU Holdings Co., Ltd.	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 March 31, 2021 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)	Eleventh fiscal period as of September 30, 2020		Twelfth fiscal period as of March 31, 2021	
			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	96,613	38.4	94,736	37.6
		Greater Osaka area	46,140	18.3	46,036	18.3
		Greater Nagoya area	22,055	8.8	21,959	8.7
		Fukuoka area	7,891	3.1	7,855	3.1
		Ordinance-designated cities, core cities and other areas	43,923	17.5	43,765	17.4
	Other retail properties	—	—	—	—	
	Distribution centers	—	7,954	3.2	10,049	4.0
Total of trust beneficiary interests in real estate			224,579	89.2	224,402	89.1
Real estate	Distribution centers	—	3,686	1.5	3,684	1.5
Total of real estate			3,686	1.5	3,684	1.5
Bank deposits and other assets			23,389	9.3	23,686	9.4
Total assets			251,655	100.0	251,773	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 yen.

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 March 31, 2021.

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	11,207	23,775.88	23,483.16	98.8	5.7	Retail
R-10	Sun Street Hamakita	10,617	48,697.29 (Note 5)	48,426.66 (Note 5)	99.4	6.5	Retail
R-1	Roseo Mito	9,670	48,296.15	48,296.15	100.0	4.6	Retail
T-2	MONA Shin-Urayasu	8,992	9,955.84	9,418.68	94.6	5.9	Retail
O-1	Blumer Maitamon	8,428	30,290.85	30,235.07	99.8	5.8	Retail
N-6	Resora Obu Shopping Terrace	8,055	19,909.33	19,634.11	98.6	3.5	Retail
N-4	Homecenter Kohnan Sunadabashi	6,847	20,329.07	20,329.07	100.0	— (Note 7)	Retail
O-5	Carino Esaka	6,731	7,542.69	7,440.84	98.6	3.5	Retail
O-6	COMBOX Komyoike	6,173	25,530.44 (Note 6)	25,530.44	100.0	2.7	Retail
T-26	Kalsa Hiratsuka	5,996	14,195.00	14,195.00	100.0	— (Note 7)	Retail
Total		82,721	248,522.54	246,989.18	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 March 31, 2021. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of March 31, 2021 is shown. As for sublease type master leases, the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of March 31, 2021, rounded to the nearest tenth.

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

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

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

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

(3) Overview of the Portfolio

[Overview of Assets Owned]

The following summarizes the real estate or the real estate properties in trust owned by KRR as of March 31, 2021.

Area	Property number	Property type (Note 1)	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	8,992	9,980
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,661	6,530
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept (Note 5)	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,214 (Note 4)	3,750 (Note 4)
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,370	5,270
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,860	4,340
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,504	3,860
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,441	2,750
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,530
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,450
	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	1380
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,311	3,740
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,733	1,780
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,478	1480
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,330
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,370	3,500
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,115	3,240
	T-21	SS	Prime Square Jiyugaoka	Meguro ward, Tokyo	Trust beneficiary interest in real estate	2,976	2,810
	T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,835	1,960
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,270	1,340
	T-24	SS	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,609	3,380
	T-25	NSC	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	Trust beneficiary interest in real estate	5,896 (Note 4)	6,120 (Note 4)
	T-26	NSC	Kalsa Hiratsuka	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	5,996	6,010
	T-27	NSC	Monenosato Mall	Yotsukaido, Chiba	Trust beneficiary interest in real estate	2,855	2,970
	T-28	NSC	KDX Chofu Building (Retail wing)	Chofu, Tokyo	Trust beneficiary interest in real estate	2,396	2,470
	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	2,000	1,990

Area	Property number	Property Type (Note1)	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	8,428	9,580
	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	2,112	2,590
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,207	11,000
	O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,731	7,260
	O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,173	6,460
	O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,289	1,300
	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,530	1,690
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,990
	O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	Trust beneficiary interest in real estate	2,062	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	2,116	2,360
N-4		SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	6,847	7,540
N-6		NSC	Resora Obu Shopping Terrace	Obu, Aichi	Trust beneficiary interest in real estate	8,055	7,040
N-7		SM	Valor Nakashidami (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,587	2,550
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,379	1,650
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	4,931	5,780
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,544	1,840
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,670	12,000
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,429	1,520
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	859	911
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,426	4,900
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,224	2,600
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	833	888
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,136	4,350
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,280
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,617 (Note 4)	11,160 (Note 4)
	R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Trust beneficiary interest in real estate	4,245	4,410
	—	L-1	L	Zama Distribution Center	Zama, Kanagawa	Real estate	1,474
L-2		L	Oppama Distribution Center	Yokosuka, Kanagawa	Real estate	1,347	1,630
L-3		L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	Trust beneficiary interest in real estate	3,799 (Note 4)	4,170 (Note 4)
L-4		L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	Trust beneficiary interest in real estate	966	1,020
L-5		L	Gyoda Distribution Center	Gyoda, Saitama	Trust beneficiary interest in real estate	3,190	3,510
L-6		L	Shinjuku Nishiochiai Distribution Center	Shinjuku ward, Tokyo	Real estate	862	821
L-7		L	Chiba-Kita Distribution Center	Chiba, Chiba	Trust beneficiary interest in real estate	1,261	1,340
L-8		L	Sapporo Shiroishi Distribution Center	Sapporo, Hokkaido	Trust beneficiary interest in real estate	830	1,020
Total						228,086	243,840

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.
- Note 5: KRR disposed of 40% quasi co-ownership interest of Daikanyama Address Dixsept on December 1, 2020 and 30% quasi co-ownership interest on April 1, 2021. KRR has also concluded a purchase and sale agreement for the remaining 30% quasi co-ownership interest with disposal date of October 1, 2021.

