



Kenedix Retail REIT Corporation

Semi-annual Report for the 1st Period

(From October 3, 2014 to September 30, 2015)



Thanks to your support, Kenedix Retail REIT Corporation (KRR) was listed on the Tokyo Stock Exchange on February 10, 2015, as a real estate investment trust (REIT) and I am pleased to report our results of operations for the first fiscal period (from October 3, 2014 to September 30, 2015).

We seek to build a portfolio of primarily neighborhood, community and other shopping centers that cater to the day-to-day needs of local area customers. Japanese consumers tend to shop frequently, often daily, for day-to-day necessities, and purchase smaller amounts on each trip. This reflects longstanding consumer tastes in Japan for eating fresh or convenience foods prepared daily and storing less at home. Moreover, Japan is undergoing unprecedented demographic changes that, we believe, are influencing the nature of local retail markets. In particular, the aging of the Japanese population and the increased concentration of populations in urban areas has resulted in shrinkage of retail trade areas for shopping centers. We have also observed an increase in market share of specialty stores as consumer tastes change. Accordingly, we believe that our selective investments in local shopping centers for daily needs with specialty stores or supermarkets as their main tenants give us the ability to enliven local communities and to enhance social infrastructure by becoming essential parts of the daily lifestyle of local area customers, driving high-frequency traffic from concentrations of residents in the local retail trade area. Upon listing, we acquired 18 shopping centers for daily needs with acquisition price of 80,843 million yen and we additionally acquired one property of 11,000 million yen on April 16, 2015.

In the first fiscal period, operating revenue totaled 5,103 million yen, operating income was 2,463 million yen, ordinary income was 1,939 million yen and net income was 1,933 million yen. As a result, the distribution to unitholders was 7,414 yen per unit.

Going into the second fiscal period, we issued new investment units and acquired 13 shopping centers for daily needs. As a result, our portfolio size by acquisition price increased by 60 % from the time of the IPO to approximately 129.7 billion yen with 32 properties.

With strong support from our Sponsor, Kenedix, Inc. and our Alliance Companies, namely Sumitomo Mitsui Finance and Leasing Co., Ltd., Nippon Commercial Development Co., Ltd., and P&D Consulting Co., Ltd., we dedicate ourselves to the growth of our portfolio and the maximization of unitholder value.

We respectfully look forward to your continued support.

浅野 晃弘

Akihiro Asano

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



Financial Highlights

For 1st fiscal period
(October 3, 2014 to September 30, 2015)

Distribution per Unit **¥ 7,414**

Forecast DPU for 2nd fiscal period **¥ 6,605**

(Includes distribution in excess of earnings per Unit : 13 yen)

Operating revenue **¥ 5,103 mn**

Operating income **¥ 2,463 mn**

Net income **¥ 1,933 mn**

Total assets **¥ 108,382 mn**

Total net assets **¥ 59,790 mn**

Net assets per Unit **¥ 229,301**

Number of properties / tenants **19** properties / **321** tenants

occupancy rate at the end of period **99.6 %**

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III. Financial Statement

Focused Investment in Neighborhood, Community

1. The only J-REIT specialized in shopping centers for daily needs

We are the only listed J-REIT to focus on neighborhood, community and other shopping centers for daily needs. We seek to generate long-term stable cash flow through portfolio diversification on a property and tenant basis, which is less affected by economic fluctuations. We also seek profitability growth through implementation of sales-linked rents and potential rent increase through appropriate tenant reshuffling.



2. Characteristics of our shopping centers

Located within residential districts or adjacent to major roads or streets, which provide daily goods and services

1. Retail trade area

- Approximately 1 to 10 kilometer radius (generally 3 to 5 kilometer radius)
- Customers predominantly from local areas

2. Operational features

- Accommodate certain daily local retail needs
- Strong customer traffic on both weekdays and weekends

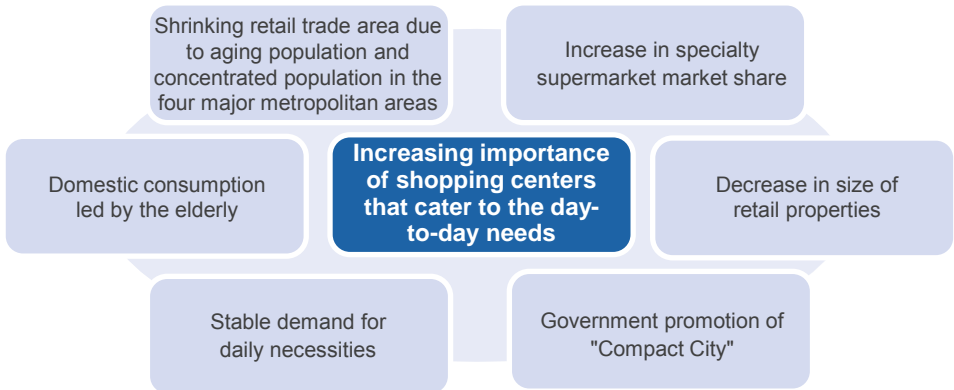
3. Tenant composition

- Various specialty stores to meet a range of day-to-day needs
- Groceries, clothing and other daily goods and services

and Other Shopping Centers for Daily Needs

3. Retail property trends and macroeconomic conditions

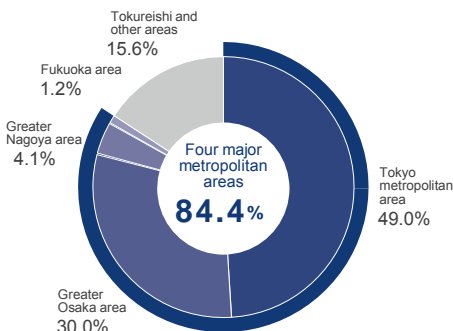
We expect that retail trade area will shrink due to population aging and concentration in the four major metropolitan areas. The importance of specialty stores in retail market is increasing with increase in specialty supermarket market share and decrease in size of retail properties in response to diversifying consumer needs. We believe that demand for neighborhood, community and other shopping centers that cater to the day-to-day needs will increase in this change of macroeconomic environment and diversifying consumer needs.



