

KENEDIX

Retail REIT Corporation

Focused Investment in
Shopping Centers for Daily Needs



Semi-annual Report for the 8th Period
(From October 1, 2018 to March 31, 2019)

For the 8th fiscal period ended March 31, 2019

Distribution per unit

JPY 6,477

Forecast DPU for the 9th fiscal period

JPY 6,480

Total assets (by acquisition price)

JPY 213.2^{bn}

Number of properties

53

Number of tenants

511

Occupancy rate at the end of period

99.2%

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Thanks to your support, Kenedix Retail REIT Corporation (“KRR”) has reported its results of operations for the eighth fiscal period (from October 1, 2018 to March 31, 2019).

We dedicate ourselves to the maximization of unitholder value by continuing implementing growth strategies that take full advantage of external growth opportunities through diverse pipelines and operational expertise in retail facilities, extensively supported from our Sponsor and the Alliance Companies. In addition, in order to adapt to the recent penetration of e-commerce, we have added distribution centers to our investment targets, and acquired the first distribution center in March 2019. We respectfully look forward to your continued support.



Akihiro Asano

浅野 晃弘

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



TOP INTERVIEW

Adapting to changing environment for sustainable growth

On the operational front, we worked to improve profitability by actively replacing the anchor tenant in Passaggio Nishiarai (Adachi-ward, Tokyo). Occupancy rates have remained at the 99% level throughout the period, and we have continued to maintain stable management of the portfolio. As a result of the above, we recorded operating revenue of 8,415 million yen, operating income of 3,884 million yen, ordinary income of 3,284 million yen, and net income of 3,283 million yen for the eighth fiscal period. Distribution per unit was 6,477 yen, which was 178 yen higher than the distribution for the seventh fiscal period.

Asset acquired in the 8th fiscal period

L-3 Musashi Ranzan Distribution Center

Distribution center in an area with a concentration of logistics facilities, near a Kan-Etsu Expressway interchange



Location	Hiki-gun, Saitama
Acquisition price	JPY 3,879 mn
Appraisal value	JPT 4,000 mn
Appraisal NOI yield	5.7%

What is the overview of the eighth fiscal period?

Four years have passed since KRR was listed in February 2015. During the eighth period from October 2018 to March 2019, we reviewed our portfolio and reshuffled our assets. Specifically, we decided to sell Solala Plaza (Sendai, Miyagi) and Gourmet City Chiba Chuo (Chiba, Chiba), which have relatively low post-depreciation yields within our portfolio. On the other hand, we decided to acquire four distribution centers that KRR has been able to acquire since last year. As a result, our portfolio, which totaled 18 properties with acquisition price of 80,843 million yen at the time of listing, expanded to 53 properties with acquisition price of 213,214 million yen at the end of the eighth fiscal period, and to 55 properties with acquisition price of 213,786 million yen after the completion of all of the above transactions. We also improved the profitability of our overall portfolio by acquiring properties with higher yields than the properties disposed. We also recorded a gain on the sale of the property as a result of the property disposition.

This is the first time that KRR has acquired distribution centers. Could you tell us the background to the expansion of the investment criteria to distribution centers?

We have been managing our portfolio focusing on shopping centers for daily needs for four years since our IPO. In shopping centers for daily needs, there is a high percentage of grocery supermarkets and service-oriented tenants. We believe that they are highly resilient to e-commerce, which is expanding along with the advances in information technology. One reason is the strong demand among consumers to purchase groceries after directly checking their freshness. In addition, these shopping centers are in very convenient locations. However, with the increase in e-commerce, logistics functions are playing a role in complementing consumers' purchasing behavior along with retail facilities in terms of channels and

functions for providing consumers with merchandise. Amid this changing retail environment, delivery activities are becoming increasingly diverse as well. Merchandise ordered via the Internet is shipped not only from distribution centers but also from stores located near residential areas. Furthermore, there is diversification in how people receive the goods ordered via the Internet. For example, people sometimes use delivery boxes at retail facilities as well as stores to pick up merchandise. Another trend is the acquisition of conventional retailers by Internet retail companies and the formation of alliances between these companies. The growth of e-commerce is creating an increasing need for delivery functions at shopping centers that are close to where people live. These changes are making shopping and distribution centers increasingly similar from the standpoint of supplying merchandise to consumers.

Assets acquired in the 9th fiscal period

L-1 Zama Distribution Center

Distribution center for a major convenience store chain that delivers to its stores



Location	Zama, Kanagawa	Appraisal value	JPY 1,640 mn
Acquisition price	JPY 1,400 mn	Appraisal NOI yield	6.0%

L-2 Oppama Distribution Center

Core distribution center of a major convenience store chain that delivers to its stores and features a process center function



Location	Yokosuka, Kanagawa	Appraisal value	JPY 1,570 mn
Acquisition price	JPY 1,300 mn	Appraisal NOI yield	6.5%

L-4 Yokohama Kamigo Distribution Center

Distribution center of a home delivery service firm within a residential district



Restaurant building planned for construction



Location	Yokohama, Kanagawa	Appraisal value	JPY 840 mn
Acquisition price	JPY 790 mn	Appraisal NOI yield	5.0% (Note)

Note: "Appraisal NOI" includes operating revenue related to the restaurant building, and the "Appraisal NOI yield" is calculated taking into account the estimated construction cost of this building.

Under these circumstances, we view distribution centers as an extension of retail facilities as channels and functions for providing consumers with merchandise. We also anticipate more growth in demand for shopping centers for daily needs and for distribution centers that are providing goods involving diversifying merchandise distribution channels and “the last mile” delivery. This is why we have expanded our investments to distribution centers that supplement retail facilities in supplying merchandise to consumers.

We announced the acquisition of four distribution centers: Zama Distribution Center (Zama, Kanagawa), Oppama Distribution Center (Yokosuka, Kanagawa), Musashi Ranzan Distribution Center (Hiki-gun, Saitama), and Yokohama Kamigo Distribution Center (Yokohama, Kanagawa).

Zama Distribution Center and Oppama Distribution Center are distribution centers for a major convenience store chain. Oppama Distribution Center also includes a food processing center for the convenience store chain. Musashi Ranzan Distribution Center is used as a distribution center for a manufacturer which operates a nearby factory, and is highly convenient for storing the manufacturer’s products for retail stores. Yokohama Kamigo Distribution Center is a delivery center of a home delivery service firm within a residential district. We are planning to build a new restaurant building on the premises of this property.

We aim to become a new retail REIT that also captures the growth of e-commerce in response to the changing retail environment.

We respectfully look forward to your continued support.

Assets disposed in the 8th & 9th fiscal period

T-14 Gourmet City Chiba-Chuo



Location	Chiba, Chiba
Disposition price	JPY 800 mn
Acquisition price	JPY 760 mn

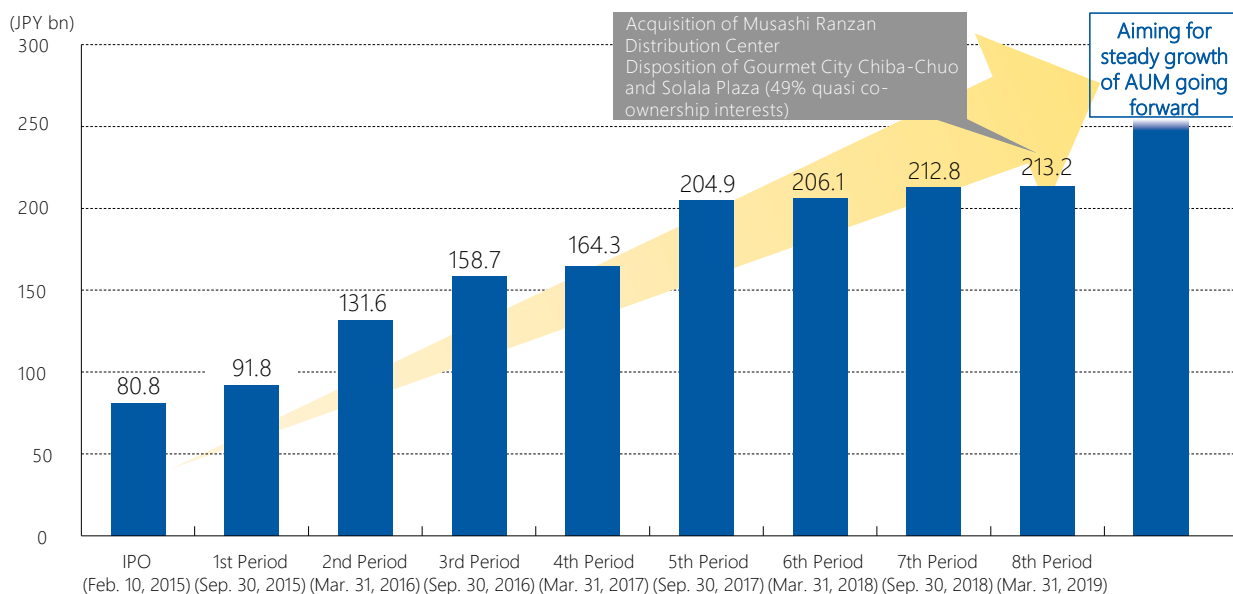
R-7 Solala Plaza (Note)



Location	Sendai, Miyagi
Disposition price	JPY 5,980 mn
Acquisition price	JPY 5,720 mn

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

Steady AUM growth



Focus on shopping centers for daily needs

1 The first J-REIT to focus on shopping centers for daily needs

KRR is the first listed J-REIT to focus on neighborhood, community and other shopping centers for daily needs. KRR seeks to generate both long-term stable cash flow and profitability growth.

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

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



Location Located within residential areas of a metropolitan commuter district

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

Tenants Providing primarily daily necessities


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



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

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

Expansion building	Restaurant building	GFA	397.98 m ²
Acquisition date	Jan. 16, 2017	Total construction cost	JPY 91 mn



Expansion building

2 Investment in major metropolitan areas with population concentrations

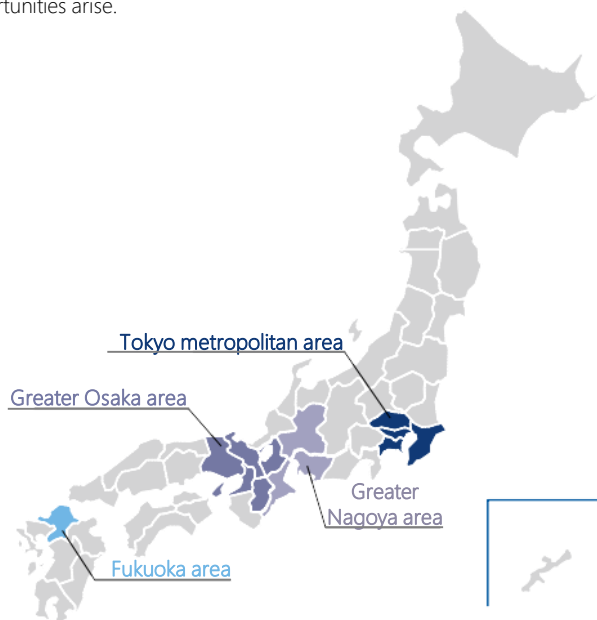
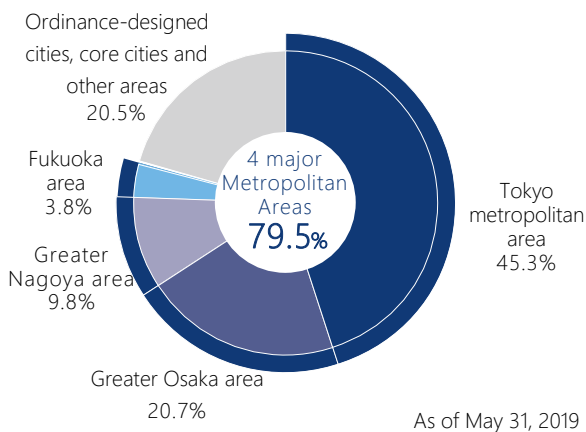
Primary geographic target areas

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

- Tokyo metropolitan area
- Greater Osaka area
- Greater Nagoya area
- Fukuoka area

* KRR may also from time to time consider investing in ordinance-designated cities, core cities and other areas, which would allow KRR to build a more diversified portfolio that provides flexibility and positive returns, consistent with KRR's investment goals, when attractive opportunities arise.

Location (by acquisition price)



3 Additional investment in distribution centers

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

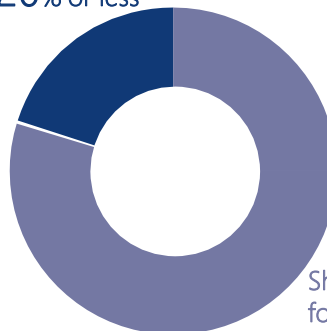
KRR's main target in logistics sector Key features of retail distribution centers

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

Target portfolio distribution

Distribution centers
Other retail facilities

20% or less



Shopping centers for daily needs
80% or more

1 Recognitions and certifications on environment

■ GRESB Real Estate Assessment 2018

GRESB is an annual benchmark assessment which measures environmental, social, and governance (ESG) considerations in the real estate sector. KRR has been awarded a "Green Star" in the 2018 GRESB Real Estate Assessment for the third consecutive year.



■ DBJ Green Building Certification

The DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. (DBJ) in April 2011 to support real estate that meets environmental and social considerations. The following properties have received DBJ Green Building Certifications.