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	Eleventh fiscal period as of September 30, 2020				Twelfth fiscal period as of March 31, 2021			
				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	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(55)	97.6	498	6.0	1(53)	94.6	486	5.9
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(41)	100.0	279	3.4	1(41)	100.0	292	3.5
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(26)	96.0	250	3.0	1(26)	97.2	186	2.3
	T-5	NSC	Unicus Ina	1	100.0	141	1.7	1	100.0	142	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	134	1.6	1(9)	99.6	131	1.6
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-9	NSC	Super Viva Home Iwatsuki (Land)	1	100.0			1	100.0		
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	1	100.0			1	100.0		
	T-11	NSC	Unicus Kamisato (Land)	1	100.0	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			1	100.0		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	1	81.0			2	100		
	T-17	SM	Life Kameido	1	100.0			1	100.0		
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	2	100.0			2	100.0		
	T-19	NSC	Yumemachi Narashinodai Mall	1(14)	100.0	142	1.7	1(14)	100.0	138	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0	112	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			1	100.0		
	T-23	SM	Ozeki Tokiwadai	1	100.0			1	100.0		
	T-24	SS	Konami Sports Club Shibuya	1	100.0			1	100.0		
	T-25	NSC	Apita Terrace Yokohama Tsunashima	1	100.0			1	100.0		
	T-26	NSC	Kalsa Hiratsuka	3	100.0			3	100.0		
	T-27	NSC	Monenosato Mall	1(6)	100.0			96	1.2		
	T-28	NSC	KDX Chofu Building (Retail wing)	3	100.0	85	1.0	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	1	100.0	48	0.6

Area	Property number	Property type	Property name	Eleventh fiscal period as of September 30, 2020				Twelfth fiscal period As of March 31, 2021			
				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	485	5.9	50	99.8	481	5.8
	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(41)	99.1	477	5.8	1(40)	98.8	473	5.7
	O-5	Urban Station-Front SC	Carino Esaka	1(28)	97.4	280	3.4	1(29)	98.6	292	3.5
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	225	2.7	1	100.0	225	2.7
	O-7	SM	Hankyu Oasis Hirakatadeguchi	1	100.0	(Note 3)	(Note 3)	1	100.0	(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	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	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	(Note 3)	(Note 3)	1	100.0	(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)	-	-	-	-	-	-	-	-
N-6		NSC	Resora Obu Shopping Terrace	1(40)	97.2	285	3.5	1(42)	98.6	287	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	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	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	382	4.6	1(23)	100.0	378	4.6
	R-2	SS	K's Denki Aomori Honten	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-3	SS	Super Sports Xebio Aomori-Chuo	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-4	NSC	Ashico Town Ashikaga	1(30)	99.4	255	3.1	1(29)	99.1	260	3.2
	R-5	NSC	Yorktown Shinden-Higashi	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
	R-6	SM	Kasumi Technopark Sakura	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-8	NSC	P-1 Plaza Tenno	1(7)	100.0	138	1.7	1(7)	100.0	135	1.6
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	R-10	NSC	Sun Street Hamakita	1(53)	99.7	513	6.2	1(53)	99.4	537	6.5
	R-11	SS	Costco Wholesale Sapporo Warehouse	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)
	—	L-1	L	Zama Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)
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	2	100.0	(Note 3)	(Note 3)	2	100.0	(Note 3)	(Note 3)
L-5		L	Gyoda Distribution Center	1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)

L-6	L	Shinjuku Nishiochiai Distribution Center	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
L-7	L	Chiba-Kita Distribution Center	—	—	—	—	1	100.0		
L-8	L	Sapporo Shiroishi Distribution Center	—	—	—	—	1	100.0		
Total			496	99.7	8,272	100.0	502	99.8	8,263	100.0

Note 1: Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of March 31, 2021. 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: K's Denki Shin-Moriyama (Land) was disposed on September 30, 2020.

(4) Specified Transaction

As of March 31, 2021, 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	77,510	68,010	-250
Total	—	77,510	68,010	-250

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 for renovations, repairs and other projects that are planned for the Thirteenth fiscal period ending September 30, 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
O-5	Carino Esaka	Suita, Osaka	Replacement of heat source and air conditioning equipment (Phase 1)	From April 2021 to September 2021	210	-	-
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Repair work in relation to floor expansion	From January 2021 to April 2021	94	-	-
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Exterior wall repair work (Phase 2)	From April 2021 to September 2021	67	-	-
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Air Conditioning equipment replacement (phase 3)	From April 2021 to September 2021	67	-	-
L-2	Oppama Distribution Center	Yokosuka, Kanagawa	Water supply system Replacement	From April 2021 to September 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 543 million yen. There were also expenditures of 185 million yen that were recorded as repair expenses. In total KRR spent 728 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 2)	From October 2020 to March 2021	91
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Exterior wall repair work (phase 1)	From October 2020 to March 2021	86
O-1	Blumer Maitamon	Kobe, Hyogo	Exterior wall repair work (phase 2)	From October 2020 to January 2021	74
L-5	Gyoda Distribution Center	Gyoda, Saitama	Exterior wall repair work	From January 2021 to March 2021	43
R-8	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Replacement of power receiving and transforming facilities	From November 2020 to November 2020	19
Others					229
Total					543

Note: Construction work related to the construction (property expansion) of the restaurant building at Yokohama Kamigo Distribution Center is not included in this section (2), as it involves the acquisition of a new building 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)

	Eleventh fiscal period (From April 1, 2020 To September 30, 2020)	Twelfth fiscal period (From October 1, 2020 To March 31, 2021)
Asset management fees ^(Note)	706,110	808,051
Asset custody fees	10,098	10,178
Administrative service fees	32,656	32,903
Directors' compensation	4,500	4,500
Other operating expenses	83,784	105,424
Total	837,151	961,058

Note: In addition to above, the amount of asset management fees capitalized are 20,390 thousand yen for the eleventh fiscal period and 24,021 thousand yen for the twelfth fiscal period related to the acquisition of properties that entered the book value of the properties, and 7,639 thousand yen for the eleventh fiscal period and 13,288 thousand yen for the twelfth fiscal period related to the disposition of properties.