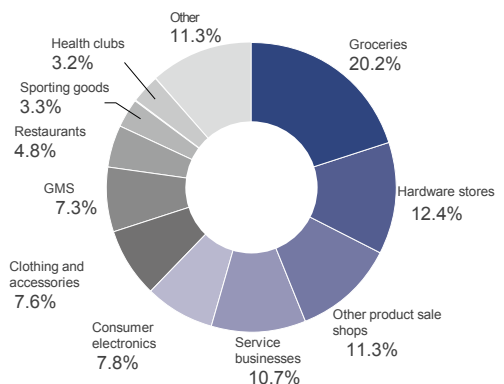
4. Summary of portfolio (as of October 2, 2015)

Our portfolio is structured to create stable cash flow through property and tenant diversification, as well as our primary geographic targets that are four major metropolitan areas, which have relatively stable demographics.

Location



Tenant categories (Note)



(Note) The figures are based on rents as of September 30, 2015

Strong Sponsor & Alliance Company

1. Leveraging extensive support from Sponsor and Alliance Companies

We have strong support from our Sponsor, Kenedix, Inc. as well as our Alliance Companies for both internal and external growth. With their support, we have access to a large and diverse pipeline of acquisition opportunities as well as a variety of technical expertise.

		Sponsor	Alliance Companies			
						
Type of support						
Support for external growth	Pipeline support	●	●	●	●	
	Warehousing services	●	●			
Support for internal growth	Leasing services	●		●		●
	PM services	●		●		●
	Environmentally-friendly technology / knowhow	●				
	Evaluation of operating conditions and advisory on operations					●
Other support	Personnel support	●	●			
	Right to use trademarks	●			●	

2. Overview of Alliance Companies

Sumitomo Mitsui Finance and Leasing Co., Ltd.

- Founded in Feb. 1963 (Leasing business since May 1968)
- Main lines of business: Leasing of a variety of equipment and machinery, loans and factoring, etc.
- Shareholders: Sumitomo Mitsui Financial Group, Inc. (60%), Sumitomo Corporation (40%)

P&D Consulting Co., Ltd.

- Founded in Aug. 1998
- Main lines of business: Development and management of retail facilities, retail consulting, etc.
- Development / management of its own brand "Unicus" (10 locations) and development of other retail facilities (8 locations) (as of Sep. 30, 2015)

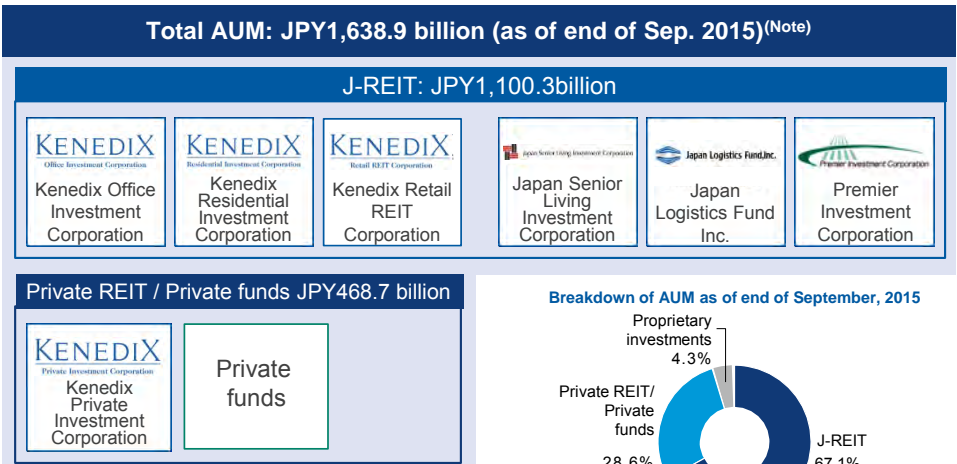
Nippon Commercial Development Co., Ltd.

- Founded in Apr. 2000
- Main lines of business: Real estate investment, sub-leasing / leasing / fund fee businesses
- JINUSHI BUSINESS
- Nippon Commercial Development's "JINUSHI BUSINESS" is a business model whereby they invest in land ownership interests and lease the land to tenants based on commercial fixed-term land lease agreements to generate stable cash flow (rent) in the long term.

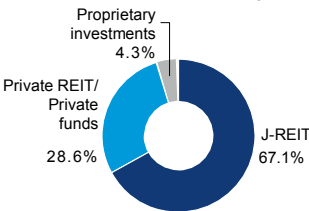
Support

3. The Kenedix Group's strong commitment to J-REITs

Even after the financial crisis in 2008, the Kenedix Group continued to steadily increase its AUM, which had grown to 1,638.9 billion yen as of September 30, 2015. Its AUM in J-REIT accounts for more than half of its total AUM.



Breakdown of AUM as of end of September, 2015



Note: The Kenedix Group's total AUM includes proprietary investments of JPY699 million.