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

T-1 Fululu Garden Yachiyo



T-2 MONA Shin-Urayasu



O-1 Blumer Maitamon



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

T-7 Unicus Yoshikawa

O-4 Blumer HAT Kobe

T-3 Passaggio Nishiarai

R-1 Roseo Mito

T-4 Daikanyama Address Dixept

R-4 Ashico Town Ashikaga

Properties with high environmental & social awareness (★★)

T-5 Unicus Ina

O-5 Carino Esaka

T-19 Yumemachi Narashinodai Mall

R-10 Sun Street Hamakita

T-20 Kawamachi Yahagi Mall

N-6 Resora Obu Shopping Terrace

■ Certified properties and floor area ratio

The number of certified properties: 15 (36.6%)

Certified floor area: 456,910.77m² (62.8%)

(as of March 31, 2019)

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (727,870.92m², calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties). As of March 31, 2019, KRR owns 41 properties that are eligible for certification, excluding 12 land-only properties.

■ Environmental Considerations Rating from Sumitomo Mitsui Banking Corporation

Awarded an "A" grade from Sumitomo Mitsui Banking Corporation in recognition of its commitment to environmental initiatives in asset management, based on SMBC Environmental Considerations Lending Program.

■ MUFG ESG Rating Certificate for J-REIT supported by JCR

Awarded the highest rank of "S" in "MUFG ESG Rating Certificate for J-REIT supported by JCR" by Mitsubishi UFJ Research and Consulting Co., Ltd.

2 Initiatives at Unicus Ina

■ Cooperation with local communities

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



Signing of agreement

■ Greening of facilities

Awarded Green Award of Saitama Prefecture



Award ceremony

■ Community-participating events

Making efforts to enliven local communities

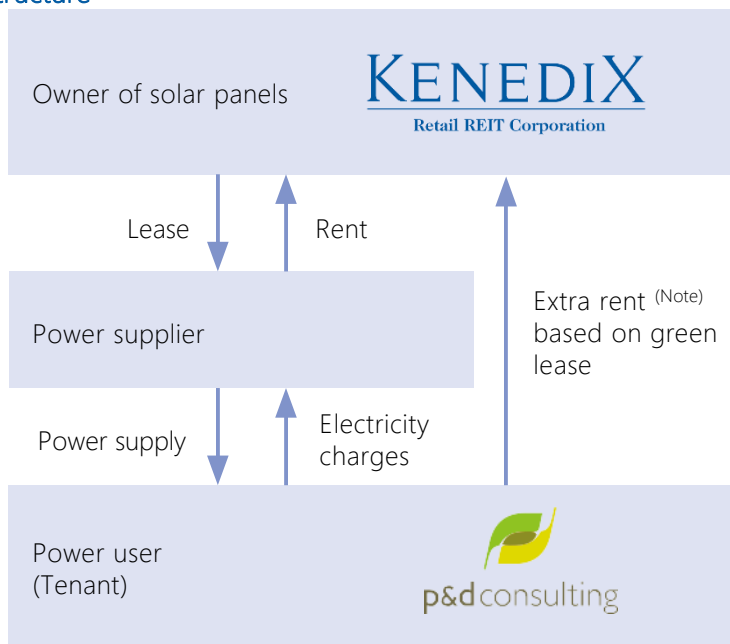


Summer Festival

■ Solar panel installation

KRR Installed solar panels to decrease CO2 emissions. KRR has entered into green lease agreements with the tenant, P&D Consulting Co., Ltd.

Structure



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

3 Signing of PRI by Kenedix, Inc.

Kenedix, Inc. became a signatory to the United Nations Principles for Responsible Investment ("PRI") in April 2019. KRR and the Asset Manager promote sustainability initiatives through the practice of PRI as members of the Kenedix Group.

Signatory of:





T-3 Urban Station-Front SC

Passaggio Nishiarai

Passaggio Nishiarai is an urban station-front shopping center that opened in April 2010 in front of Nishiarai Station on the Tobu Isesaki Line and Daishi Line in Adachi-ku, Tokyo. Trains from Nishiarai Station have direct operations with the Tokyo Metro Hibiya Line and the Hanzomon Line, providing 30 minutes direct access to Otemachi Station.

The area, including this property, was redeveloped on a large scale by fifteen hectares as an “Urban Development Project (Nishiarai Nouvell)” in the area near the west exit of Nishiarai Station. The property is located between approximately 2,000 condominiums developed in the area and Nishiarai Station, closest to the station. The Passage (Passaggio) with an atrium from the first floor, is part of the pedestrian passageway that passes through the redevelopment area and contributes to the formation of a unity in the community.

The stores of the shopping center include leading tenants in various fields, such as apparel stores, outdoor goods stores, musical instruments stores, and 100-yen shops. In addition, service-oriented stores, such as pharmacies, clinics, tutorial schools, and English conversation classrooms, are occupied, making the tenant structure easy for child-rearing families, which have resided into large numbers after the redevelopment.

Asset overview

Acquisition price	JPY 5,850 mn
Location	Adachi-ward, Tokyo
Land area	5,079.68 m ²
Gross floor area	21,996.90 m ²
Main tenant	Shimamura Co., Ltd.

Station-front shopping center for daily needs within a large-scale redevelopment project

On the basement floor of this property, a major home appliance retailer was operating as the anchor tenant since 2011. However, the lease agreement was terminated in 2018, and a new large-scale fast fashion store which fits the customer base in the catchment area was opened. The number of visitors to the shopping center after the opening of the fast fashion store has increased by more than 10% year on year. The reshuffling of the anchor tenant has had a positive impact on sales at other stores including restaurants.

On the operational front, we are actively working to build stronger ties with the local government and communities. For example, we use space within our facilities to co-host traffic safety events with police stations and disaster prevention events with fire departments. We also regularly hold flea markets and experiential events with local residents’ participation, and cooperate with local cable TV stations to telecast fireworks in Adachi City on the screen. In recognition of these efforts, Passaggio Nishiarai was awarded DBJ Green Building Certification (three-star rank) as a property with excellent environmental and social awareness in June 2018.

We will continue to work to revitalize facilities as a lifestyle-oriented retail facility for the local community.



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, 2019)

LTV 44.6%	Long-term debt ratio (Note) 96.7%	Fixed interest debt ratio 92.7%
Average remaining years to maturity 4.9 years	Number of lenders 12	Average interest rate 1.02%

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

2 Credit rating and commitment lines (as of April 1, 2019)

Credit rating (JCR)
A+ (Stable)

Commitment credit lines
JPY 3.0 bn

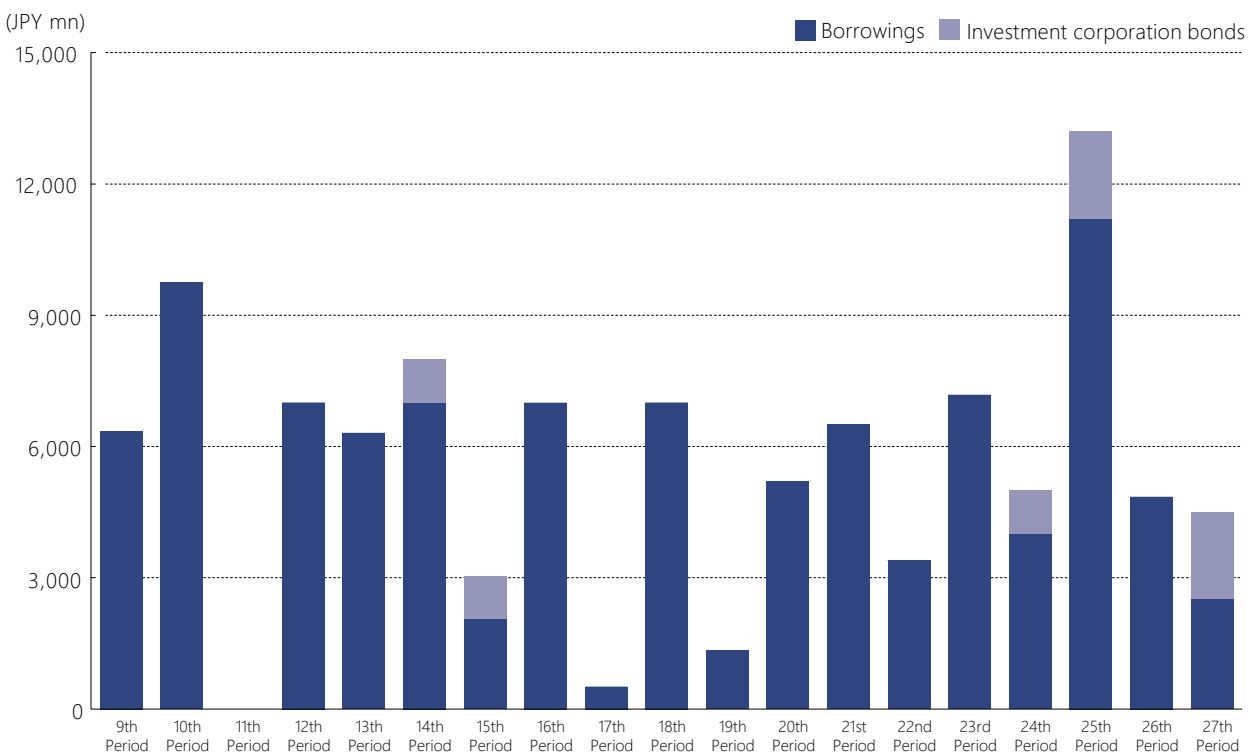
Note: Increased from JPY 2.0 bn.

3 Debt maturity schedule (as of March 31, 2019)

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

Debt outstanding JPY 106,100 mn

(excluding interest-bearing tenant leasehold and security deposits)



Portfolio List as of May 31, 2019

Total
acquisition price

JPY213,786_{mn}

Weighted average
occupancy rate

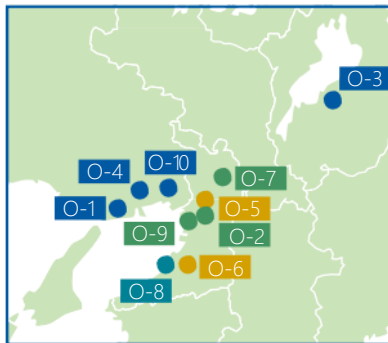
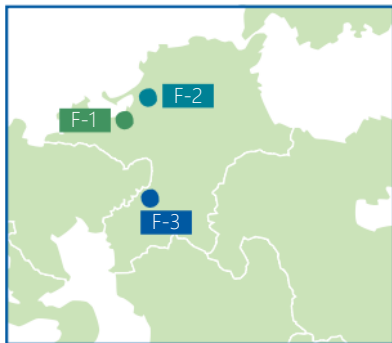
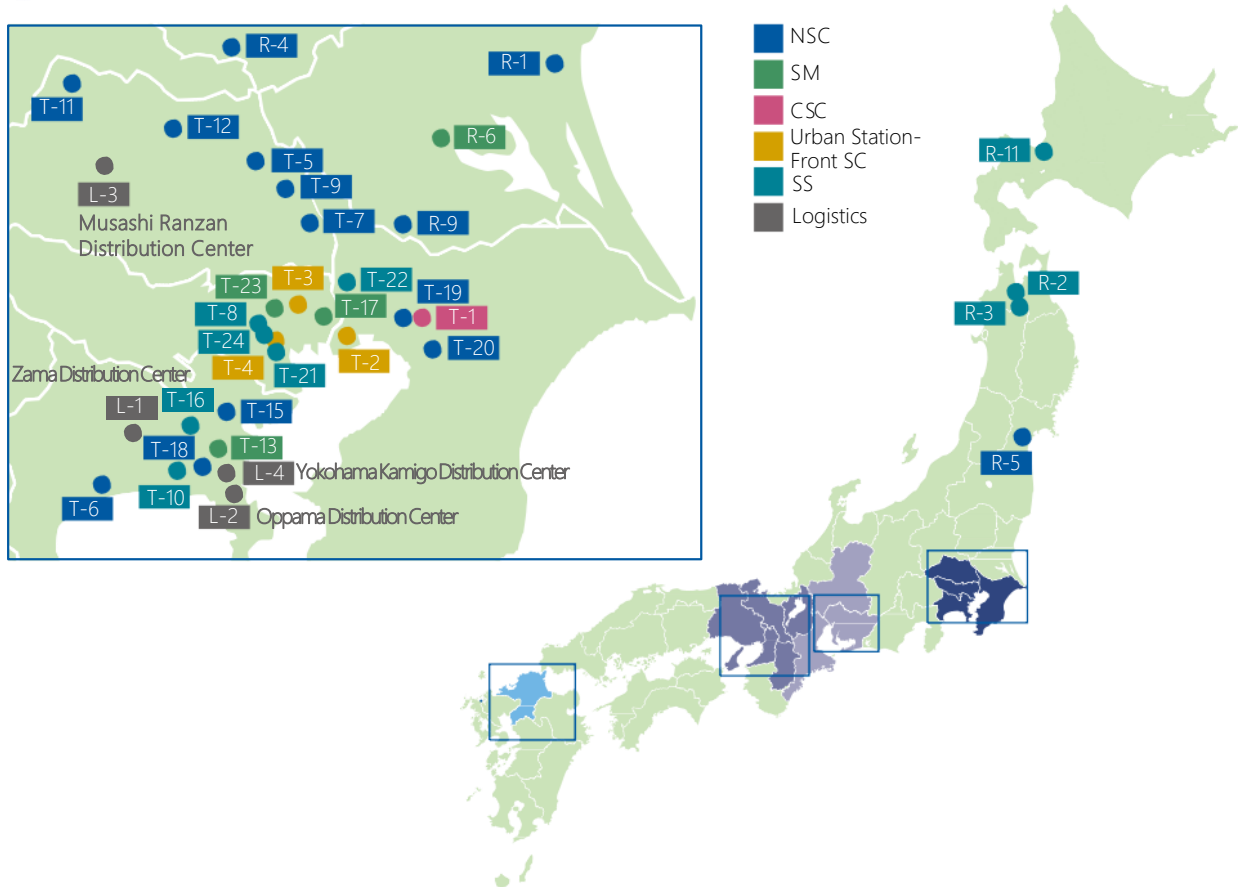
99.2%