(2) Status of Borrowings

Borrowings on a financial institution basis as of March 31, 2021 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	2,750,000	—	2,750,000	—	0.471	January 31, 2021	(Note 4)	Unsecured/ Unguaranteed
	Sub Total	2,750,000	—	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	—	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note5)	1,500,000	—	1,500,000	—				
	Sumitomo Mitsui Banking Corporation	2,400,000	—	2,400,000	—	0.472	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	—	0.550	September 30, 2021		
	Mizuho Trust & Banking Co., Ltd.	300,000	—	300,000	—				
	The Gunma Bank, Ltd. (Note5)	500,000	—	—	500,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	—	—	2,600,000	0.485	April 27, 2021		
	Aozora Bank, Ltd.	500,000	—	—	500,000				
	MUFG Bank, Ltd.	400,000	—	—	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	—	—	300,000				
	Resona Bank, Ltd.	300,000	—	—	300,000				
	MUFG Bank, Ltd. (Note5)	600,000	—	—	600,000	0.400	April 27, 2021		
	Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000				
	Mizuho Bank, Ltd. (Note5)	400,000	—	—	400,000				
	Mizuho Trust & Banking Co., Ltd. (Note5)	200,000	—	—	200,000	0.553	April 27, 2021		
	Sumitomo Mitsui Banking Corporation	900,000	—	—	900,000	0.473			
	Sumitomo Mitsui Banking Corporation (Note6)	2,600,000	—	—	2,600,000	0.978	February 10, 2022		
	MUFG Bank, Ltd. (Note6)	800,000	—	—	800,000				
	Sumitomo Mitsui Trust Bank, Ltd. (Note6)	600,000	—	—	600,000				
	Aozora Bank, Ltd. (Note6)	400,000	—	—	400,000				
	Mizuho Trust & Banking Co., Ltd. (Note6)	400,000	—	—	400,000				
	Mizuho Bank, Ltd. (Note6)	300,000	—	—	300,000				
	Resona Bank, Ltd. (Note6)	300,000	—	—	300,000				
Development Bank of Japan Inc. (Note5) (Note6)	1,600,000	—	—	1,600,000	1.033	February 10, 2022			
Sumitomo Mitsui Banking Corporation	—	2,750,000	—	2,750,000	0.478	January 31, 2022			
Sub Total	27,400,000	2,750,000	13,200,000	16,950,000					
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	4,600,000	—	—	4,600,000	1.366	April 16, 2025	(Note 4)	Unsecured/ Unguaranteed
	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	0.994	March 31, 2023		
	Development Bank of Japan Inc. (Note5)	1,500,000	—	—	1,500,000				
	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	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	1.033	May 18, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	—	—	500,000				
	Resona Bank, Ltd.	400,000	—	—	400,000				
	Development Bank of Japan Inc. (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			
	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		
	Aozora Bank, Ltd.	—	450,000	—	450,000	0.725	January 31, 2029		
	Sumitomo Mitsui Banking Corporation	—	3,000,000	—	3,000,000	0.809	January 31, 2030		
	MUFG Bank, Ltd.	—	700,000	—	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	—	500,000	—	500,000				
	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				
	Sumitomo Mitsui Banking Corporation	—	2,400,000	—	2,400,000	0.535	February 28, 2026		
	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				
	Sub Total	74,650,000	13,200,000	—	87,850,000				
	Total	104,800,000	15,950,000	15,950,000	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 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.

(3) Status of Investment Corporation Bonds

Bonds	Issuance date	Balance as of October 1, 2020 (million yen)	Balance as of March 31, 2021 (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)	
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)	(Note 3)
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	1,000	0.400	April 30, 2025			
Total		8,000	8,000					

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 1)	Disposition date	Disposition price (million yen) (Note 1)	Book value (million yen)	Gain / loss (million yen)
Trust beneficiary interest in real estate	L-8	Sapporo Shiroishi Distribution Center	December 24, 2020	800	—	—	—	—
Trust beneficiary interest in real estate	L-7	Chiba-Kita Distribution Center	December 25, 2020	1,250	—	—	—	—
Trust beneficiary interest in real estate (Note 3)	T-27	Monenosato Mall (2 New Buildings)	March 29, 2021	343	—	—	—	—
Trust beneficiary interest in real estate	T-4	Daikanyama Address Dixsept (40% quasi co-ownership interest)	—	—	December 1, 2020	2,657	2,146 (Note 2)	454

Note 1: “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).

Note 2: The amount equivalent to 40% quasi co-ownership interest is shown.

Note 3: KRR acquired the New Buildings as real estate and additionally entrusted the buildings to the trustee related to Monenosato Mall, an existing KRR property on the same date.

(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	L-8	Sapporo Shiroishi Distribution Center	December 24, 2020	800	1,020	Daiwa Real Estate Appraisal Co., Ltd.	December 1, 2020
	Trust beneficiary interest in real estate	L-7	Chiba-Kita Distribution Center	December 25, 2020	1,250	1,340	Daiwa Real Estate Appraisal Co., Ltd.	December 1, 2020
	Trust beneficiary interest in real estate (Note 5)	T-27	Monenosato Mall (2 New Buildings)	March 29, 2021	343	170 (Note 3)	Japan Real Estate Institute	March 1, 2021
Disposition	Trust beneficiary interest in real estate	T-4	Daikanyama Address Dixsept (40% quasi co-ownership interest)	December 1, 2020	2,657	2,448 (Note 4)	Japan Real Estate Institute	September 30, 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.”