4. Strong acquisition pipeline and preferential negotiation rights of retail properties

We seek active external growth through strong acquisition pipeline from our Sponsor and using preferential negotiation rights with our Alliance Companies.

Examples of properties with preferential negotiation rights granted by the Sponsor or owned by our Alliance Companies

<div style="background-color: #0070C0; color: white; padding: 2px 5px; font-weight: bold; margin-bottom: 5px;">SS</div>  <p>Home Center Kohnan Sunadabashi Location: Nagoya, Aichi</p>	<div style="background-color: #0070C0; color: white; padding: 2px 5px; font-weight: bold; margin-bottom: 5px;">SS</div>  <p>Royal Home Center Totsuka-Fukaya Location: Yokohama, Kanagawa</p>	<div style="background-color: #0070C0; color: white; padding: 2px 5px; font-weight: bold; margin-bottom: 5px;">SM</div>  <p>Yorkmart Totsuka-Fukayacho Location: Yokohama, Kanagawa</p>
<div style="background-color: #0070C0; color: white; padding: 2px 5px; font-weight: bold; margin-bottom: 5px;">SM</div>  <p>[Mandai Tsukaguchi] Location: Amagasaki, Hyogo</p>	<div style="background-color: #0070C0; color: white; padding: 2px 5px; font-weight: bold; margin-bottom: 5px;">SM</div>  <p>[Nishi, Osaka Project] Location: Osaka, Osaka</p>	<div style="background-color: #0070C0; color: white; padding: 2px 5px; font-weight: bold; margin-bottom: 5px;">SM</div>  <p>[Chuo, Osaka Project] Location: Osaka, Osaka</p>

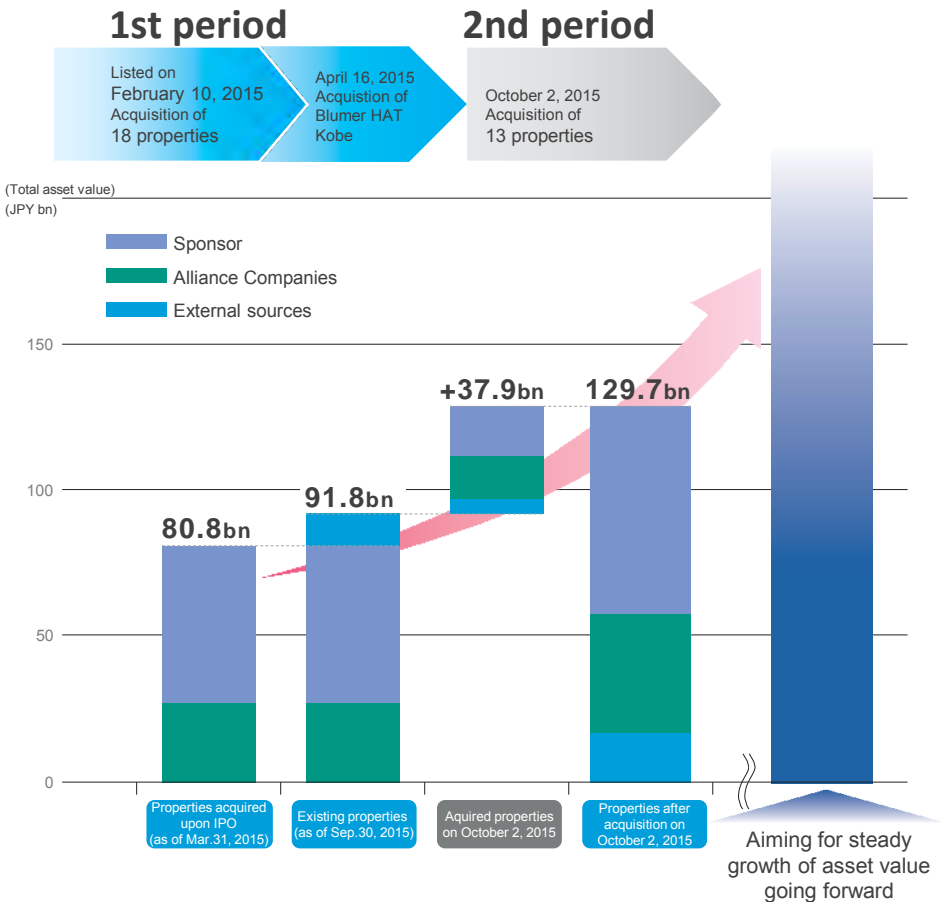
(Note 1) As of September 30, 2015, we have no plans to acquire these properties and there is no guarantee that we can acquire these properties in the future. We may acquire only the underlying land of these properties.

(Note 2) The illustrations above are only completion images based on design drawings and may differ from actual buildings after completion.

Track record since IPO

Driving growth and profitability through selective acquisitions

We began our operations on February 10, 2015 with 18 properties and we additionally acquired Blumer HAT Kobe on April 16, 2015. We realized our active external growth utilizing debt capacity in early stage after listing. In addition, we acquired 13 properties through public offering on October 2, 2015. As a result, we achieved 60.5% external growth of our portfolio, from 80.8 billion yen at our listing and 129.7 billion yen only eight months later.