Number of
Tenants

513

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) ^(NOTE 1)	Number of tenants ^(NOTE 2)
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	96.6	38
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	98.8	57
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	98.6	41
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	97.2	25
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,470	100.0	1
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	100.0	1
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	99.6	10
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	100.0	1
T-9	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	4,815	100.0	1
T-10	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	3,169	100.0	1
T-11	Unicus Kamisato (Land)	Kodama-gun, Saitama	3,000	100.0	1
T-12	Unicus Konosu (Land)	Konosu, Saitama	1,700	100.0	1
T-13	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	1,442	100.0	1
T-15	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	100.0	1
T-16	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	81.0	1
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	100.0	1
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	99.7	50
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1
O-3	DCM Kahma MEEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	2,140	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	99.3	41
O-5	Carino Esaka	Suita, Osaka	6,555	100.0	30
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	100.0	1
O-7	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	100.0	1
O-8	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	487	100.0	1
O-9	Life Nishi-Tengachaya	Osaka, Osaka	1,505	100.0	1
O-10	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	100.0	1
N-1	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	100.0	1
N-4	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	7,140	100.0	1
N-5	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	1,370	100.0	1
N-6	Resora Obu Shopping Terrace	Obu, Aichi	7,911	86.3	38
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	100.0	1
F-2	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	100.0	1
F-3	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	100.0	4
R-1	Roseo Mito	Mito, Ibaraki	10,046	99.5	21
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	100.0	29

Portfolio Map as of May 31, 2019



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) <small>(Note 1)</small>	Number of tenants <small>(Note 2)</small>
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1
R-8	P-1 Plaza Tenno	Hamamatsu, Shizuoka	4,010	100.0	7
R-9	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	4,111	100.0	1
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	10,746	99.3	53
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	100.0	1
L-3	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	3,879	100.0	1
Total of assets acquired by the end of the 8th period <small>(Note 3)</small>			210,296	99.2	510
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-4	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	790	100.0	1
Total of assets acquired during the 9th period			3,490	100.0	3
Total			213,786	99.2	513

Note 1: "Occupancy rate" is as of March 31, 2019.

Note 2: "Number of tenants" indicates the number of end-tenants as of March 31, 2019.

Note 3: "Portfolio List" and "Total" do not contain Solala Plaza (51% quasi co-ownership interests) disposed on April 5, 2019.

Overview of portfolio (as of May 31, 2019)

T-1 Fululu Garden Yachiyo



T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiarai



T-4 Daikanyama Address Dixsept



T-5 Unicus Ina



T-6 Yorktown Kita-Kaname



T-7 Unicus Yoshikawa



T-8 Sports Club Renaissance Fujimidai



T-9 Super Viva Home Iwatsuki (Land)



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



T-11 Unicus Kamisato (Land)



T-12 Unicus Konosu (Land)



T-13 Inageya Yokohama Minamihonjuku (Land)



T-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



O-1 Blumer Maitamon



T-24 Konami Sports Club Shibuya



O-2 Life Takadono (Land)



O-3 DCM Kahma MEGA Don Quijote UNY Omihachiman



O-4 Blumer HAT Kobe



O-7 Hankyu Oasis Hirakatadeguchi



O-8 Welcia Kishiwadakamori (Land)



Note: Please refer p.1-2 for the properties acquired in the eighth and ninth fiscal period.

O-5 Carino Esaka



O-6 COMBOX Komyoike



O-9 Life Nishi-Tengachaya



O-10 Million Town Tsukaguchi (Land)



N-1 DCM Kahma Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



N-4 Homecenter Kohnan Sunadabashi



N-6 Resora Obu Shopping Terrace



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



F-2 Round1 Stadium Hakata-Hanmichibashi



F-3 Kurume-Nishi Shopping Center



R-2 K's Denki Aomori Honten



R-3 Super Sports Xebio Aomori-Chuo



R-4 Ashico Town Ashikaga



R-5 Yorktown Shinden-Higashi



R-6 Kasumi Technopark Sakura



R-8 P-1 Plaza Tenno



R-9 Seiyu Rakuichi Moriya (Land)



R-11 Costco Wholesale Sapporo Warehouse



F-1 Sunny Noma



R-1 Roseo Mito



R-10 Sun Street Hamakita



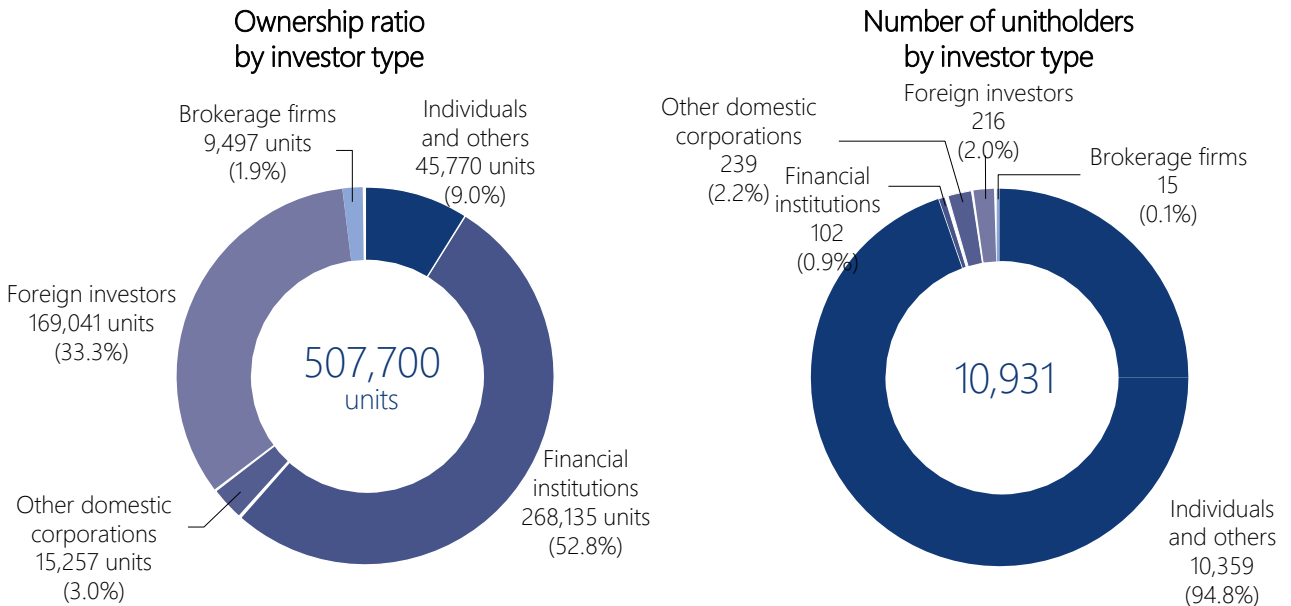
Summary of Investment Unit

Unit Price and trading volume



General breakdown of unitholders

As of March 31, 2019



II. ASSET MANAGEMENT REPORT

Overview of Asset Management

(1) Trends in Key Indicators

Fiscal period		Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)
Operating revenues	Millions of yen	6,430	7,803	8,126	8,577	8,415
Of which, property-related revenues	Millions of yen	6,427	7,797	8,126	8,364	8,197
Property-related expenses	Millions of yen	3,409	4,137	4,358	4,760	4,530
Of which, property-related expenses	Millions of yen	2,817	3,468	3,609	3,984	3,733
Operating income	Millions of yen	3,021	3,666	3,768	3,816	3,884
Ordinary income	Millions of yen	2,556	3,108	3,179	3,201	3,284
Net income	Millions of yen	2,552	3,104	3,175	3,197	3,283
Total assets	Millions of yen	185,037	229,628	231,107	238,490	237,845
[Period-on-period changes]	%	(+3.2)	(+24.1)	(+0.6)	(+3.2)	(-0.3)
Total net assets	Millions of yen	96,823	116,516	116,585	116,729	116,505
[Period-on-period changes]	%	(+0.1)	(+20.3)	(+0.1)	(+0.1)	(-0.2)
Unitholders' capital ^(Note 2)	Millions of yen	94,256	113,399	113,399	113,399	113,399
Number of investment units issued and outstanding	Units	422,450	507,700	507,700	507,700	507,700
Net assets per unit	Yen	229,195	229,498	229,633	229,918	229,477
Distributions	Millions of yen	2,553	3,104	3,175	3,198	3,288
Distributions per unit	Yen	6,044	6,115	6,255	6,299	6,477
Of which, distributions of earnings	Yen	6,044	6,115	6,255	6,299	6,138
Of which, distributions in excess of retained earnings	Yen	-	-	-	-	339
Ordinary income to total assets ^(Note 3)	%	1.4	1.5	1.4	1.4	1.4
[Annualized] ^(Note 4)	%	(2.8)	(3.0)	(2.8)	(2.7)	(2.8)
Return on net assets ^(Note 5)	%	2.6	2.9	2.7	2.7	2.8
[Annualized] ^(Note 4)	%	(5.3)	(5.8)	(5.5)	(5.5)	(5.6)
Net assets to total assets ^(Note 6)	%	52.3	50.7	50.4	48.9	49.0
[Period-on-period changes]	%	(-1.6)	(-1.6)	(-0.3)	(-1.5)	(+0.0)
Operating days	Days	182	183	182	183	182
Payout ratio ^(Note 7)	%	100.0	100.0	100.0	100.0	94.9
Number of properties		42	51	52	53	53
Leasable area	m ²	719,906.77	865,226.20	866,425.22	890,152.09	913,759.61
Number of tenants ^(Note 8)		409	542	522	520	511
Occupancy ratio	%	99.6	99.6	99.5	99.4	99.2
Depreciation expense	Millions of yen	721	885	925	971	990
Capital expenditures	Millions of yen	276	367	263	806	500
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	4,331	5,214	5,441	5,352	5,454
FFO (Funds from operation) ^(Note 10)	Millions of yen	3,358	4,093	4,194	4,028	4,105
FFO per unit ^(Note 11)	Yen	7,949	8,062	8,260	7,935	8,085

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

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

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

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

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

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

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

When calculated as follows, the payout ratio is 100.1% for the fiscal period ended March 31, 2019

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, 2019)

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, 2019 was 507,700 units.

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

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

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

ii) Investment Environment

During the fiscal year under review, the Japanese economy continued to recover moderately with the continued improvement in corporate earnings and an increase in capital investment, as well as a recovery in consumer spending backed by continued improvements in the employment and income environment after its decline caused by the natural disaster in the summer of 2018. Real GDP growth was negative in the third quarter of 2018, but rebounded in the fourth quarter of 2018.

Financial conditions have remained unstable due to events in the global market, such as trade frictions between the United States and China and developments within the European Union. Interest rates in Japan remained low and stable against the backdrop of continued monetary easing by the Bank of Japan, policy changes by the U.S. monetary authorities, which had been concerned about an interest rate hike, and unstable global markets.

Under these conditions, the real estate sales market continued to show an upward trend due to active investment demand by domestic and overseas investors. The real estate leasing market also remained strong, making the J-REIT market firm as the J-REIT defensiveness was evaluated amid unstable equity markets.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired one asset (Musashi Ranzan Distribution Center (90% quasi co-ownership interests) with acquisition price of 3,879 million yen (Note 1)), and disposed two assets (Solala Plaza (49% quasi co-ownership interests) with sale price (Note 2) of 2,930 million yen (acquisition price (Note 3) was 2,802 million yen) and Gourmet City Chiba-Chuo with sale price of 800 million yen (acquisition price was 760 million yen)).

As a result, the portfolio at the end of the period under review (March 31, 2019) consists 53 properties with the total acquisition price of 213,214 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: The acquisition price of Solala Plaza as a whole was 5,720 million yen, and 2,930 million yen represents 49% quasi co-ownership interests.

(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, 2019). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property and distribution centers management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction.

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

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.2%. Furthermore, the portfolio is diversified in terms of tenants as there are 511 end-tenants (Note 2) in KRR's retail properties and distribution centers.

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

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

(C) Financing

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

(Debt Finance)

During the fiscal period under review, KRR borrowed 8,400 million yen for refinancing. Consequently, borrowings totaled 99,100 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 106,100 million yen at the end of the fiscal period under review (March 31, 2019). In addition, the existing commitment line agreements with a total maximum borrowing amount of 2,000 million yen was renewed on March 27, 2019, to commence on April 1, 2019, after expiring on March 31, 2019. Additionally, a commitment line agreement with a maximum borrowing amount of 1,000 million yen commencing on April 1, 2019 was newly established on March 27, 2019.