Note 3: The increase in the appraisal value of the property without the New Buildings (as of September 30, 2020) to the property including the New Buildings (as of March 1, 2021) is 440 million yen.

Note 4: The amount equivalent to 40% quasi co-ownership interest is shown.

Note 5: KRR acquired the New Buildings as real estate and additionally entrusted the buildings to the trustee related to Monenosato Mall, an existing KRR property on the same date.

ii) Others

(A) Investigator regarding values of certain assets

FRIQ Audit Corporation

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Act on Investment Trusts and Investment Corporations, FRIQ Audit Corporation performed an investigation of transactions. For the fiscal period from October 1, 2020 to March 31, 2021, the transactions subject to such investigation were one interest rate swap transaction, for which KRR received reports from FRIQ Audit Corporation. 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	74	Kenedix, Inc.	10	13.8

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

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

Accounting

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

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

(2) Change in Calculation of Depreciation

Not applicable

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

Not applicable

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

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

Not applicable

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

Not applicable

(5) Disclosure of Companies Owning Real Estate Overseas

Not applicable

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

Not applicable

Others

(1) Notice

i) General Meeting of Unitholders

Not applicable

ii) Board of Directors

Not applicable

(2) Others

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

Independent Auditor's Report

The Board of Directors
Kenedix Retail REIT Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation (the Company), which comprise the balance sheet as at March 31, 2021, 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 March 31, 2021, 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

June 24, 2021

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

(12th Fiscal Period: from October 1, 2020 to March 31, 2021)

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 March 31, 2021

	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥9,187,157	¥9,152,961
Cash and deposits in trust (Notes 9 and 11)	13,251,126	12,874,534
Operating accounts receivable	146,876	192,124
Prepaid expenses	29,604	163,279
Other	2,235	1,907
Total current assets	22,617,000	22,384,807
Non-current assets		
Property, plant and equipment (Notes 17 and 20)		
Buildings	746,570	745,164
Accumulated depreciation	(61,444)	(45,386)
Buildings, net	685,125	699,778
Structures	46,777	38,751
Accumulated depreciation	(4,023)	(2,955)
Structures, net	42,753	35,795
Land	2,956,465	2,951,386
Buildings in trust	62,521,244	61,177,360
Accumulated depreciation	(8,450,403)	(7,556,164)
Buildings in trust, net (Note 3)	54,070,840	53,621,196
Structures in trust	3,491,216	3,439,796
Accumulated depreciation	(600,741)	(539,341)
Structures in trust, net (Note 3)	2,890,475	2,900,455
Machinery and equipment in trust	261,479	262,338
Accumulated depreciation	(53,675)	(46,502)
Machinery and equipment in trust, net	207,804	215,835
Tools, furniture and fixtures in trust	166,797	150,938
Accumulated depreciation	(63,530)	(52,512)
Tools, furniture and fixtures in trust, net	103,267	98,425
Land in trust (Note 3)	162,816,625	163,431,237
Construction in progress in trust	6,177	-
Total property, plant and equipment, net	223,779,535	223,954,110
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,300,847	4,304,826
Other	8,223	9,507
Total intangible assets	4,309,070	4,314,334
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	824,049	743,581
Long-term deposits	108,478	117,010
Other	7,668	2,258
Total investments and other assets	1,010,431	933,086
Total non-current assets	229,099,037	229,201,531
Deferred assets		
Investment corporation bond issuance costs	34,191	38,532
Investment unit issuance costs	23,179	30,906
Total deferred assets	57,371	69,438
Total assets	¥251,773,409	¥251,655,777

See accompanying notes to financial statements.

As of March 31, 2021

As of September 30, 2020

(in thousands of yen)

Liabilities	As of March 31, 2021	As of September 30, 2020
Current liabilities		
Operating accounts payable	¥759,610	¥983,154
Short-term loans payable (Notes 11 and 21)	-	2,750,000
Current portion of Investment corporation bonds (Notes 11 and 22)	1,000,000	-
Current portion of long-term loans payable (Notes 11 and 21)	16,950,000	20,400,000
Accounts payable-other	544,740	474,759
Accrued expenses	44,153	33,791
Income taxes payable	873	1,104
Accrued consumption taxes	77,715	363,159
Advances received	1,320,786	1,275,682
Deposits received	16,610	26,041
Other	150,000	291
Total current liabilities	20,864,489	26,307,983
Non-current liabilities		
Investment corporation bonds (Notes 11 and 22)	7,000,000	8,000,000
Long-term loans payable (Notes 11 and 21)	87,850,000	81,650,000
Tenant leasehold and security deposits (Note 11)	148,083	148,083
Tenant leasehold and security deposits in trust (Notes 3 and 11)	10,900,443	10,833,263
Asset retirement obligations (Note 15)	24,534	24,381
Other	283,966	383,202
Total non-current liabilities	106,207,028	101,038,930
Total liabilities	127,071,517	127,346,914
Net assets		
Unitholders' equity		
Unitholders' capital	121,183,494	121,183,494
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(384,773)	(236,788)
Total deduction from unitholders' capital	(384,773)	(236,788)
Unitholders' capital, net	120,798,721	120,946,706
Surplus		
Unappropriated retained earnings	4,153,672	3,716,853
Total surplus	4,153,672	3,716,853
Total unitholders' equity	124,952,393	124,663,559
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	(250,501)	(354,696)
Total valuation and translation adjustments	(250,501)	(354,696)
Total net assets (Note 6)	124,701,892	124,308,863
Total liabilities and net assets	¥251,773,409	¥251,655,777

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Income and Retained Earnings