Abundant external growth opportunities

Significant external growth due to our portfolio composed primarily of retail properties that cater to day-to-day needs, which make up an increasing share of retail properties in depth

Promoting external growth strategy

Promoting external growth strategy Strong pipelines from our Sponsor & Alliance Companies Diverse acquisition channels and methods also available

Portfolio List

Portfolio List (as of October 2, 2015)

Total acquisition price		¥129,763mn	Weighted average occupancy rate		99.0%	Number of tenants		388
No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%)	Number of tenants (Note1)			
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	99.5	49			
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	98.0	72			
T-3	Passaggio Nishiara	Adachi ward, Tokyo	5,850	98.3	40			
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	93.9	26			
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,379	100.0	1			
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	100.0	1			
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	100.0	11			
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	100.0	1			
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	99.5	48			
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1			
O-3	Piagio Kahma Home Center Omihachiman	Omihachiman, Shiga	2,140	100.0	2			
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	99.5	41			
N-1	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	100.0	1			
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	100.0	1			
N-3	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	889	100.0	1			
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	100.0	1			
R-1	Roseo Mito	Mito, Ibaraki	9,675	100.0 (Note2)	22			
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			
Total of assets acquired during 1st period			91,843	99.6	321			
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-14	Gourmet City Chiba-Chuo	Chiba, Chiba	760	100.0	1			
O-5	Carino Esaka	Suita, Osaka	6,555	99.1	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			
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	92.7 (Note2)	25			
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2			
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1			
Total of assets acquired on October 2, 2015			37,920	98.4	67			
Total			129,763	99.0	388			

(Note1) "Number of tenants" indicates the number of end-tenants

(Note2) Although the building and the land are leased separately to different tenants, the occupancy rate reflects the occupancy of both the building and the land

(Note3) "Occupancy rate" and "number of tenants" are as of September 30, 2015

Portfolio map (as of October 2, 2015)

Tokyo metropolitan area

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 Fujimida



T-9 Super Viva Home Iwatsuki (Land)



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



T-11 Unicus Kamisato (Land)



T-12 Unicus Konosu (Land)



T-13 Inageya Yokohama Minamihonjuku (Land)



T-14 Gourmet City Chiba-Chuo



Greater Osaka area

O-1 Blumer Maitamon



O-2 Central Square Takadono (Land)



O-3 Piago Kahma Home Center Omihachiman



O-4 Blumer HAT Kobe



O-5 Carino Esaka



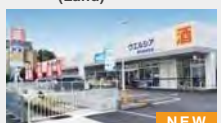
O-6 COMBOX Komyoike

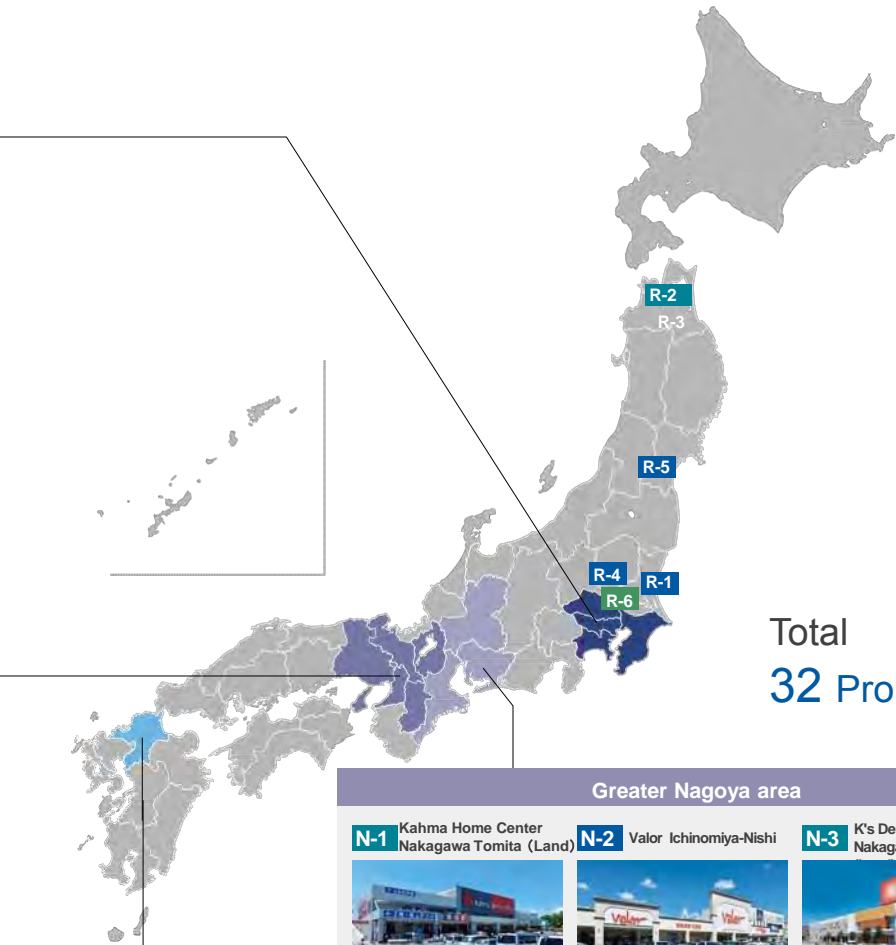


O-7 Hankyu Oasis Hirakatadeguchi



O-8 Welcia kishiwadakamori (Land)






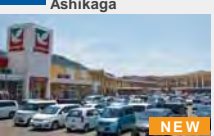

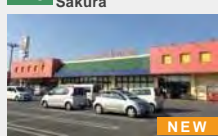


Total
32 Properties

Greater Nagoya area

<p>N-1 Kahma Home Center Nakagawa Tomita (Land)</p> 	<p>N-2 Valor Ichinomiya-Nishi</p> 	<p>N-3 K's Denki Nakagawa Tomita</p> 
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Tokureishi and other areas