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

As a result, the average maturity of debt is 4.9 years, the weighted average interest rate is 1.02%, the long-term debt ratio (Note 1) is 97.4% and the LTV ratio (Note 2) is 44.6%.

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, 2019 is as follows.

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

(Shelf Registration)

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

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

iv) Results of Operations

For this period, revenue was 8,415 million yen, operating income was 3,884 million yen, ordinary income was 3,284 million yen and net income was 3,283 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 3,116,262,600 yen which is almost equivalent to the earnings for the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

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 172,110,300 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 339 yen.

Consequently, the distribution per unit was 6,477 yen (of which the distribution in excess of earnings per unit was 339 yen).

(3) Changes in Investment Units Issued and Outstanding

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

Date	Type of issue	Total number of units issued and outstanding (units)		Unitholders' capital (in million yen)		Notes
		Increase	Balance	Increase	Balance	
October 3, 2014	Private placement for incorporation	750	750	150	150	(Note 1)
February 9, 2015	Public offering	254,250	255,000	56,430	56,580	(Note 2)
March 11, 2015	Capital increase through third-party allocation	5,750	260,750	1,276	57,857	(Note 3)
October 1, 2015	Public offering	88,750	349,500	18,547	76,404	(Note 4)
October 21, 2015	Capital increase through third-party allocation	5,750	355,250	1,201	77,606	(Note 5)
April 20, 2016	Public offering	64,000	419,250	15,856	93,463	(Note 6)
May 18, 2016	Capital increase through third-party allocation	3,200	422,450	792	94,256	(Note 7)
April 18, 2017	Public offering	81,250	503,700	18,244	112,500	(Note 8)
May 17, 2017	Capital increase through third-party allocation	4,000	507,700	898	113,399	(Note 9)

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

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

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

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

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

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

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

Note 8: Issued at issue price of 232,537 yen per unit (issue amount of 224,547 yen per unit) for acquisition of new properties.

Note 9: Issued at issue amount of 224,547 yen per unit for repayment of borrowings.

(Changes in Unit Price at Tokyo Stock Exchange)

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

Fiscal period For the fiscal period ended	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018	Eighth fiscal period March 31, 2019
Highest	JPY 275,000	JPY 251,100	JPY 251,700	JPY 249,200	JPY 279,600
Lowest	JPY 235,200	JPY 228,900	JPY 223,000	JPY 227,600	JPY 237,200

(4) Distributions

The distribution of earnings for the third period is 6,138 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 339 yen.

Consequently, the distribution per unit for the fiscal period, including the excess distribution, was 6,477 yen (of which the distribution in excess of earnings per unit was 339 yen).

(in thousands of yen)

Fiscal period For the fiscal period ended	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018	Eighth fiscal period March 31, 2019
Unappropriated retained earnings	2,584,343	3,104,740	3,175,962	3,198,151	3,283,881
Retained earnings carried forward	216	155	299	149	167,619
Total distributions	2,553,287	3,104,585	3,175,663	3,198,002	3,288,372
[Distributions per unit]	[6,044 yen]	[6,115 yen]	[6,255 yen]	[6,299 yen]	[6,477 yen]
Of which, distributions of earnings	2,553,287	3,104,585	3,175,663	3,198,002	3,116,262
[Distributions of earnings per unit]	[6,044 yen]	[6,115 yen]	[6,255 yen]	[6,299 yen]	[6,138 yen]
Of which, distributions in excess of retained earnings	—	—	—	—	172,110
[Distributions in excess of retained earnings per unit]	[—]	[—]	[—]	[—]	[339 yen]
Total distributions in excess of earnings for the allowance for temporary adjustment	—	—	—	—	172,110
[Distributions per unit]	[—]	[—]	[—]	[—]	[339 yen]
Total distributions in excess of earnings from the unitholders' capital for tax purposes	—	—	—	—	—
[Distributions per unit]	[—]	[—]	[—]	[—]	[—]

(5) Management Policy and Issues to be Addressed

Outlook for Asset Management

The Japanese economy is expected to continue its moderate recovery, but it is considered necessary to pay attention to the uncertainties surrounding overseas economies and politics, such as the U.S. administration's policy management and the trend of trade frictions between the United States and China. In Japan, attention should also be paid to various factors, including the impact of the U.S.-China trade friction on the domestic economy and the Bank of Japan's stance on monetary easing.

As for Japan's retail environment, specialty stores such as supermarkets and drugstores that meet the diversified tastes of consumers are expected to perform well. In addition, while e-commerce has grown to account for a certain share of consumer spending, backed by advances in information technology, we anticipate the integration of "brick and mortar" and the Internet will advance as both retail companies and Internet companies try to adopt to such environment. On the other hand, attention should be paid to the impacts of the scheduled consumption tax hike.

In the real estate market, active real estate transactions are expected to continue against the backdrop of the favorable funding environment due to the Bank of Japan's monetary easing policy. However, investors should especially keep in mind the risk of changes in banks' lending attitude towards real estate sector, as amount of banks' outstanding loans towards real estate sector reached new highs.

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 1), 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. (Note 2), Nippon Commercial Development Co., Ltd., P&D Consulting Co., Ltd., and ITOCHU Corporation. We are implementing a growth strategy that takes full advantage of the external growth opportunities created by the large and diverse acquisition pipeline made possible by the support of these companies.

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

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

Note 1: The Kenedix Group consists of Kenedix, Inc. and its subsidiaries and affiliates.

Note 2: Sumitomo Mitsui Finance and Leasing Co., Ltd. ("SMFL") succeeded a part of its real estate leasing business to SMFL MIRAI Partners Co., Ltd. ("SMFL MIRAI Partners") through an absorption-type company split. With this succession, KRR and KFM entered into an agreement with SMFL and SMFL MIRAI Partners to partially succeed the alliance agreement signed on November 17, 2014 from SMFL to SMFL MIRAI Partners. It has been agreed that specifically, services other than providing bridge finance to warehousing SPC's and securing personnel be succeeded to SMFL MIRAI Partners.

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

(6) Important Subsequent Events

Not applicable.

(Reference Material)

i) Acquisition of Assets

KRR acquired following three assets.

Property number	Property type (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 3)	Appraisal value (million yen) (Note 5)	Acquisition date
L-1	L	Zama Distribution Center (Note 4)	Zama, Kanagawa	Undisclosed (Note 2)	1,400	1,640	April 5, 2019
L-2	L	Oppama Distribution Center (Note 4)	Yokosuka, Kanagawa	Undisclosed (Note 2)	1,300	1,570	April 5, 2019
L-4	L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	Undisclosed (Note 2)	790	840	April 11, 2019

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: The acquisition of the properties L-1 and L-2 fall under the category of forward commitment by investment corporations, as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators provided by the Financial Services Agency.

Note 5: Appraisal values of L-1 and L-2 are as of March 31, 2019 and that of L-4 is as of February 1, 2019.

ii) Disposition of Assets

KRR disposed the following asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note)	Sale date
R-7	Urban Station-Front SC	Solala Plaza (51% quasi co-ownership interests)	Sendai, Miyagi	GK KRF80	3,049	April 5, 2019

Note: "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.

KRR has contracted a purchase and sale agreement on May 16, 2019 to dispose the following asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note 2)	Sale date
O-8	SS	Welcia Kishiwadakamori (Land) (Note 1)	Kishiwada, Osaka	Nippon Commercial Development Co., Ltd.	560	October 31, 2019

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: "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, city planning tax, consumption tax, etc.) required in the sale of the asset.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)
Total number of authorized investment units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	422,450 units	507,700 units	507,700 units	507,700 units	507,700 units
Unitholders' capital	94,256 million yen	113,399 million yen	113,399 million yen	113,399 million yen	113,399 million yen
Number of unitholders	10,072	12,301	12,545	12,261	10,931

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of March 31, 2019.

Name	Location	Number of units held (Units)	Ratio (%) (Note)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	85,756	16.89
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11, Harumi, Chuo-ku, Tokyo	62,622	12.33
JP MORGAN BANK LUXEMBURG S.A.384500	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	24,140	4.75
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	22,313	4.39
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	Office Tower Z, Harumi Island Triton Square, 1-8-12 Harumi, Chuo-ku, Tokyo	15,060	2.96
BNYM AS AGT/CLTS 10 PERCENT	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	15,015	2.95
MIZUHO TRUST & BANKING CO., LTD.	1-2-1, Yaesu, Chuo-ku, Tokyo	11,202	2.20
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,841	1.74
STATE STREET BANK WEST CLIENT- TREATY 505234	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	8,178	1.61
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	6-27-30 Shinjyuku, Shinjuku-ku, Tokyo Standing proxy: Citibank, Ltd.	6,643	1.30
Total		259,770	51.16

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, 2019

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director	Akihiro Asano	Director & COO, Head of Retail REIT Department, KFM	1,500
Supervisory Director (Note)	Yoshitoshi Yasu	Yoshitoshi Yasu Certified Public Accountant / Tax Accountant Office Auditor of YOKU MOKU Holdings Co., Ltd. Auditor of YOKU MOKU Co., Ltd. Auditor of YOKU MOKU Crea Co., Ltd. Auditor of Fujiricoh Trading Co., Ltd. Auditor of CLOVER Inc. Auditor of Kabou-issin Co., Ltd. Director & member of Audit committee of Loop Inc.	1,500
	Akiko Yamakawa	Member of the Basic Sub-committee of Labour Policy Council, Ministry of Health, Labour and Welfare Partner of Vanguard Lawyers Tokyo	1,500
Independent Auditor	Ernst & Young ShinNihon LLC	—	13,000

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

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

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

(4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of March 31, 2019 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)	Seventh fiscal period as of September 30, 2018		Eighth fiscal period as of March 31, 2019	
			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	91,497	38.4	90,678	38.1
		Greater Osaka area	44,735	18.8	44,662	18.8
		Greater Nagoya area	21,142	8.9	21,068	8.9
		Fukuoka area	8,052	3.4	8,011	3.4
		Ordinance-designated cities, core cities and other areas	49,842	20.9	46,890	19.7
	Other retail properties	—	—	—	—	
	Distribution Centers	Tokyo metropolitan area	—	—	3,945	1.7
Total of trust beneficiary interests in real estate			215,2270	90.3	21,255	90.5
Bank deposits and other assets			23,219	9.7	22,589	9.5
Total assets			238,490	100.0	237,845	100.0

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

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

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

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of September 30, 2018.

Property number	Property name	Book value (in millions)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio to total rental revenue (%) (Note 4)	Primary use
T-1	Fululu Garden Yachiyo	14,866	77,057.56	74,400.60	96.6	8.5	Retail
O-4	Blumer HAT Kobe	11,394	23,775.88	23,613.51	99.3	5.6	Retail
R-10	Sun Street Hamakita	10,648	49,023.34 (Note 5)	48,678.40 (Note 5)	99.3	6.4	Retail
R-1	Roseo Mito	9,848	48,296.15	48,062.15	99.5	4.7	Retail
T-2	MONA Shin-Urayasu	8,782	9,953.98	9,832.41	98.8	6.3	Retail
O-1	Blumer Maitamon	8,305	30,290.55	30,187.39	99.7	5.8	Retail
N-6	Resora Obu Shopping Terrace	8,173	19,909.33	17,189.91	86.3	3.9	Retail
N-4	Homecenter Kohnan Sunadabashi	7,009	20,329.07	20,329.07	100.0	— (Note 7)	Retail
O-5	Carino Esaka	6,676	7,540.58	7,540.58	100.0	3.7	Retail
O-6	COMBOX Komyoike	6,305	25,530.44 (Note 6)	25,530.44	100.0	2.8	Retail
Total		92,010	311,706.88	305,364.46	98.0	— (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, 2019. 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, 2019 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, 2019, 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, 2019.

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
T	T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	14,866	15,000
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,782	9,760
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,776	6,810
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,394	6,440
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,429	5,230
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,941	4,350
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,561	3,840
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,501	2,750
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,540
	T-10	SS	K's Denki Shonan- Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,500
	T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,050
	T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,780
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,410
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,392	3,810
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,764	1,890
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,491	1,520
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,320
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,417	3,510
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,110	3,210
	T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,982	2,830
	T-22	SS	Round1 Ichikawa- Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,875	1,970
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,280	1,350
	T-24	SS	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,548	3,410
	O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,305
O-2		SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,150
O-3		NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman (Note 6)	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,123	2,510
O-4		NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,394	11,500
O-5		Urban Station- Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,676	7,180
O-6		Urban Station- Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,305	6,630
O-7		SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,309	1,330
O-8		SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
O	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,549	1,690
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,950
N	N-1	SS	DCM Kahma Nakagawa Tomita (Land) (Note 6)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,700
	N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,143	2,360
	N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,009	7,290
	N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,440
	N-6	NSC	Resora Obu Shopping Terrace	Obu Aichi	Trust beneficiary interest in real estate	8,173	7,440
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,429	1,660
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	5,015	5,610
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,566	1,760
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,848	11,600
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,455	1,580
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	879	939
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,276	5,030
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,277	3,340
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	843	877
	R-7	Urban Station-Front SC	Solala Plaza (Note 4)	Sendai, Miyagi	Trust beneficiary interest in real estate	2,831 (Note 5)	2,820 (Note 5)
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,162	4,350
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,240
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,648 (Note 5)	11,160 (Note 5)
	R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Trust beneficiary interest in real estate	4,345	4,410
T	L-3	L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	Trust beneficiary interest in real estate	3,945 (Note 5)	4,000 (Note 5)
Total						215,255	229,694

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

"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: KRR disposed trust beneficiary interest in real estate of Solala Plaza (49% on December 21, 2018 and 51% on April 11, 2019).