For the period from October 1, 2020 to March 31, 2021

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥7,336,375	¥7,276,824
Other lease business revenue (Note 7)	927,293	995,638
Gain on sales of real estate property (Note 7)	454,244	126,174
Total operating revenues	8,717,914	8,398,638
Operating expenses		
Expenses related to rent business (Note 7)	3,377,837	3,479,410
Asset management fees	808,051	706,110
Asset custody fees	10,178	10,098
Administrative service fees	32,903	32,656
Directors' compensation	4,500	4,500
Other operating expenses	105,424	83,784
Total operating expenses	4,338,895	4,316,561
Operating income	4,379,018	4,082,076
Non-operating income		
Interest income	58	55
Gain on forfeiture of unclaimed dividends	425	310
Interest on refund	-	2,912
Other	29	10
Total non-operating income	513	3,288
Non-operating expenses		
Interest expenses	449,947	450,956
Interest expenses on investment corporation bonds	21,659	21,199
Financing-related expenses	96,325	95,298
Amortization of investment corporation bond issuance costs	4,340	4,340
Amortization of investment unit issuance costs	7,726	7,726
Total non-operating expenses	579,999	579,521
Ordinary income	3,799,531	3,505,844
Income before income taxes	3,799,531	3,505,844
Income taxes		
Current	882	1,112
Total income taxes	882	1,112
Net income	3,798,649	3,504,731
Retained earnings brought forward	355,023	212,121
Unappropriated retained earnings	¥4,153,672	¥3,716,853

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Changes in Net Assets

For the period from October 1, 2020 to March 31, 2021

	Unitholders' equity						
	Unitholders' capital				Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	Total unitholders' equity
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
(in thousands of yen)							
Balance as of March 31, 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
Changes of items during the period							
Dividends from surplus					(3,361,829)	(3,361,829)	(3,361,829)
Distributions in excess of earnings from allowance for temporary difference adjustments		(147,984)	(147,984)	(147,984)			(147,984)
Net income					3,798,649	3,798,649	3,798,649
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	(147,984)	(147,984)	(147,984)	436,819	436,819	288,834
Balance as of March 31, 2021 (Note 8)	¥121,183,494	¥ (384,773)	¥(384,773)	¥120,798,721	¥4,153,672	¥4,153,672	¥124,952,393

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments (in thousands of yen)	
Balance as of March 31, 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
Changes of items during the period			
Dividends from surplus			(3,361,829)
Distributions in excess of earnings from allowance for temporary difference adjustments			(147,984)
Net income			3,798,649
Net changes of items other than unitholders' equity	104,194	104,194	104,194
Total changes of items during the period	104,194	104,194	393,028
Balance as of March 31, 2021 (Note 8)	¥(250,501)	¥(250,501)	¥124,701,892

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Cash Flows

For the period from October 1, 2020 to March 31, 2021

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,799,531	¥3,505,844
Depreciation and amortization	1,069,574	1,041,266
Amortization of investment corporation bond issuance costs	4,340	4,340
Amortization of investment unit issuance costs	7,726	7,726
Interest income	(58)	(55)
Interest expenses	471,606	472,156
Decrease (increase) in operating accounts receivable	45,247	(25,162)
Decrease (increase) in consumption taxes receivable	-	863,462
Decrease (increase) in prepaid expenses	133,675	(130,377)
Increase (decrease) in operating accounts payable	16,504	104,472
Increase (decrease) in accounts payable-other	(11,382)	10,077
Increase (decrease) in accrued consumption taxes	(285,444)	242,484
Increase (decrease) in advances received	45,103	9,330
Increase (decrease) in deposits received	(9,430)	5,414
Decrease (increase) in long-term prepaid expenses	(80,467)	86,443
Decrease (increase) in long-term deposits	8,532	100
Decrease in net property, plant and equipment held in trust due to sale	2,146,120	1,390,848
Other	148,564	(3,503)
Subtotal	7,509,745	7,584,869
Interest income received	58	55
Interest expenses paid	(461,205)	(470,942)
Income taxes paid	(1,112)	(965)
Net cash provided by (used in) operating activities	7,047,485	7,113,017
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(6,484)	(9,767)
Purchase of property, plant and equipment in trust	(3,187,223)	(2,474,133)
Purchase of intangible assets	-	(836)
Repayments of tenant leasehold and security deposits in trust	(236,364)	(171,871)
Proceeds from tenant leasehold and security deposits in trust	303,544	129,316
Proceeds from restricted bank deposits in trust	15,000	17,500
Net cash provided by (used in) investing activities	(3,111,527)	(2,509,792)
Net cash provided by (used in) financing activities		
Repayments of short-term loans payable	(2,750,000)	(700,000)
Proceeds from long-term loans payable	15,950,000	2,600,000
Repayments of long-term loans payable	(13,200,000)	(1,000,000)
Proceeds from issuance of investment corporation bonds	-	993,742
Dividends paid	(3,510,170)	(3,502,111)
Net cash provided by (used in) financing activities	(3,510,170)	(1,608,369)
Net increase (decrease) in cash and cash equivalents	425,787	2,994,855
Cash and cash equivalents at the beginning of the period	21,804,996	18,810,140
Cash and cash equivalents at the end of the period (Note 9)	¥22,230,783	¥21,804,996

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from October 1, 2020 to March 31, 2021

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Retail REIT Corporation ("KRR") was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the "Investment Trust Act"). On February 10, 2015, KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453). Subsequently, KRR raised funds through public offerings, including international offerings. As a result, the number of investment units issued as of March 31, 2021 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 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.

KRR acquired three assets (Chiba-Kita Distribution Center with acquisition price of 1,250 million yen, Sapporo Shiroishi Distribution Center with acquisition price of 800 million yen and Monenosato Mall (two new buildings) with acquisition price of 343 million yen). KRR disposed of one asset (Daikanyama Address Dixsept (40% trust beneficiary quasi co-ownership interests) with sale price of 2,657 million yen (acquisition price was 2,156 million yen)). KRR also completed additional acquisition through construction of a new building (property expansion) (total construction cost 9 million yen) at Yokohama Kamigo Distribution Center. For the period ended March 31, 2021, the portfolio of 64 properties (total acquisition price of 226,725 million yen) as a whole performed well with an overall occupancy ratio of 99.8% as of March 31, 2021.