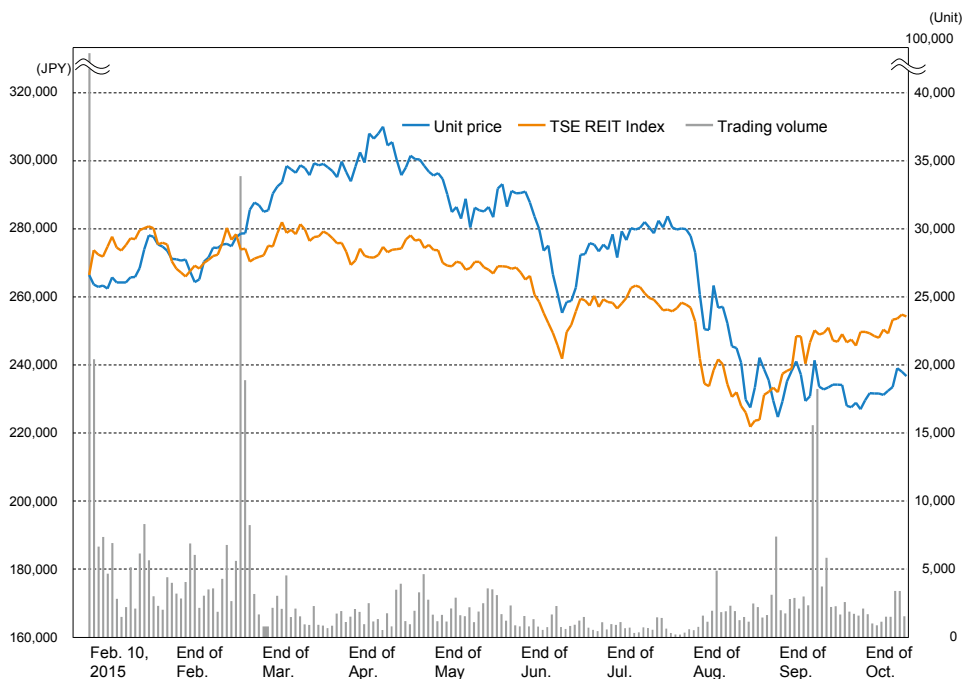
<p>R-1 Roseo Mito</p> 	<p>R-2 K's Denki Aomori Honten</p> 	<p>R-3 Super Sports Xebio Aomori-Chuo</p> 
<p>R-4 Ashico Town Ashikaga</p>  <p>NEW</p>	<p>R-5 Yorktown Shinden-Higashi</p>  <p>NEW</p>	<p>R-6 Kasumi Technopark Sakura</p>  <p>NEW</p>

Fukuoka area

F-1 Sunny Noma



Performance of Investment Unit



(Note) TSE REIT Index adjusted to KRR's closing unit price of JPY266,100 as of February 10, 2015.

	HIGH	LOW	CLOSE
February 10, 2015	269,600	260,100	266,100
February, 2015	275,400	260,100	273,600
March, 2015	280,800	262,500	278,300
April, 2015	300,000	277,900	299,300
May, 2015	309,500	292,200	298,000
June, 2015	298,200	279,100	290,500
July, 2015	290,600	248,200	276,300
August, 2015	283,500	245,200	256,800
September, 2015	254,900	218,000	230,600
October, 2015	255,600	225,000	236,500
October 30, 2015	239,000	236,400	236,500

T-5 NSC Neighborhood Shopping Centers

Unicus Ina



Shopping centers for daily needs with a supermarket as an anchor tenant



Unicus Ina is a neighborhood shopping center that was developed by P&D Consulting Co., Ltd., which is one of the Alliance Companies. P&D developed and operates 10 UNICUS® branded shopping centers, and Unicus Ina was completed in April 2006.

Unicus Ina is a stylish shopping center with an open mall configuration that has space for events and performances by community groups. The first floor tenants include a grocery store, drug store, clothing stores, book store, movie rental shop, restaurants, and stores offering services. The second floor has a hundred-yen store, clothing stores, café, ice cream shop, and stores offering services. Grocery store operator Yaoko, the anchor tenant, attracts large numbers of customers. Combining this store with stores providing a variety of services makes Unicus Ina a competitive shopping center.

Unicus Ina is only a five-minute walk from Hanuki Station on the Saitama New Urban Transit Ina Line (also known as the New Shuttle), which starts at the JR Omiya Station. The population surrounding this property continues to grow as new houses are constructed. The shopping center is also easily accessible by car from areas within a 15-minute drive, which are its primary catchment area. These areas include Ina Town and the cities of Ageo, Okegawa, Kuki, Shiraoka and Hasuda. There are parking spaces for about 680 vehicles in this shopping center.

P&D's idea for Unicus Ina was selected in a competition of concepts for a retail property to become the nucleus of a new center for the community of Ina Town. To reflect the wishes of the Ina Town municipal government, the shopping center has a disaster response storage space, a community room that Ina Town leases and a number of locally owned stores. In addition, schools and other community organizations have made frequent use of the shopping center's event space for their performances. Holding these events has played an important role in making Ina Town, contributing to enlivening local communities.