Note 5: The amount and proportion of quasi co-ownership interests that KRR owns are shown.

Note 6: KRR changed property names as follows.

Property number	New name	Previous name	Effective date
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O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Piago Kahma Home Center Omihachiman	February 28, 2019
N-1	DCM Kahma Nakagawa Tomita (Land)	Kahma Home Center Nakagawa Tomita (Land)	February 28, 2019

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	Seventh fiscal period as of September 30, 2018				Eighth fiscal period As of March 31, 2019			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
T	T-1	CSC	Fululu Garden Yachiyo	39	96.6	736	8.8	38	96.6	699	8.5
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(57)	98.3	471	5.6	1(57)	98.8	514	6.3
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(41)	98.6	321	3.8	1(41)	98.6	301	3.7
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(27)	97.9	279	3.3	1(25)	97.2	267	3.3
	T-5	NSC	Unicus Ina	1	100.0	139	1.7	1	100.0	139	1.7
	T-6	NSC	Yorktown Kita-Kaname	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-7	NSC	Unicus Yoshikawa	1(11)	100.0	134	1.6	1(10)	99.6	132	1.6
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-9	NSC	Super Viva Home Iwatsuki (Land)	1	100.0			1	100.0		
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	1	100.0			1	100.0		
	T-11	NSC	Unicus Kamisato (Land)	1	100.0	72	0.9	1	100.0	75	0.9
	T-12	NSC	Unicus Konosu (Land)	1	100.0	41	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-14	SM	Gourmet City Chiba-Chuo (Note 4)	1	100.0			—	—		
	T-15	NSC	Nakamachidai Tokyu Store	1	100.0			1	100.0		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	1	81.0	59	0.7	1	81.0	— (Note 3)	— (Note 3)
	T-17	SM	Life Kameido	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	2	100.0			2	100.0		
	T-19	NSC	Yumemachi Narashinodai Mall	1(14)	100.0	140	1.7	1(14)	100.0	142	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0	119	1.4	1(12)	100.0	116	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		
O	O-1	NSC	Blumer Maitamon	52	99.7	502	6.0	50	99.7	475	5.8
	O-2	SM	Life Takadono (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	2	100.0			2	100.0		
	O-4	NSC	Blumer HAT Kobe	1(39)	98.0	529	6.3	1(41)	99.3	455	5.6
	O-5	Urban Station-Front SC	Carino Esaka	1(30)	99.5	311	3.7	1(30)	100.0	302	3.7
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	226	2.7	1	100.0	232	2.8
	O-7	SM	Hankyu Oasis Hirakatadeguchi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-8	SS	Welcia Kishiwadakamori (Land)	1	100.0			1	100.0		
	O-9	SM	Life Nishi-Tengachaya	1	100.0			44	0.5		

Area	Property number	Property type	Property name	Seventh fiscal period as of September 30, 2018				Eighth fiscal period As of March 31, 2019			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
O	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	1	100.0			1	100.0		
	N-2	NSC	Valor Ichinomiya-Nishi	1	100.0			1	100.0		
	N-4	SS	Homecenter Kohnan Sunadabashi	1	100.0			1	100.0		
	N-5	SS	K's Denki Shin-Moriyama (Land)	1	100.0			1	100.0		
	N-6	NSC	Resora Obu Shopping Terrace	1(42)	99.0			317	3.8		
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-Hannichibashi	1	100.0			1	100.0		
	F-3	NSC	Kurume-Nishi Shopping Center	4	100.0			52	0.6		
R	R-1	NSC	Roseo Mito	1(22)	99.7	383	4.6	1(21)	99.5	381	4.7
	R-2	SS	K's Denki Aomori Honten	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-3	SS	Super Sports Xebio Aomori-Chuo	1	100.0			1	100.0		
	R-4	NSC	Ashico Town Ashikaga	1(29)	100.0	286	3.4	1(29)	100.0	276	3.4
	R-5	NSC	Yorktown Shinden-Higashi	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	R-6	SM	Kasumi Technopark Sakura	1	100.0			1	100.0		
	R-7	Urban Station-Front SC	Solala Plaza (Note 5)	1	100.0			1	100.0		
	R-8	NSC	P-1 Plaza Tenno	7	100.0	136	1.6	7	100.0	138	1.7
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-10	NSC	Sun Street Hamakita	1(53)	99.3	533	6.4	1(53)	99.3	526	6.4
	R-11	SS	Costco Wholesale Sapporo Warehouse	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
L	L-3	L	Musashi Ranzan Distribution Center	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
Total				520	99.4	8,364	100.0	511	99.2	8,197	100.0

Note 1: Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of March 31, 2018. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. As for the "Total" of "Number of tenants", the number of end-tenants is used for pass-through type master leases and the number of master lessee is used for sublease type master leases.

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

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

Note 4: Gourmet City Chiba Chuo was disposed on March 5, 2019.

Note 5: The rental revenue of Solala Plaza is shown as the sum of rental revenue for 100% ownership until December 20, 2018 and rental revenue for 51% ownership from December 21, 2018. Number of tenants of Solala Plaza is shown for the whole building.

(4) Specified Transaction

As of March 31, 2019, the contract amount and fair value of the outstanding transaction under the specified transaction account of KRR are as follows.

	Type	Contract amount (million yen) (Note 1)		Fair value (million yen) (Note 2) (Note 3)
			Due after one year (Note 1)	
OTC	Interest rate swaps: Receive floating / pay fixed	71,240	62,910	-167
Total	—	71,240	62,910	-167

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

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

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

(5) Other Assets

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

KRR has no other specified assets.

(6) Asset in Geographic Area

KRR owns no asset in specified area other than Japan.

Capital Expenditures

(1) Planned Capital Expenditures

The table below shows major capital expenditures ^(Note) for renovations, repairs and other projects that are planned for the Ninth fiscal period ending September 30, 2019. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditure that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	Environmental renewal	From April 2019 to September 2019	200 (Note)	—	—
O-1	Blumer Maitamon	Kobe, Hyogo	Rooftop waterproof	From February 2019 to June 2019	147	—	—
O-5	Carino Esaka	Suita, Osaka	Exterior wall repair	From November 2018 to September 2019	144	—	—
R-4	Ahico Town Ashikaga	Ashikaga, Tochigi	Rooftop parking waterproof (OM building)	From May 2019 to September 2019	83	—	—
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Rooftop parking waterproof (YB building)	From November 2018 to March 2020	81	—	—

Note: The amount as proportion to the quasi co-ownership interests that KRR owns are shown.

(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 500 million yen. There were also expenditures of 200 million yen that were recorded as repair expenses. In total KRR spent 700 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Toilet and partial exterior wall repair	From September 2018 to January 2019	138
O-5	Carino Esaka	Suita, Osaka	Automatic fire alarm replacement	From December 2018 to March 2019	69
T-5	Unicus Ina	Kitaadachi-gun, Saitama	Solar panel installation	From January 2019 to March 2019	64
N-6	Resora Obu Shopping Terrace	Obu, Aichi	LED installation to common area	From February 2019 to March 2019	26
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Sprinkler installation	From February 2019 to March 2019	25
Others					175
Total					500

(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)

	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)
Asset management fees ^(Note)	638,549	661,991
Asset custody fees	9,463	9,722
Administrative service fees	29,733	30,601
Directors' compensation	4,500	4,500
Other operating expenses	93,385	89,835
Total	775,631	796,650

Note: The amount of asset management fees capitalized in addition to the amount above are 76,100 thousand yen for the seventh fiscal period and 38,793 thousand yen for the eighth fiscal period.

(2) Status of Borrowings

Borrowings on a financial institution basis as of March 31, 2019 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	-	0.463	February 13, 2019	(Note 4)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.461	January 31, 2020		
	Sub Total	2,750,000	2,750,000	2,750,000	2,750,000				
Current Portion of Long-Term Loans Payable	MUFG Bank, Ltd.	750,000	-	750,000	-	0.534	March 31, 2019	(Note 4)	Unsecured/ Unguaranteed
	Aozora Bank, Ltd.	500,000	-	500,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	200,000	-				
	Resona Bank, Ltd.	200,000	-	200,000	-				
	The Musashino Bank, Ltd.	150,000	-	150,000	-				
	Sumitomo Mitsui Banking Corporation	1,850,000	-	1,850,000	-	0.545	March 31, 2019		
	MUFG Bank, Ltd.	550,000	-	550,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	500,000	-				
	Resona Bank, Ltd.	300,000	-	300,000	-				
	The Musashino Bank, Ltd.	250,000	-	250,000	-	0.368	September 30, 2019		
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000				
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000	0.488	August 31, 2019		
	Aozora Bank, Ltd.	250,000	-	-	250,000				
	Resona Bank, Ltd.	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.488	August 31, 2019		
	Aozora Bank, Ltd.	640,000	-	-	640,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	360,000	-	-	360,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.463	September 30, 2019		
	Sumitomo Mitsui Banking Corporation (Note 6)	2,400,000	-	-	2,400,000	0.751	February 10, 2020		
	MUFG Bank, Ltd.(Note 6)	800,000	-	-	800,000				
	MUFG Bank, Ltd.(Note 6)	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.(Note 6)	550,000	-	-	550,000				
	Aozora Bank, Ltd.(Note 6)	500,000	-	-	500,000				
	Resona Bank, Ltd.(Note 6)	500,000	-	-	500,000				
	The Gunma Bank, Ltd.(Note 6)	400,000	-	-	400,000				
	The Musashino Bank, Ltd.(Note 6)	400,000	-	-	400,000				
Mizuho Bank, Ltd.(Note 6)	350,000	-	-	350,000					
Mizuho Trust & Banking Co., Ltd.(Note 6)	300,000	-	-	300,000					
Sub Total	19,000,000	-	5,650,000	13,350,000					
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				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000				
	Development Bank of Japan Inc. (Note 5)	1,600,000	-	-	1,600,000				
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000					
MUFG Bank, Ltd.	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					
					0.994	March 31, 2023			

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Long-Term Loans Payable	MUFG Bank, Ltd.	450,000	-	-	450,000	0.987	March 31, 2023	(Note 4)	Unsecured/ Unguaranteed
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024		
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	-	-	650,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.803	September 30, 2024		
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.760	September 30, 2024		
	Development Bank of Japan Inc. (Note 5)	890,000	-	-	890,000	0.932	April 21, 2026		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.888	October 31, 2025		
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.550	September 30, 2021		
	The Gunma Bank, Ltd. (Note 5)	500,000	-	-	500,000	1.049	January 31, 2027		
	Development Bank of Japan Inc. (Note 5)	2,000,000	-	-	2,000,000				
	Mizuho Trust & Banking Co., Ltd. (Note 5)	1,000,000	-	-	1,000,000	1.049			
	Resona Bank, Ltd.	500,000	-	-	500,000	1.002	April 27, 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				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.400	April 27, 2021		
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	0.553			
	Mizuho Bank, Ltd. (Note 5)	400,000	-	-	400,000	0.553			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.553			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.772	October 31, 2024		
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.696	October 31, 2024		
	Mizuho Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.815			
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.814			
	MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.903			
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.033	May 18, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	1.050	May 18, 2027		
Mizuho Bank, Ltd. (Note 5)	500,000	-	-	500,000	1.049				
Mizuho Trust & Banking Co., Ltd. (Note 5)	300,000	-	-	300,000	1.050				
MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.670	September 29, 2023			
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026			
MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.930	September 29, 2027			
Mizuho Bank, Ltd. (Note 5)	1,500,000	-	-	1,500,000	1.029	September 29, 2028			
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	1.100				
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027			
MUFG Bank, Ltd. (Note 5)	1,200,000	-	-	1,200,000	1.000	February 10, 2028			
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022			
Mizuho Bank, Ltd.	800,000	-	-	800,000					
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027			
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026			
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028			
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026			
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999	May 31, 2027			
MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.900				
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999				
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999				
Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025			

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Long-Term Loans Payable	Sumitomo Mitsui Trust Bank, Ltd.	-	700,000	-	700,000	0.726	March 31, 2026	(Note 4)	Unsecured/ Unguaranteed
	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			
		Sub Total	77,350,000	5,650,000	-	83,000,000			
	Total	99,100,000	8,400,000	8,400,000	99,100,000				

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

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

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

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

Note 5: Borrowings at a fixed rate.