Furthermore, the portfolio was diversified in terms of tenants as there were 496 and 502 end-tenants as of September 30, 2020 and March 31, 2021 in KRR's properties, respectively.

Basis of Presentation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 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 ¥2,495 thousand and ¥198 thousand as of September 30, 2020 and March 31, 2021, 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 26, 2021)

(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, 2020)

(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.

3. COLLATERAL

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

Assets pledged as collateral	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Buildings in trust	¥650,807	¥658,814
Structures in trust	21,582	22,786
Land in trust	2,709,001	2,709,001
Total	¥3,381,391	¥3,390,602
Secured liabilities	As of March 31, 2021	As of September 30, 2020
Tenant leasehold and security deposits in trust	¥414,070	¥436,067
Total	¥414,070	¥436,067

4. COMMITMENT LINE CONTRACTS

KRR has commitment line contracts with the following financial institutions.

	As of March 31, 2021	As of September 30, 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 March 31, 2021

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	¥30,115	¥24,937	¥5,178	¥ -	¥30,115	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	354,657	211,851	142,806	-	354,657	-
Total		¥384,773	¥236,788	¥147,984	¥ -	¥384,773	-

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 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.

6. NET ASSETS

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

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

Rental and other operating revenues and property-related expenses for the periods from October 1, 2020 to March 31, 2021 and April 1, 2020 to September 30, 2020 consist of the following:

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥6,092,542	¥5,990,907
Rental revenues from limited proprietary rights of land	990,413	1,024,012
Common area charges	253,420	261,904
Subtotal	7,336,375	7,276,824
Other lease business revenue:		
Parking space rental revenues	192,921	197,975
Utility charge reimbursement	476,555	576,777
Miscellaneous	257,816	220,885
Subtotal	927,293	995,638
Total rental and other operating revenues	8,263,669	8,272,463
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	679,143	685,656
Utilities	408,770	517,438
Taxes	735,593	739,968
Repairs and maintenance	185,140	239,310
Insurance	14,279	13,375
Trust fees	25,811	24,883
Depreciation	1,068,289	1,040,001
Others	260,808	218,776
Total property-related expenses	3,377,837	3,479,410
Net operating income from real estate rental business	¥4,885,831	¥4,793,053

Gain on sales of real estate property:

From October 1, 2020 to March 31, 2021

(in thousands of yen)

Daikanyama Address Dixsept (40.0% quasi co-ownership interest)	
Revenue from sales of real estate property	¥2,657,600
Cost of real estate property	2,146,120
Other sales expenses	57,234
Gain on sales of real estate property	¥454,244

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

8. UNITHOLDERS' EQUITY

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

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 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 March 31, 2021 and September 30, 2020:

	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Cash and deposits	¥9,187,157	¥9,152,961
Cash and deposits in trust	13,251,126	12,874,534
Restricted bank deposits in trust *	(207,500)	(222,500)
Cash and cash equivalents	¥22,230,783	¥21,804,996

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

10. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of March 31, 2021 and September 30, 2020 are as follows:

	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	157,048	162,298
Total	¥167,548	¥172,798

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of March 31, 2021 and September 30, 2020 are as follows:

	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Due within 1 year	¥9,922,641	¥9,738,412
Due after 1 year	59,207,166	56,344,730
Total	¥69,129,807	¥66,083,142

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 10 months for loans payable and also have a redemption date of a maximum of 7 years and 1 month for investment corporation bonds as of March 31, 2021, the end of the 12th 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 March 31, 2021

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥9,187,157	¥9,187,157	¥ -
(2) Cash and deposits in trust	13,251,126	13,251,126	-
Total	22,438,283	22,438,283	-
(1) Short-term loans payable	-	-	-
(2) Current portion of investment corporation bonds	1,000,000	998,600	(1,400)
(3) Current portion of long-term loans payable	16,950,000	16,974,527	24,527
(4) Investment corporation bonds	7,000,000	6,969,900	(30,100)
(5) Long-term loans payable	87,850,000	88,207,532	357,532
(6) Tenant leasehold and security deposits in trust	740,605	718,353	(22,251)
Total	113,540,605	113,868,913	328,308
Derivative transactions	¥(250,501)	¥(250,501)	¥ -

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

As of September 30, 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.

*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 investment corporation bonds and (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable and (5) 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.)

(6) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

Classification	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Tenant leasehold and security deposits (Note)	¥148,083	¥148,083
Tenant leasehold and security deposits in trust (Note)	10,159,838	10,038,109
Total	¥10,307,921	¥10,186,192

(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 March 31, 2021

	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	¥9,187,157	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	13,251,126	-	-	-	-	-
Total	¥22,438,283	¥ -	¥ -	¥ -	¥ -	¥ -

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	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of March 31, 2021

	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	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	1,000,000	1,000,000	-	-	1,000,000	5,000,000
Long-term loans payable	16,950,000	9,050,000	7,500,000	8,810,000	16,090,000	46,400,000
Tenant leasehold and security deposits in trust	13,995	13,995	13,995	13,995	13,995	61,811
Total	¥17,963,995	¥10,063,995	¥7,513,995	¥8,823,995	¥17,103,995	¥51,461,811

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

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2021 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	¥51,110,000	¥47,010,000	¥(250,501)	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	26,400,000	21,000,000	*	-
Total			¥77,510,000	¥68,010,000	¥(250,501)	

*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 (3) Current portion of long-term loans payable and (5) Long-term loans payable.)

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.)

13. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

12th Fiscal Period (October 1, 2020 to March 31, 2021) and 11th Fiscal Period (April 1, 2020 to September 30, 2020): Not applicable

2. Affiliated companies and other

12th Fiscal Period (October 1, 2020 to March 31, 2021) and 11th Fiscal Period (April 1, 2020 to September 30, 2020): Not applicable

3. Fellow subsidiary companies and other

12th Fiscal Period (October 1, 2020 to March 31, 2021) and 11th Fiscal Period (April 1, 2020 to September 30, 2020): Not applicable

4. Directors, major individual unitholders and other

12th Fiscal Period (October 1, 2020 to March 31, 2021) and 11th Fiscal Period (April 1, 2020 to September 30, 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 ¥3,804 million and ¥3,509 million for the periods ended March 31, 2021 and September 30, 2020, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.02% and 0.03% for the periods ended March 31, 2021 and September 30, 2020, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of March 31, 2021	As of September 30, 2020
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.50)	(31.50)
Others	0.06	0.07
Effective tax rate	0.02%	0.03%

The significant components of deferred tax assets and liabilities:

	As of March 31, 2021	As of September 30, 2020
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 13	¥ 24
Amortization of leasehold right in trust	15,437	14,185
Depreciation	5,556	5,106
Asset retirement obligations	7,718	7,670
Deferred gains or losses on hedges	78,807	111,587
Subtotal deferred tax assets	107,533	138,573
Valuation allowance	(107,533)	(138,573)
Total deferred tax assets	¥ -	¥ -

15. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

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

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

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
	(in thousands of yen)	
Balance at the beginning of the period	¥24,381	¥24,229
Accretion adjustment	153	152
Balance at the end of the period	¥24,534	¥24,381

16. SEGMENT INFORMATION

Segment information for the periods from October 1, 2020 to March 31, 2021 and April 1, 2020 to September 30, 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 October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥228,266,280	¥228,027,561
Changes during the period	(179,533)	238,719
Balance at the end of the period	228,086,747	228,266,280
Fair value at the end of the period	¥244,270,400	¥243,356,000

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

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period ended March 31, 2021, the principal increase was the acquisition of real estate trust beneficiary interest in 2 properties totaling 2,106,845 thousand yen and additional acquisition of 2 real estate trust beneficiary interests amounting to 372,441 thousand yen and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling 2,146,120 thousand yen and depreciation of 1,068,136 thousand yen and 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.

Note 3: The fair value of Daikanyama Address Dixsept (60.0% quasi co-ownership interest), Hankyu Oasis Hiraakatadeguchi and Unicus Ina (20.0% quasi co-ownership interest) as of March 31, 2021 are based on the sales prices (3,986,400 thousand yen, 1,500,000 thousand yen and 1,048,000 thousand yen) under the trust beneficiary interest sales contracts entered on November 17, 2020, February 25, 2021 and April 7, 2021, respectively. 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.

The profit or loss for the periods ended March 31, 2021 and September 30, 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 October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
Net asset value per unit	¥232,575	¥231,842
Net income per unit	¥7,084	¥6,536

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended March 31, 2021 (536,177 units) and during the fiscal period ended September 30, 2020 (536,177 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
Net income (in thousands of yen)	¥3,798,649	¥3,504,731
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,798,649	¥3,504,731
Weighted average number of units during the period (units)	536,177	536,177

19. SIGNIFICANT SUBSEQUENT EVENTS

Issuance of new investment units

KRR passed resolutions at the Board of Directors Meetings held on April 7, 2021 and April 14, 2021, to issue new investment units to fund part of the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on April 20, 2021 and May 18, 2021, respectively. The proceeds from the third-party allotment of new investment units will be retained and used to fund part of the acquisition of specified assets or repayment of borrowings in the future.

As a result, unitholders' capital totaled ¥133,103,750,770 and total number of investment units issued and outstanding increased to 582,177 as of May 18, 2021.

(Issuance of new investment units through public offerings)

Total number of units issued	43,800 units
Issue price (offer price)	267,930 yen per unit
Total amount of issue price (total offer price)	11,735,334,000 yen
Paid-in amount (issue amount)	259,136 yen per unit
Total paid-in amount (total issue amount)	11,350,156,800 yen
Payment date	April 20, 2021

(Issuance of new investment units through third-party allotment)

Total number of units issued	2,200 units
Paid-in amount (issue amount)	259,136 yen per unit
Total paid-in amount (total issue amount)	570,099,200 yen
Payment date	May 18, 2021
Allottee	SMBC Nikko Securities Inc.

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of March 31, 2021:

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	¥745,164	¥1,405	¥ -	¥746,570	¥61,444	¥16,057	¥685,125	
Structures	38,751	8,026	-	46,777	4,023	1,067	42,753	
Land	2,951,386	5,079	-	2,956,465	-	-	2,956,465	
Subtotal	3,735,302	14,510	-	3,749,812	65,467	17,125	3,684,344	
Buildings in trust	61,177,360	1,706,288	362,404	62,521,244	8,450,403	962,084	54,070,840	
Structures in trust	3,439,796	68,533	17,113	3,491,216	600,741	64,998	2,890,475	
Machinery and equipment in trust	262,338	-	858	261,479	53,675	7,512	207,804	
Tools, furniture and fixtures in trust	150,938	19,683	3,823	166,797	63,530	12,436	103,267	
Land in trust	163,431,237	1,220,609	1,835,221	162,816,625	-	-	162,816,625	
Construction in progress in trust	-	6,177	-	6,177	-	-	6,177	
Subtotal	228,461,671	3,021,292	2,219,422	229,263,541	9,168,350	1,047,032	220,095,190	
Total	232,196,973	3,035,802	2,219,422	233,013,354	9,233,818	1,064,157	223,779,535	
Intangible assets								
Leasehold right in trust	4,349,916	-	-	4,349,916	49,068	3,978	4,300,847	
Other	16,719	-	-	16,719	8,496	1,284	8,223	
Total	¥4,366,636	¥ -	¥ -	¥4,366,636	¥57,565	¥5,263	¥4,309,070	