Property features

Acquisition price	JPY4,379 mn
Location	Kitaadachi-gun, Saitama
Land area	32,553.16 m ²
GFA	14,160.04 m ²
Core tenant	P&D Consulting

II. ASSET MANAGEMENT REPORT

Overview of Asset Management

(1) Trends in Key Indicators

Fiscal period		1st period (From October 3, 2014 to September 30, 2015)
Operating revenues	Millions of Yen	5,103
Of which, Property-related revenues	Millions of Yen	5,103
Operating expenses	Millions of Yen	2,639
Of which, Property-related expenses	Millions of Yen	2,246
Operating income	Millions of Yen	2,463
Ordinary income	Millions of Yen	1,939
Net income	Millions of Yen	1,933
Total assets	Millions of Yen	108,382
[Period-on-period changes]	%	[-]
Total net assets	Millions of Yen	59,790
[Period-on-period changes]	%	[-]
Unitholders' capital	Millions of Yen	57,857
Number of investment units issued and outstanding	Units	260,750
Net assets per unit	Yen	229,301
Distributions	Millions of Yen	1,933
Distributions per unit	Yen	7,414
Of which, Distributions of earnings	Yen	7,414
Of which, Distributions in excess of retained earnings	Yen	-
Ordinary Income to Total Assets (Note 2)	%	2.0
[Annualized] (Note 3)		[3.1]
Return on Net Assets (Note 4)	%	3.3
[Annualized] (Note 3)		[5.2]
Net Assets to Total Assets (Note 5)	%	55.2
[Period-on-period changes]		[-]
Operating days	Days	363
Payout Ratio (Note 6)	%	100.0
Number of properties		19
Leasable area	m ²	306,225.83
Number of tenants (Note 7)		321
Occupancy ratio	%	99.6
Depreciation expense	Millions of Yen	560
Capital expenditures	Millions of Yen	133
Rental NOI (Net Operating Income) (Note 8)	Millions of Yen	3,417
FFO (Funds from Operation) (Note 9)	Millions of Yen	2,548
FFO per unit (Note 10)	Yen	9,772

(Note 1) Figures above are rounded down for monetary amounts and rounded off for ratios

(Note 2) Ordinary Income to Total Assets= Ordinary Income/((Total assets at beginning of period+Total assets at end of period)/2)×100
Total assets at beginning of period above is the total assets on February 10, 2015, when the actual operation began.

(Note 3) Annualized as if the operation began from February 10, 2015, when the actual operation began.

(Note 4) Return on Net Assets=Net income/((Net assets at beginning of period+Net assets at end of period)/2)×100

Net Assets at beginning of period above is the total assets on February 10, 2015, when the actual operation began.

(Note 5) Net Assets to Total Assets= Net assets at end of period/Total assets at end of period × 100

(Note 6) Payout Ratio=Distributions(without distribution in excess of retained earnings)/Net income × 100

(Note 7) 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 8) Rental NOI= Property-related revenues-Property-related expenses+Depreciation expenses

(Note 9) FFO= Net income+Depreciation+Amortization- Gain on sale of property-Loss on sale of property

(Note 10) FFO per unit= FFO/ Number of investment units issued and outstanding

(2) Status of Asset Management

(Overview of the Period ending September 30, 2015)

i) Transition of KRR

KRR was established on October 3, 2014, with unitholders' capital of ¥150 million (750 units) and with Kenedix Real Estate Fund Management Inc. ("KFM") as the organizer 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 issued new investment units (254,250 units) through a public offering with the payment due date on February 9, 2015, which were 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. In addition, new investment units (5,750 units) were issued through a third-party allotment on March 11, 2015. As a result, the number of investment units issued at the end of the period ending September 30, 2015 was 260,750 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 KFM, with the following strategies.

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

- 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

There were signs of an economic rebound in Japan following a sluggish period mainly due to the impact of the April 2014 consumption tax hike to 8%. However, real GDP growth (2nd preliminary estimate) in the second quarter of 2015 was negative 0.3%, the first decline from the previous year in three quarters primarily due to weak consumer spending and exports. Since consumer spending was affected by temporary factors such as soft seasonal purchases due to unfavorable weather in June and the tax increase on light vehicles, the drop in the real GDP growth rate may also be transient. On the other hand, corporate earnings are increasing and employment statistics are improving. The real wage index of the Monthly Labour Statistics Survey of the Ministry of Health, Labour and Welfare was higher than one year earlier in July 2015 for the first time in about two years and increased again in August. The Bank of Japan Regional Economic Report (October 2015) also states that domestic demand is either "slowly recovering" or "recovering" in all regions due to firm consumer spending backed largely by steady improvements in the number of jobs and personal income.

In this financial environment, interest rates have been declining following the additional monetary easing by the Bank of Japan in October 2014. As funds flowed into the J-REIT market, especially through J-REIT mutual funds, the TSE REIT Index rallied to the 2,000 level in January 2015 based on highest prices. Subsequently, the index fell sharply due to an oversupply of investment units as J-REITs raised equity at a fast pace, the Greek debt problem, the stock market plunge in China and concerns over a U.S. interest rate hike, and slipping once below 1,500 in September. Although the index has been rebounding as investors are attracted by lower prices, cautiousness remains over J-REIT market. In the real estate market, J-REITs continue to purchase a substantial number of properties because of monetary easing and brisk equity raising activities by J-REITs.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired and started the operations of the following trust beneficiary interests in real estate (18 properties; total acquisition price: ¥80,843 million) on February 10, 2015. In addition, KRR acquired a property (acquisition price: ¥11,000 million) on April 16, 2015.

The below is property portfolio of KRR as of September 30, 2015.