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

(3) Status of Investment Corporation Bonds

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

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

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

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

(4) Status of Short-Term Investment Corporation Bonds

Not applicable

(5) Status of Subscription Rights to New Investment Units

Not applicable

Acquisition and Disposition

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

Ownership form	Property number	Property name	Acquisition		Disposition			
			Acquisition date	Acquisition price (in millions) (Note)	Disposition Date	Disposition price (in millions) (Note)	Book value (in millions)	Gain / loss (in millions)
Trust beneficiary interest in real estate	L-3	Musashi Ranzan Distribution Center	March 26, 2019	3,879	—	—	—	—
Trust beneficiary interest in real estate	R-7	Solala Plaza	—	—	December 21, 2018	2,930	2,730	179
Trust beneficiary interest in real estate	T-14	Gourmet City Chiba Chuo	—	—	March 5, 2019	800	731	38

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

(2) Acquisition and Disposition of Other Assets

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

(3) Appraisal Values of Specific Assets

i) Real Estate

Acquisition /disposition	Ownership form	Property number	Property name	Acquisition/ disposition date	Acquisition/ disposition price (in millions) (Note 1)	Appraisal value (in millions) (Note 2)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	L-3	Musashi Ranzan Distribution Center	March 26, 2019	3,879	4,000 (Note 3)	The Tanizawa Sōgō Appraisal Co., Ltd.	February 1, 2019
Disposition	Trust beneficiary interest in real estate	R-7	Solala Plaza	December 21, 2018	2,930	2,920 (Note 4)	Japan Real Estate Institute	September 30, 2018
		T-14	Gourmet City Chiba Chuo	March 5, 2019	800	792	Daiwa Real Estate Appraisal Co., Ltd.	September 30, 2018

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: Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 90%).

Note 4: Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 51%).

ii) Others

(A) Investigator regarding values of certain assets

BDO Toyo & Co.

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Article 201 of the Act on Investment Trusts and Investment Corporations, BDO Toyo & Co. performs an investigation of transactions. For the fiscal period from October 1, 2018 to March 31, 2019, the transactions subject to such investigation were two interest rate swap transactions, for which KRR received reports from BDO Toyo & Co. For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions. This survey is not a part of the audit for financial statements, and there is no guarantee of fairness of the price and internal management system.

(4) Related-Party Transactions

i) Transactions

	Transaction price (in million)	
	Purchase	Sale
Total amount	3,879	3,730
Transaction with related-party		
GK KRF80	- (-%)	2,930 (78.6%)
Total	- (-%)	2,930 (78.6%)

ii) Amounts of Fees Paid

Not applicable.

Note: A related party, etc. is defined as a related party, etc. of the asset manager having an asset management agreement with KRR as prescribed in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations of Japan and in Article 26-27 of the Regulations for Asset Investment Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

(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.



Building a better
working world

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Independent Auditor's Report

The Board of Directors
Kenedix Retail REIT Corporation

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation, which comprise the balance sheet as of March 31, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Retail REIT Corporation as of March 31, 2019, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

Financial Statements

(8th Fiscal Period: from October 1, 2018 to March 31, 2019)

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, 2019

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥7,475,785	¥7,582,764
Cash and deposits in trust (Notes 9 and 11)	13,647,110	13,710,471
Operating accounts receivable	213,214	247,664
Prepaid expenses	31,307	151,397
Consumption taxes receivable	-	175,068
Other	9,788	4,618
Total current assets	21,377,208	21,871,984
Non-current assets		
Property, plant and equipment (Notes 17 and 20)		
Buildings in trust	59,140,856	57,984,991
Accumulated depreciation	(5,692,853)	(4,955,253)
Buildings in trust, net (Note 3)	53,448,003	53,029,737
Structures in trust	2,999,320	2,872,268
Accumulated depreciation	(359,296)	(304,244)
Structures in trust, net (Note 3)	2,640,023	2,568,023
Machinery and equipment in trust	250,568	214,971
Accumulated depreciation	(30,701)	(28,383)
Machinery and equipment in trust, net	219,866	186,587
Tools, furniture and fixtures in trust	93,286	96,472
Accumulated depreciation	(31,649)	(26,501)
Tools, furniture and fixtures in trust, net (Note 3)	61,636	69,971
Land in trust (Note 3)	154,566,718	155,092,322
Construction in progress in trust	-	378
Total property, plant and equipment, net	210,936,249	210,947,020
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,316,761	4,320,740
Other	6,282	5,103
Total intangible assets	4,323,044	4,325,844
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,256	60,256
Long-term prepaid expenses	891,506	840,462
Long-term deposits	157,110	157,110
Other	2,194	142,159
Total investments and other assets	1,121,066	1,209,988
Total non-current assets	216,380,360	216,482,854
Deferred assets		
Organization costs	5,121	10,160
Investment corporation bond issuance costs	44,044	47,759
Investment unit issuance costs	38,506	77,413
Total deferred assets	87,672	135,333
Total assets	¥237,845,241	¥238,490,172

See accompanying notes to financial statements.

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥715,187	¥1,118,827
Short-term loans payable (Notes 11 and 21)	2,750,000	2,750,000
Current portion of long-term loans payable (Notes 11 and 21)	13,350,000	12,000,000
Accounts payable-other	476,092	367,074
Accrued expenses	27,020	26,751
Income taxes payable	1,018	3,434
Accrued consumption taxes	183,075	52,088
Advances received	1,154,552	1,163,601
Deposits received	82,992	77,211
Total current liabilities	18,739,939	17,558,988
Non-current liabilities		
Investment corporation bonds (Notes 11 and 22)	7,000,000	7,000,000
Long-term loans payable (Notes 11 and 21)	83,000,000	84,350,000
Tenant leasehold and security deposits in trust (Notes 3 and 11)	12,376,878	12,797,802
Asset retirement obligations (Note 15)	23,927	23,778
Other	198,926	30,024
Total non-current liabilities	102,599,732	104,201,604
Total liabilities	121,339,671	121,760,593
Net assets		
Unitholders' equity		
Unitholders' capital	113,399,022	113,399,022
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(9,754)	(9,754)
Total deduction from unitholders' capital	(9,754)	(9,754)
Unitholders' capital, net	113,389,267	113,389,267
Surplus		
Unappropriated retained earnings	3,283,881	3,198,151
Total surplus	3,283,881	3,198,151
Total unitholders' equity	116,673,148	116,587,418
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	(167,579)	142,159
Total valuation and translation adjustments	(167,579)	142,159
Total net assets (Note 6)	116,505,569	116,729,578
Total liabilities and net assets	¥237,845,241	¥238,490,172

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Income and Retained Earnings

For the period from October 1, 2018 to March 31, 2019

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥7,068,551	¥7,066,950
Other lease business revenue (Note 7)	1,128,554	1,298,047
Gain on sales of real estate property (Note 7)	218,061	212,130
Total operating revenues	8,415,167	8,577,129
Operating expenses		
Expenses related to rent business (Note 7)	3,733,705	3,984,558
Asset management fees	661,991	638,549
Asset custody fees	9,722	9,463
Administrative service fees	30,601	29,733
Directors' compensation	4,500	4,500
Other operating expenses	89,835	93,385
Total operating expenses	4,530,355	4,760,189
Operating income	3,884,811	3,816,939
Non-operating income		
Interest income	61	61
Dividends and redemption-prescription	1,160	-
Interest on refund	567	-
Total non-operating income	1,789	61
Non-operating expenses		
Interest expenses	441,044	434,188
Interest expenses on investment corporation bonds	19,653	18,540
Financing-related expenses	93,482	92,203
Amortization of organization costs	5,038	5,066
Amortization of investment corporation bond issuance costs	3,714	3,714
Amortization of investment unit issuance costs	38,906	61,990
Total non-operating expenses	601,840	615,704
Ordinary income	3,284,760	3,201,296
Income before income taxes	3,284,760	3,201,296
Income taxes		
Current	1,027	3,443
Total income taxes	1,027	3,443
Net income	3,283,732	3,197,852
Retained earnings brought forward	149	299
Unappropriated retained earnings	¥3,283,881	¥3,198,151

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Changes in Net Assets

For the period from October 1, 2018 to March 31, 2019

	Unitholders' equity						Total unitholders' equity
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
	(in thousands of yen)						
Balance as of March 31, 2018	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,175,962	¥3,175,962	¥116,565,229
Changes of items during the period							
Dividends from surplus					(3,175,663)	(3,175,663)	(3,175,663)
Net income					3,197,852	3,197,852	3,197,852
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	-	-	22,188	22,188	22,188
Balance as of September 30, 2018 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,198,151	¥3,198,151	¥116,587,418
Changes of items during the period							
Dividends from surplus					(3,198,002)	(3,198,002)	(3,198,002)
Net income					3,283,732	3,283,732	3,283,732
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	-	-	-	85,730	85,730	85,730
Balance as of March 31, 2019 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,283,881	¥3,283,881	¥116,673,148

	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, 2018	¥19,879	¥19,879	¥116,585,108
Changes of items during the period			
Dividends from surplus			(3,175,663)
Net income			3,197,852
Net changes of items other than unitholders' equity	122,280	122,280	122,280
Total changes of items during the period	122,280	122,280	144,469
Balance as of September 30, 2018 (Note 8)	¥142,159	¥142,159	¥116,729,578
Changes of items during the period			
Dividends from surplus			(3,198,002)
Net income			3,283,732
Net changes of items other than unitholders' equity	(309,739)	(309,739)	(309,739)
Total changes of items during the period	(309,739)	(309,739)	(224,009)
Balance as of March 31, 2019 (Note 8)	¥(167,579)	¥(167,579)	¥116,505,569

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Cash Flows

For the period from October 1, 2018 to March 31, 2019

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,284,760	¥3,201,296
Depreciation and amortization	991,733	972,385
Amortization of organization costs	5,038	5,066
Amortization of investment corporation bond issuance costs	3,714	3,714
Amortization of investment unit issuance costs	38,906	61,990
Interest income	(61)	(61)
Interest expenses	460,697	452,729
Decrease (increase) in operating accounts receivable	34,449	(16,596)
Decrease (increase) in consumption taxes receivable	175,068	(175,068)
Decrease (increase) in prepaid expenses	120,089	(99,609)
Increase (decrease) in operating accounts payable	(193,175)	162,653
Increase (decrease) in accounts payable-other	67,472	7,007
Increase (decrease) in accrued consumption taxes	130,986	(260,071)
Increase (decrease) in advances received	(9,048)	42,169
Increase (decrease) in deposits received	5,781	(39,832)
Decrease (increase) in long-term prepaid expenses	(51,043)	(60,278)
Decrease in net property, plant and equipment held in trust due to sale	3,462,719	907,424
Other	(55,494)	(2,207)
Subtotal	8,472,596	5,162,711
Interest income received	61	61
Interest expenses paid	(460,401)	(444,535)
Income taxes paid	(3,443)	(3,650)
Net cash provided by (used in) operating activities	8,008,812	4,714,587
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(4,619,028)	(8,461,827)
Purchase of intangible assets	(2,039)	(2,307)
Repayments of tenant leasehold and security deposits in trust	(582,124)	(515,495)
Proceeds from tenant leasehold and security deposits in trust	222,061	524,895
Proceeds from restricted bank deposits in trust	215,676	215,676
Net cash provided by (used in) investing activities	(4,765,454)	(8,239,058)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,750,000	-
Decrease in short-term loans payable	(2,750,000)	(10,170,000)
Proceeds from long-term loans payable	5,650,000	15,170,000
Repayments of long-term loans payable	(5,650,000)	-
Proceeds from issuance of investment corporation bonds	-	1,983,922
Dividends paid	(3,198,020)	(3,175,454)
Net cash provided by (used in) financing activities	(3,198,020)	3,808,468
Net increase (decrease) in cash and cash equivalents	45,336	283,996
Cash and cash equivalents at the beginning of the period	19,402,822	19,118,825
Cash and cash equivalents at the end of the period (Note 9)	¥19,448,158	¥19,402,822

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from October 1, 2018 to March 31, 2019

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, 2019 was 507,700 units.

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

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

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

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

KRR acquired one property (Musashi Ranzan Distribution Center (90% quasi co-ownership interest) with acquisition price of 3,879 million yen, and sold two properties (Solala Plaza (49% quasi co-ownership interest) with sale price of 2,930 million yen (initial acquisition price of 2,802 million yen) and Gourmet City Chiba-Chuo with sale price of 800 million yen (initial acquisition price of 760 million yen). For the period ended March 31, 2019, the portfolio of 53 properties (total acquisition prices of 213,214 million yen) as a whole performed well with an overall occupancy ratio of 99.2% as of March 31, 2019.

Furthermore, the portfolio was diversified in terms of tenants as there were 520 and 511 end-tenants as of September 30, 2018 and March 31, 2019 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, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
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) Organization Costs

Organization costs are amortized over a period of 5 years under the straight-line method.

(E) Investment Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

(G) 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.

(H) 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.

(I) Taxes on Property and Equipment

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

When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥39,223 thousand and ¥18,448 thousand as of September 30, 2018 and March 31, 2019, respectively.

(J) Income Taxes

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

(K) 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.