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		
Property, plant and equipment	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		

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

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2021:

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date	Use	Remarks
						(Note 2) (Note 3)			
(in thousands of yen)						(%)			
Short-term loans payable	Sumitomo Mitsui Banking Corporation	2,750,000	-	2,750,000	-	0.471	January 31, 2021	(Note 5)	Unsecured/ Non-guaranteed
	Subtotal	2,750,000	-	2,750,000	-				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	3,000,000	-				
	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	-	0.472	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)	500,000	-	-	500,000	0.550	September 30, 2021		
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.485	April 27, 2021	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.400			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553			
	Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.473	April 30, 2021		
	Sumitomo Mitsui Banking Corporation (Note 7)	2,600,000	-	-	2,600,000				
	MUFG Bank, Ltd. (Note 7)	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited (Note 7)	600,000	-	-	600,000					
Aozora Bank, Ltd. (Note 7)	400,000	-	-	400,000	0.978	February 10, 2022			
Mizuho Trust & Banking Co., Ltd. (Note 7)	400,000	-	-	400,000					
Mizuho Bank, Ltd. (Note 7)	300,000	-	-	300,000					
Resona Bank, Limited (Note 7)	300,000	-	-	300,000					
Development Bank of Japan Inc. (Note 6) (Note 7)	1,600,000	-	-	1,600,000	1.033	February 10, 2022			

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
		(in thousands of yen)				(%)			
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.478	January 31, 2022	(Note 5)	Unsecured/ Non-guaranteed
	Subtotal	27,400,000	2,750,000	13,200,000	16,950,000				
Long-term loans payable	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				
	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	(Note 5)	Unsecured/ Non-guaranteed
	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			

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
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	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	(Note 5)	Unsecured/ Non-guaranteed
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		

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date (Note 4)	Use	Remarks
						(Note 2) (Note 3)			
(in thousands of yen)						(%)			
Long-term loans payable	Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028	(Note 5)	Unsecured/ Non-guaranteed
	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		
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
	Aozora Bank, Ltd.	-	450,000	-	450,000	0.725	January 31, 2029		
	Sumitomo Mitsui Banking Corporation	-	3,000,000	-	3,000,000				
	MUFG Bank, Ltd.	-	700,000	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000	0.809	January 31, 2030		
	Resona Bank, Ltd.	-	450,000	-	450,000				
	Mizuho Bank, Ltd.	-	400,000	-	400,000				
	Development Bank of Japan Inc. (Note 6)	-	1,500,000	-	1,500,000	0.888	January 31, 2031		
	Sumitomo Mitsui Banking Corporation	-	2,400,000	-	2,400,000				
	MUFG Bank, Ltd.	-	1,600,000	-	1,600,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	550,000	-	550,000				
Resona Bank, Ltd.	-	500,000	-	500,000	0.535	February 28, 2026			
Aozora Bank, Ltd.	-	500,000	-	500,000					
Mizuho Bank, Ltd.	-	350,000	-	350,000					
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000					
Subtotal	74,650,000	13,200,000	-	87,850,000					
Total	¥ 104,800,000	¥ 15,950,000	¥ 15,950,000	¥ 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	¥ 8,810,000	¥ 16,090,000	¥ 46,400,000

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: 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 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					

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)				(%)			
	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				
	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				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025	(Note 5)	Unsecured/ Non-guaranteed
	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	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.033	May 18, 2027	(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 Trust Bank, Limited	500,000	-	-	500,000				guaranteed
	Resona Bank, Limited	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
	Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
	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	(Note 5)	Unsecured/ Non-

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)				(%)			
	1,500,000	-	-	1,500,000	0.520			guaranteed
	1,000,000	-	-	1,000,000	0.644			
	1,000,000	-	-	1,000,000	0.644	October 31, 2026		
	500,000	-	-	500,000	0.550			
Long-term loans payable	300,000	-	-	300,000	0.644			
	500,000	-	-	500,000	0.830	October 31, 2029		
	400,000	-	-	400,000	0.498	January 31, 2025		
	400,000	-	-	400,000	0.478	January 31, 2025		
	-	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.

22. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of March 31, 2021 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)		
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)	Unsecured	
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		-	1,000,000	0.400	April 30, 2025			
Total		¥8,000,000	¥	-	¥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	¥1,000,000	¥1,000,000	¥ -	¥ -	¥1,000,000

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)		
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)	Unsecured	
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

23. DISTRIBUTIONS

	From October 1, 2020 to March 31, 2021	From April 1, 2020 to September 30, 2020
I. Retained earnings at the end of period	¥4,153,672,573	¥3,716,853,291
II. Distributions in excess of earnings	¥5,361,770	¥147,984,852
Of which, allowance for temporary difference adjustments	¥5,361,770	¥147,984,852
III. Incorporation into unitholders' capital	104,194,502	-
Of which, reversal of allowance for temporary difference adjustments	104,194,502	-
IV. Total distributions	¥3,804,175,815	¥3,509,814,642
Distributions per unit	¥7,095	¥6,546
Of which, distributions of earnings	¥3,798,814,045	¥3,361,829,790
Of which, distributions of earnings per unit	¥7,085	¥6,270
Of which, allowance for temporary difference adjustments	¥5,361,770	¥147,984,852
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	¥10	¥276
V. Retained earnings brought forward to the next period	¥250,664,025	¥355,023,501

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 ¥3,798,814,045 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.

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.

Method of calculating distribution amount

12th Fiscal Period (From October 1, 2020 to March 31, 2021)

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	¥104,194

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.

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.



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