Property number	Property Type (Note 1)	Property name	Location (City or Ward, Prefecture)	Acquisition Price (million yen) (Note 2)	Acquisition Date
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	February 10, 2015
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	8,063	February 10, 2015
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	February 10, 2015
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	February 10, 2015
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	4,379	February 10, 2015
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	February 10, 2015
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	February 10, 2015
T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	February 10, 2015
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	8,389	February 10, 2015
O-2	SM	Central Square Takadono (Land)	Osaka, Osaka	2,685	February 10, 2015
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	2,140	February 10, 2015
O-4	NSC	Bulmer HAT Kobe	Kobe, Hyogo	11,000	April 16, 2015
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	February 10, 2015
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	February 10, 2015
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	889	February 10, 2015
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	1,497	February 10, 2015
R-1	NSC	Roseo Mito	Mito, Ibaraki	9,675	February 10, 2015
R-2	SM	K's Denki Aomori Honten	Aomori, Aomori	1,469	February 10, 2015
R-3	NSC	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	February 10, 2015
Total				91,843	

(Note1) Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store).

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

Type of Neighborhood, community and other shopping centers for daily needs	Features	Trade area
NSC (Neighborhood Shopping Centers)	Shopping centers with a supermarket as an anchor or coretenant 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

(Note2) "Acquisition price" represents the purchase price of each trust beneficiary interest specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen).

(Note3) We have changed the property name as follows:

Property number	Current Name	Previous Name	Date
O-2	Central Square Takadono (Land)	Life Takadono (Land)	July 27, 2015

(B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (September 30, 2015). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction. KRR invests primarily in neighborhood and community shopping centers that cater to the day-to-day needs of customers. The portfolio is diversified in terms of properties, tenants and other characteristics with a goal to generate consistent long-term cash flows. At the same time, a portion of the rent includes sales-linked rent to explore the upside potential for rental income. By using these measures, we aim to pursue a portfolio that achieves both stability and growth.

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.6%. Furthermore, the portfolio is diversified in terms of tenants as there are 321 end-tenants in our retail properties.

(C) Financing

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

(Equity Finance)

In the current fiscal period, KRR was listed on the Tokyo Stock Exchange on February 10, 2015. In regard to this initial public offering, KRR sold 254,250 newly issued units, of which 168,825 units were offered in Japan and 85,425 units were offered overseas, and raised 56,430 million yen. In addition, 5,750 units were issued through third-party allotment on March 11, 2015, raising 1,276 million yen that was used to prepay a portion of borrowing for acquisition of properties. Due to these activities, unitholders' capital increased to 57,857 million yen on September 30, 2015.

(Debt Finance)

During the fiscal period under review, KRR borrowed for the acquisition of properties and used the proceeds from the issuance of newly issued units through third-party allotment for the early repayment of debt. Consequently, debt totaled 38,350 million yen at the end of the fiscal period under review. When undertaking borrowings, we combine a number of loans, spreading out repayment dates as shown below, considering the interest rate trends and other financial environment. We use swaps to fix the interest payments to hedge against the risk of a rise in interest rates. The below are borrowings at the end of the fiscal period.

Series	Lender	Amount (in thousands of yen)	Interest rate	Drawdown date	Repayment date (Note 1)	Repayment method	Remarks
1-A	Sumitomo Mitsui Banking Corporation	2,000,000	JBA 1-month Japanese Yen TIBOR+0.30%	February 10, 2015	February 10, 2016	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Mizuho Bank, Ltd.						
	Aozora Bank, Ltd.						
	Resona Bank, Ltd.						
Sumitomo Mitsui Trust Bank, Ltd.							
1-B	Sumitomo Mitsui Banking Corporation	3,850,000	0.54500% (Note2)	February 10, 2015	February 10, 2018	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Mizuho Bank, Ltd.						
	Mizuho Trust & Banking Co., Ltd.						
1-C	Sumitomo Mitsui Banking Corporation	7,000,000	0.75125% (Note2)	February 10, 2015	February 10, 2020	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Mitsubishi UFJ Trust and Banking Corporation						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Aozora Bank, Ltd.						
	Resona Bank, Ltd.						
	The Gunma Bank, Ltd.						
	The Musashino Bank, Ltd.						
	Mizuho Bank, Ltd.						
Mizuho Trust & Banking Co., Ltd.							
1-D	Sumitomo Mitsui Banking Corporation	5,500,000	0.86475% (Note2)	February 10, 2015	February 10, 2021	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Aozora Bank, Ltd.						
	Resona Bank, Ltd.						
	Mizuho Bank, Ltd.						