(L) Derivative Financial Instruments

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

(M) Cash and Cash Equivalents

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

(N) Presentation of Amounts

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

3. COLLATERAL

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

Assets pledged as collateral	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Buildings in trust	¥2,715,656	¥2,688,066
Structures in trust	45,989	47,581
Tools, furniture and fixtures in trust	2,970	1,757
Land in trust	7,811,297	7,811,297
Total	10,575,913	10,548,702
Secured liabilities	As of March 31, 2019	As of September 30, 2018
Tenant leasehold and security deposits in trust	2,355,246	2,577,920
Total	¥2,355,246	¥2,577,920

4. COMMITMENT LINE CONTRACTS

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

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Total amount of commitment line contracts	¥2,000,000	¥2,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥2,000,000	¥2,000,000

5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of March 31, 2019

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

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
	(in thousands of yen)						
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥9,754	¥9,754	¥ -	¥ -	¥9,754	-
Total		¥9,754	¥9,754	¥ -	¥ -	¥9,754	-

2. Method of reversal

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

The following summarizes allowance for temporary difference adjustments as of September 30, 2018

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

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
	(in thousands of yen)						
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥9,754	¥9,754	¥ -	¥ -	¥9,754	-
Total		¥9,754	¥9,754	¥ -	¥ -	¥9,754	-

2. Method of reversal

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

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, 2018 to March 31, 2019 and from April 1, 2018 to September 30, 2018 consist of the following:

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥5,813,708	¥5,807,967
Rental revenues from limited proprietary rights of land	929,592	929,815
Common area charges	325,250	329,167
Subtotal	7,068,551	7,066,950
Other lease business revenue:		
Parking space rental revenues	197,311	204,954
Utility charge reimbursement	597,255	710,167
Miscellaneous	333,986	382,926
Subtotal	1,128,554	1,298,047
Total rental and other operating revenues	8,197,106	8,364,998
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	833,594	847,105
Utilities	598,956	682,433
Taxes	690,559	690,135
Repairs and maintenance	200,684	339,258
Insurance	13,078	13,191
Trust fees	22,900	22,846
Depreciation	990,872	971,850
Others	383,060	417,737
Total property-related expenses	3,733,705	3,984,558
Net operating income from real estate rental business	¥4,463,400	¥4,380,440

Gain on sales of real estate property:

From October 1, 2018 to March 31, 2019

	(in thousands of yen)
Solala Plaza (49% quasi co-ownership interest)	
Revenue from sales of real estate property	¥2,930,200
Cost of real estate property	2,730,981
Other sales expenses	19,690
Gain on sales of real estate property	¥179,528
(in thousands of yen)	
Gourmet City Chiba-Chuo	
Revenue from sales of real estate property	¥800,000
Cost of real estate property	731,737
Other sales expenses	29,729
Gain on sales of real estate property	¥38,532

From April 1, 2018 to September 30, 2018

(in thousands of yen)

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

8. UNITHOLDERS' EQUITY

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

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	507,700 units	507,700 units

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of March 31, 2019 and September 30, 2018:

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Cash and deposits	¥7,475,785	¥7,582,764
Cash and deposits in trust	13,647,110	13,710,471
Restricted bank deposits in trust *	(1,674,737)	(1,890,414)
<u>Cash and cash equivalents</u>	<u>¥19,448,158</u>	<u>¥19,402,822</u>

*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, 2019 and September 30, 2018 are as follows:

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	178,048	183,298
<u>Total</u>	<u>¥188,548</u>	<u>¥193,798</u>

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of March 31, 2019 and September 30, 2018 are as follows:

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Due within 1 year	¥8,902,131	¥9,188,950
Due after 1 year	55,971,359	59,957,431
<u>Total</u>	<u>¥64,873,490</u>	<u>¥69,146,381</u>

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 6 months for loans payable and also have a redemption date of a maximum of 9 years and 1 month for investment corporation bonds as of March 31, 2019, the end of the eighth 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, 2019

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥7,475,785	¥7,475,785	¥ -
(2) Cash and deposits in trust	13,647,110	13,647,110	-
Total	21,122,896	21,122,896	-
(1) Short-term loans payable	2,750,000	2,750,000	-
(2) Current portion of long-term loans payable	13,350,000	13,361,605	11,605
(3) Investment corporation bonds	7,000,000	7,023,800	23,800
(4) Long-term loans payable	83,000,000	83,539,962	539,962
(5) Tenant leasehold and security deposits in trust	2,132,211	2,131,966	(245)
Total	108,232,211	108,807,334	575,122
Derivative transactions	¥(167,579)	¥(167,579)	¥ -

(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, 2018

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

Classification	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Tenant leasehold and security deposits in trust (Note)	¥10,244,667	¥10,414,116
Total	¥10,244,667	¥10,414,116

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

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

As of March 31, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands of yen)					
Cash and deposits	¥7,475,785	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	13,647,110	-	-	-	-	-
Total	¥21,122,896	¥ -	¥ -	¥ -	¥ -	¥ -

As of September 30, 2018

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands of yen)					
Cash and deposits	¥7,582,764	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	13,710,471	-	-	-	-	-
Total	¥21,293,236	¥ -	¥ -	¥ -	¥ -	¥ -

*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, 2019

	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	-	-	1,000,000	1,000,000	-	5,000,000
Long-term loans payable	13,350,000	7,000,000	13,300,000	9,050,000	7,500,000	46,150,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	224,712	13,995	89,801
Total	¥16,535,430	¥7,435,430	¥14,735,430	¥10,274,712	¥7,513,995	¥51,239,801

As of September 30, 2018

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Short-term loans payable	¥2,750,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	2,000,000	-	5,000,000
Long-term loans payable	12,000,000	7,000,000	13,300,000	9,050,000	7,500,000	47,500,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	13,995	96,798
Total	¥15,185,430	¥7,435,430	¥13,735,430	¥11,485,430	¥7,513,995	¥52,596,798

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2019 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	¥32,340,000	¥31,010,000	¥(167,579)	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	38,900,000	31,900,000	*	-
Total			¥71,240,000	¥62,910,000	¥(167,579)	

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

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2018 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Maturing	after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥26,690,000	¥25,360,000	¥142,159	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,550,000	38,900,000	*	-
Total			¥71,240,000	¥64,260,000	¥142,159	

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

13. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

8th Fiscal Period (October 1, 2018 to March 31, 2019) and 7th Fiscal Period (April 1, 2018 to September 30, 2018): Not applicable

2. Affiliated companies and other

8th Fiscal Period (October 1, 2018 to March 31, 2019) and 7th Fiscal Period (April 1, 2018 to September 30, 2018): Not applicable

3. Fellow subsidiary companies and other

8th Fiscal Period (October 1, 2018 to March 31, 2019) and 7th Fiscal Period (April 1, 2018 to September 30, 2018): Not applicable

4. Directors, major individual unitholders and other

8th Fiscal Period (October 1, 2018 to March 31, 2019) and 7th Fiscal Period (April 1, 2018 to September 30, 2018): Not applicable

14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 32%. 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 ¥3,288 million and ¥3,198 million for the periods ended March 31, 2019 and September 30, 2018, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.03% and 0.11% for the periods ended March 31, 2019 and September 30, 2018, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of March 31, 2019	As of September 30, 2018
Statutory tax rate	31.51%	34.59%
Deductible cash distributions	(31.54)	(34.55)
Others	0.06	0.07
Effective tax rate	0.03%	0.11%

The significant components of deferred tax assets and liabilities:

	As of March 31, 2019	As of September 30, 2018
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 20	¥ 210
Amortization of leasehold right in trust	10,473	9,216
Depreciation	3,770	3,317
Asset retirement obligations	7,558	7,511
Deferred gains or losses on hedges	52,938	-
Subtotal deferred tax assets	74,761	20,256
Valuation allowance	(74,761)	(20,256)
Total deferred tax assets	¥ -	¥ -

15. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

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

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

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
	(in thousands of yen)	
Balance at the beginning of the period	¥23,778	¥23,629
Accretion adjustment	149	148
Balance at the end of the period	¥23,927	¥23,778

16. SEGMENT INFORMATION

Segment information for the periods from October 1, 2018 to March 31, 2019 and April 1, 2018 to September 30, 2018 is as follows:

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

17. INVESTMENT AND RENTAL PROPERTIES

KRR owns retail properties 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, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥215,270,828	¥208,376,323
Changes during the period	(15,093)	6,894,504
Balance at the end of the period	215,255,734	215,270,828
Fair value at the end of the period	¥229,995,800	¥229,504,000

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, 2019, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 1 property totaling 3,951,173 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 2 properties totaling 3,462,719 thousand yen and depreciation amounting to 990,722 thousand yen and during the fiscal period ended September 30, 2018, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 2 properties totaling 7,961,786 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 1 property totaling 907,424 thousand yen and depreciation amounting to 971,702 thousand yen.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers. In addition, the fair value of Solala Plaza (51.0% quasi co-ownership interest) and Welcia Kishiwadakamori (Land) as of March 31, 2019 is based on the sales price (3,049,800 thousand yen and 560,000 thousand yen, respectively) under the trust beneficiary interest sales contracts entered into on November 14, 2018 and May 16, 2019, respectively. The fair value of Solala Plaza as of September 30, 2018, is based on the sales price (5,980,000 thousand yen) under the trust beneficiary interest sales contracts entered into on November 14, 2018.

The profit or loss for the periods ended March 31, 2019 and September 30, 2018 concerning investment and rental properties is included in Note "7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY."

18. PER UNIT INFORMATION

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
Net asset value per unit	¥229,477	¥229,918
Net income per unit	¥6,467	¥6,298

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, 2019 (507,700 units) and during the fiscal period ended September 30, 2018 (507,700 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
Net income (in thousands of yen)	¥3,283,732	¥3,197,852
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,283,732	¥3,197,852
Weighted average number of units during the period (units)	507,700	507,700

19. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of March 31, 2019:

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Depreciation		Net balance at the end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Buildings in trust	¥57,984,991	¥3,052,716	¥1,896,850	¥59,140,856	¥5,692,853	¥918,486	¥53,448,003	*
Structures in trust	2,872,268	131,913	4,861	2,999,320	359,296	55,475	2,640,023	
Machinery and equipment in trust	214,971	64,103	28,506	250,568	30,701	5,767	219,866	
Tools, furniture and fixtures in trust	96,472	4,543	7,729	93,286	31,649	7,015	61,636	
Land in trust	155,092,322	1,198,390	1,723,994	154,566,718	-	-	154,566,718	
Construction in progress in trust	378	-	378	-	-	-	-	
Subtotal	216,261,403	4,451,666	3,662,320	217,050,750	6,114,501	986,744	210,936,249	
Total	216,261,403	4,451,666	3,662,320	217,050,750	6,114,501	986,744	210,936,249	
Intangible assets	Leasehold right in trust	4,349,916	-	4,349,916	33,154	3,978	4,316,761	
	Other	7,763	2,039	9,803	3,520	861	6,282	
Total	¥4,357,679	¥2,039	¥-	¥4,359,719	¥36,675	¥4,840	¥4,323,044	

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

Property, plant and equipment and intangible assets consist of the following as of September 30, 2018:

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

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

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, 2019:

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	¥ -	0.463	February 13, 2019	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.461	January 31, 2020		
	Subtotal	2,750,000	2,750,000	2,750,000	2,750,000				
Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	750,000	-	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed
	Aozora Bank, Ltd.	500,000	-	500,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-				
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	200,000	-	0.545	March 31, 2019		
	Resona Bank, Limited	200,000	-	200,000	-				
	The Musashino Bank, Ltd.	150,000	-	150,000	-				
	Sumitomo Mitsui Banking Corporation	1,850,000	-	1,850,000	-	0.368	September 30, 2019		
	MUFG Bank, Ltd.	550,000	-	550,000	-				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	500,000	-				
	Resona Bank, Limited	300,000	-	300,000	-	0.488	August 31, 2019		
	The Musashino Bank, Ltd.	250,000	-	250,000	-				
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000	0.488	August 31, 2019		
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Aozora Bank, Ltd.	250,000	-	-	250,000				
	Resona Bank, Limited	250,000	-	-	250,000	0.488	August 31, 2019		
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.488	August 31, 2019		
	Aozora Bank, Ltd.	640,000	-	-	640,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	360,000	-	-	360,000	0.463	September 30, 2019		
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000				
	Sumitomo Mitsui Banking Corporation (Note 7)	2,400,000	-	-	2,400,000	0.751	February 10, 2020		
	MUFG Bank, Ltd. (Note 7)	800,000	-	-	800,000				
	MUFG Bank, Ltd. (Note 7)	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited (Note 7)	550,000	-	-	550,000					
Aozora Bank, Ltd. (Note 7)	500,000	-	-	500,000					
Resona Bank, Limited (Note 7)	500,000	-	-	500,000					
The Gunma Bank, Ltd. (Note 7)	400,000	-	-	400,000					
The Musashino Bank, Ltd. (Note 7)	400,000	-	-	400,000					
Mizuho Bank, Ltd. (Note 7)	350,000	-	-	350,000					

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
		(in thousands of yen)				(%)			
Current portion of long-term loans payable	Mizuho Trust & Banking Co., Ltd. (Note7)	300,000	-	-	300,000	0.751	February 10, 2020	(Note 5)	Unsecured/ Non-guaranteed
	Subtotal	19,000,000	-	5,650,000	13,350,000				
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				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
	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				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Limited	400,000	-	-	400,000	0.975	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
	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				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000	1.110	March 31, 2024		
	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					
MUFG Bank, Ltd.	400,000	-	-	400,000	1.243	April 16, 2025			
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			

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		
Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
Resona Bank, Limited	500,000	-	-	500,000	1.002			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
Aozora Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd.	400,000	-	-	400,000	0.485	April 27, 2021		
Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (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	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		(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027		
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930	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		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd.	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	(Note 5)	Unsecured/ Non-guaranteed
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			
Subtotal	77,350,000	56,500,000	-	83,000,000				
Total	¥99,100,000	¥8,400,000	¥8,400,000	¥99,100,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥7,000,000	¥13,300,000	¥9,050,000	¥7,500,000	¥46,150,000

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2018:

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date (Note 4)	Use	Remarks																																																																																																																																																																																																																													
						(Note 2) (Note 3)																																																																																																																																																																																																																																
					(in thousands of yen)	(%)																																																																																																																																																																																																																																
Short-term loans payable	Sumitomo Mitsui Banking Corporation	¥900,000	¥ -	¥900,000	¥ -	0.455	April 19, 2018	(Note 5)	Unsecured/ Non-guaranteed																																																																																																																																																																																																																													
	Mizuho Bank, Ltd.	300,000	-	300,000	-					Sumitomo Mitsui Banking Corporation	2,600,000	-	2,600,000	-	0.455	April 21, 2018	MUFG Bank, Ltd.	1,070,000	-	1,070,000	-	Aozora Bank, Ltd.	640,000	-	640,000	-	0.455	April 21, 2018	Resona Bank, Limited	400,000	-	400,000	-	Mizuho Bank, Ltd.	360,000	-	360,000	-	0.455	September 30, 2018	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	0.456	February 13, 2019	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	Subtotal	12,920,000	-	10,170,000	2,750,000											Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	Aozora Bank, Ltd.	500,000	-	-	500,000	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.545	March 31, 2019	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000	Resona Bank, Limited	200,000	-	-	200,000	0.368	September 30, 2019	The Musashino Bank, Ltd.	150,000	-	-	150,000	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.481	August 31, 2019	MUFG Bank, Ltd.	550,000	-	-	550,000	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.481	August 31, 2019	Resona Bank, Limited	300,000	-	-	300,000	The Musashino Bank, Ltd.	250,000	-	-	250,000	0.465	September 30, 2019	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	0.481	August 31, 2019	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	300,000	-	300,000	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.465	September 30, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Subtotal	8,030,000	3,970,000	-	12,000,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000			
	Sumitomo Mitsui Banking Corporation	2,600,000	-	2,600,000	-	0.455	April 21, 2018																																																																																																																																																																																																																															
	MUFG Bank, Ltd.	1,070,000	-	1,070,000	-					Aozora Bank, Ltd.	640,000	-	640,000	-	0.455	April 21, 2018	Resona Bank, Limited	400,000	-	400,000	-	Mizuho Bank, Ltd.	360,000	-	360,000	-	0.455	September 30, 2018	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	0.456	February 13, 2019	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	Subtotal	12,920,000	-	10,170,000	2,750,000											Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	Aozora Bank, Ltd.	500,000		-	-	500,000	Mizuho Bank, Ltd.	400,000	-	-			400,000	0.545	March 31, 2019	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000	Resona Bank, Limited	200,000	-	-	200,000	0.368	September 30, 2019	The Musashino Bank, Ltd.	150,000	-	-	150,000	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.481	August 31, 2019	MUFG Bank, Ltd.	550,000	-	-	550,000	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.481	August 31, 2019	Resona Bank, Limited	300,000	-	-	300,000	The Musashino Bank, Ltd.	250,000	-	-	250,000	0.465	September 30, 2019	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	0.481	August 31, 2019	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	300,000	-	300,000	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.465	September 30, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Subtotal	8,030,000	3,970,000	-	12,000,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000												
	Aozora Bank, Ltd.	640,000	-	640,000	-	0.455	April 21, 2018																																																																																																																																																																																																																															
	Resona Bank, Limited	400,000	-	400,000	-					Mizuho Bank, Ltd.	360,000	-	360,000	-	0.455	September 30, 2018	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-	MUFG Bank, Ltd.	200,000	-	200,000	-	0.456	February 13, 2019	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	Subtotal	12,920,000	-	10,170,000	2,750,000											Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	Aozora Bank, Ltd.	500,000		-	-	500,000	Mizuho Bank, Ltd.	400,000	-	-			400,000	0.545		March 31, 2019	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000	Resona Bank, Limited			200,000	-	-	200,000	0.368	September 30, 2019	The Musashino Bank, Ltd.	150,000	-	-	150,000	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.481	August 31, 2019	MUFG Bank, Ltd.	550,000	-	-	550,000	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.481	August 31, 2019	Resona Bank, Limited	300,000	-	-	300,000	The Musashino Bank, Ltd.	250,000	-	-	250,000	0.465	September 30, 2019	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	0.481	August 31, 2019	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	300,000	-	300,000	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.465	September 30, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Subtotal	8,030,000	3,970,000	-	12,000,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000																					
	Mizuho Bank, Ltd.	360,000	-	360,000	-	0.455	September 30, 2018																																																																																																																																																																																																																															
	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-					MUFG Bank, Ltd.	200,000	-	200,000	-	0.456	February 13, 2019	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	Subtotal	12,920,000	-	10,170,000	2,750,000											Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	Aozora Bank, Ltd.	500,000		-	-	500,000	Mizuho Bank, Ltd.	400,000	-	-			400,000	0.545		March 31, 2019	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000	Resona Bank, Limited			200,000	-		-	200,000	0.368	September 30, 2019	The Musashino Bank, Ltd.	150,000	-			-	150,000	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.481	August 31, 2019	MUFG Bank, Ltd.	550,000	-	-	550,000	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.481	August 31, 2019	Resona Bank, Limited	300,000	-	-	300,000	The Musashino Bank, Ltd.	250,000	-	-	250,000	0.465	September 30, 2019	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	0.481	August 31, 2019	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	300,000	-	300,000	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.465	September 30, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Subtotal	8,030,000	3,970,000	-	12,000,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000																														
	MUFG Bank, Ltd.	200,000	-	200,000	-	0.456	February 13, 2019																																																																																																																																																																																																																															
	Sumitomo Mitsui Banking Corporation (Note 8)	3,400,000	-	3,400,000	-					Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	Subtotal	12,920,000	-	10,170,000	2,750,000											Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	Aozora Bank, Ltd.	500,000		-	-	500,000	Mizuho Bank, Ltd.	400,000	-	-			400,000	0.545		March 31, 2019	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000	Resona Bank, Limited			200,000	-		-	200,000	0.368	September 30, 2019	The Musashino Bank, Ltd.	150,000	-			-	150,000		Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.481	August 31, 2019			MUFG Bank, Ltd.	550,000	-	-	550,000	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.481	August 31, 2019	Resona Bank, Limited	300,000	-	-	300,000	The Musashino Bank, Ltd.	250,000	-	-	250,000	0.465	September 30, 2019	Mizuho Bank, Ltd. (Note 7)	710,000	-	-	710,000	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	0.481	August 31, 2019	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019	Resona Bank, Limited (Note 7)	250,000	-	-	250,000	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	0.481	August 31, 2019	Mizuho Bank, Ltd.	-	300,000	-	300,000	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019	Aozora Bank, Ltd.	-	640,000	-	640,000	Resona Bank, Limited	-	400,000	-	400,000	0.465	September 30, 2019	Mizuho Bank, Ltd.	-	360,000	-	360,000	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Subtotal	8,030,000	3,970,000	-	12,000,000	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000																																							
	Sumitomo Mitsui Banking Corporation	2,750,000	-	-	2,750,000	Subtotal	12,920,000			-	10,170,000	2,750,000																																																																																																																																																																																																																										
Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed																																																																																																																																																																																																																													
	Aozora Bank, Ltd.	500,000	-	-	500,000																																																																																																																																																																																																																																	
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.545	March 31, 2019																																																																																																																																																																																																																															
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000																																																																																																																																																																																																																																	
	Resona Bank, Limited	200,000	-	-	200,000	0.368	September 30, 2019																																																																																																																																																																																																																															
	The Musashino Bank, Ltd.	150,000	-	-	150,000																																																																																																																																																																																																																																	
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.481	August 31, 2019																																																																																																																																																																																																																															
	MUFG Bank, Ltd.	550,000	-	-	550,000																																																																																																																																																																																																																																	
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.481	August 31, 2019																																																																																																																																																																																																																															
	Resona Bank, Limited	300,000	-	-	300,000																																																																																																																																																																																																																																	
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	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	620,000	-	-	620,000	0.481	August 31, 2019																																																																																																																																																																																																																															
	Mizuho Trust & Banking Co., Ltd. (Note 7)	350,000	-	-	350,000																																																																																																																																																																																																																																	
	Aozora Bank, Ltd. (Note 7)	250,000	-	-	250,000	0.481	August 31, 2019																																																																																																																																																																																																																															
	Resona Bank, Limited (Note 7)	250,000	-	-	250,000																																																																																																																																																																																																																																	
	Sumitomo Mitsui Trust Bank, Limited (Note 7)	200,000	-	-	200,000	0.481	August 31, 2019																																																																																																																																																																																																																															
	Mizuho Bank, Ltd.	-	300,000	-	300,000																																																																																																																																																																																																																																	
	MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.481	August 31, 2019																																																																																																																																																																																																																															
	Aozora Bank, Ltd.	-	640,000	-	640,000																																																																																																																																																																																																																																	
Resona Bank, Limited	-	400,000	-	400,000	0.465	September 30, 2019																																																																																																																																																																																																																																
Mizuho Bank, Ltd.	-	360,000	-	360,000																																																																																																																																																																																																																																		
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000	Subtotal	8,030,000	3,970,000	-	12,000,000																																																																																																																																																																																																																													
Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000																																																																																																																																																																																																																																		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
MUFG Bank, Ltd.	800,000	-	-	800,000				
MUFG Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
Aozora Bank, Ltd.	500,000	-	-	500,000	0.751	February 10, 2020		
Resona Bank, Limited	500,000	-	-	500,000				
The Gunma Bank, Ltd.	400,000	-	-	400,000				
The Musashino Bank, Ltd.	400,000	-	-	400,000				
Mizuho Bank, Ltd.	350,000	-	-	350,000				
Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021		
MUFG Bank, Ltd.	700,000	-	-	700,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
Aozora Bank, Ltd.	450,000	-	-	450,000				
Resona Bank, Limited	450,000	-	-	450,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
MUFG Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Aozora Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000			(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023		
Resona Bank, Limited	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
MUFG Bank, Ltd.	450,000	-	-	450,000				
Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
The Musashino Bank, Ltd.	150,000	-	-	150,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000	1.110	March 31, 2024		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000	1.110	March 31, 2024		
Resona Bank, Limited	500,000	-	-	500,000				
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
MUFG Bank, Ltd.	400,000	-	-	400,000				
Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		
Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
Resona Bank, Limited	500,000	-	-	500,000	1.002			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.485	April 27, 2021		
Aozora Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd.	400,000	-	-	400,000				
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	April 27, 2021	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553			
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.772	October 31, 2024		
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000				
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	October 31, 2024		
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814			
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
MUFG Bank, Ltd. (Note 6)	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, Limited	500,000	-	-	500,000				
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd. (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	(Note 5)	Unsecured/ Non-guaranteed
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	-	2,000,000	-	2,000,000	0.902	April 30, 2026		
Mizuho Bank, Ltd.	-	1,000,000	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	-	1,000,000	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.999			
MUFG Bank, Ltd. (Note 6)	-	500,000	-	500,000	0.900	May 31, 2027		
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.999			
Mizuho Trust & Banking Co., Ltd.	-	500,000	-	500,000	0.999			
Nippon Life Insurance Company	-	700,000	-	700,000	0.913	March 31, 2025		
Subtotal	73,150,000	11,200,000	-	84,350,000				
Total	¥94,100,000	¥15,170,000	¥10,170,000	¥99,100,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥7,000,000	¥13,300,000	¥9,050,000	¥7,500,000	¥47,500,000

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

Note 8: Partial repayment of 2,000,000 thousand yen was made on April 27, 2018.

22. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of March 31, 2019 are as follows.

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

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

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

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

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

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

Outstanding investment corporation bonds as of September 30, 2018 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
		(in thousands of yen)						
First series of unsecured investment corporation bonds (Note 1)	October 31, 2016	¥1,000,000	¥ -	¥1,000,000	0.200	October 29, 2021	(Note2)	Unsecured
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026		
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	1,000,000	-	1,000,000	0.320	August 31, 2022		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note3)	
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	-	-	2,000,000	0.700	April 26, 2028		
Total		¥5,000,000	¥ -	¥7,000,000				

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

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

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

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

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

23. DISTRIBUTIONS

	From October 1, 2018 to March 31, 2019	From April 1, 2018 to September 30, 2018
I. Retained earnings at the end of period	¥3,283,881,662	¥3,198,151,440
II. Distributions in excess of earnings	¥172,110,300	¥-
Of which, allowance for temporary difference adjustments	¥172,110,300	¥-
III. Total distributions	¥3,288,372,900	¥3,198,002,300
Distributions per unit	¥6,477	¥6,299
Of which, distributions of earnings	¥3,116,262,600	¥3,198,002,300
Of which, distributions of earnings per unit	¥6,138	¥6,299
Of which, allowance for temporary difference adjustments	¥172,110,300	¥-
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	¥339	¥-
IV. Retained earnings brought forward to the next period	¥167,619,062	¥149,140

Method of calculating distribution amount	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,116,262,600 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act.</p> <p>Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥172,110,300 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.</p>	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,198,002,300 which is almost the entire amount of retained earnings as the distributions of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the seventh fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>
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8th Fiscal Period (From October 1, 2018 to March 31, 2019)

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	¥4,569
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	¥167,541

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.

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

Not applicable