1-E	Sumitomo Mitsui Banking Corporation	5,400,000	0.97750% (Note2)	February 10, 2015	February 10, 2022	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Aozora Bank, Ltd.						
	Mizuho Trust & Banking Co., Ltd.						
	Mizuho Bank, Ltd.						
Resona Bank, Ltd.							
1-F	Development Bank of Japan Inc.	1,500,000	0.92500% (Note3)	February 10, 2015	February 10, 2021	Full on maturity	Unsecured/ Unguaranteed
1-G	Development Bank of Japan Inc.	1,600,000	1.03250% (Note3)	February 10, 2015	February 10, 2022	Full on maturity	Unsecured/ Unguaranteed
1-H (Note4)	Sumitomo Mitsui Banking Corporation	1,322,500	JBA 1-month Japanese Yen TIBOR+0.50%	February 10, 2015	February 10, 2016 (Note3)	Full on maturity	Unsecured/ Unguaranteed
2-A (Note4)	Sumitomo Mitsui Banking Corporation	6,900,000	JBA 1-month Japanese Yen TIBOR+0.30%	April 16, 2015	April 16, 2016	Full on maturity	Unsecured/ Unguaranteed
2-B	Sumitomo Mitsui Banking Corporation	4,600,000	1.36600% (Note2)	April 16, 2015	April 16, 2025	Full on maturity	Unsecured/ Unguaranteed
3-A	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,200,000	0.53375% (Note2)	September 30, 2015	March 31, 2019	Full on maturity	Unsecured/ Unguaranteed
	Aozora Bank, Ltd.						
	Mizuho Bank, Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Resona Bank, Ltd.						
	The Musashino Bank, Ltd.						
3-B	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,200,000	0.97500% (Note2)	September 30, 2015	March 31, 2023	Full on maturity	Unsecured/ Unguaranteed
	Sumitomo Mitsui Trust Bank, Ltd.						
	Mizuho Bank, Ltd.						
	Resona Bank, Ltd.						
	Mizuho Trust & Banking Co., Ltd.						
	Mitsubishi UFJ Trust and Banking Corporation						
3-C	Development Bank of Japan Inc.	1,500,000	0.99438% (Note3)	September 30, 2015	March 31, 2023	Full on maturity	Unsecured/ Unguaranteed

(Note 1) The repayment date will be the following business day in case such date falls on a day that is not a business day or the preceding business day in case such date falls in the next calendar month.

(Note 2) These borrowings are floating interest rates. However, we have entered into interest rate swap agreements to hedge the risks of interest rate volatility. These rates are the interest rates including the effect of the swaps (i.e., fixed interest rates).

(Note 3) These borrowings are fixed rates.

(Note 4) As for Series 1-H, there was no balance as of September 30, 2015 as it was prepaid in full on March 16, 2015. The repayment of Series 1-H was funded by net proceeds from the sale of new investment units through a third-party allotment with a March 11, 2015 payment date and cash on hands. As for Series 2-A, there was no balance as of September 30, 2015 because it was prepaid in full on September 30, 2015 using the proceeds of the Series 3-A, 3-B and 3-C borrowings.

As a result, the average remaining years to maturity is 5.5 years, the weighted average interest rate is 0.87%, the long-term debt ratio is 94.8% and the LTV ratio (note), is 40.6%.

(Note) The LTV ratio, or loan-to-value ratio, is the ratio of the total amount of borrowings, corporate bonds and tenant leasehold and security deposits (net of amounts reserved for return of tenant leasehold and security deposits), to the total assets minus amounts reserved for return of tenant leasehold and security deposits.

(Credit ratings)

The status of the credit ratings as of September 30, 2015 is as follows:

Credit Rating Agency	Details of the Ratings	
Japan Credit Rating Agency, Ltd. (JCR)	Long-Term Issuer Rating	A (Outlook: Stable)

iv) Results of Operations and Distribution

For this period, revenue was 5,103 million yen, operating income was 2,463 million yen, ordinary income was 1,939 million yen and net income was 1,933 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, the distribution for the fiscal period was 1,933,200,500 yen, which is an integral multiple of 260,750, the number of investment units outstanding at the end of the fiscal period and does not exceed the unappropriated retained earnings of the fiscal period. Cash distributions are paid out to the application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments). Consequently, the distribution per unit was 7,414 yen.

(3) Movements in Investment Units Issued and Outstanding

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

Date	Type of issue	Total Number of Units Issued and Outstanding (units)		Unitholders' Capital (in million yen)		Notes
		Increase	Balance	Increase	Balance	
October 3, 2014	Private placement for incorporation	750	750	150	October 3, 2014	Private placement
February 9, 2015	Public offering	254,250	255,000	56,430	February 9, 2015	Public offering
March 11, 2015	Capital increase through third-	5,750	260,750	1,276	March 11, 2015	Capital increase

(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.

(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 period are as follows

Fiscal period For the fiscal period ended	1st period September 30, 2015
Highest	309,500
Lowest	224,500

(4) Distributions

In order to maintain our favorable tax treatment, which is available to J-REITs under Article 67-15 of the Special Taxation Measures Act, we intend to distribute most of our retained earnings

(in thousands of yen)

	1st period (From October 3, 2014 to September 30, 2015)
Unappropriated retained earnings	1,933,270
Retained earnings carried forward	70
Total distributions	1,933,200
[Distributions per unit]	[7,414 yen]
Of which, distributions of earnings	1,933,200
Distributions of earnings per units	[7,414 yen]
Of which, distributions in excess of retained earnings	—
Distributions in excess of retained earnings per units	[—]

(5) Management Policy and Issues to be Addressed

i) Outlook for Asset Management

The Japanese economy is expected to continue to recover at a moderate pace owing to increasing corporate earnings and other positive factors. However, we should pay attention to uncertainties about the overseas economy regarding the direction of U.S. financial policies, the health of emerging economies and other events.

As for Japan's retail sector environment, household sentiment is recovering with the improvement in employment condition and rising wages, as well as the economic stimulus measures by the government. As a result, the negative effects of the April 2014 consumption tax hike are expected to weaken.

In the real estate trading market, we anticipate the high level of transaction volume to continue because of the strong appetite of J-REIT and other investors to acquire properties. The Bank of Japan's aggressive monetary easing measures will help provide continuous supply of adequate funds in the real estate market. However, investors should also keep in mind the risk of rise in interest rates in the future.

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

(A) Investment Strategy for New Properties and Disposition Policy

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

When acquiring properties, we make decisions based on all applicable factors with emphasis on four parameters: the retail property's attractiveness, its location, the property's profitability and the tenant mix. By using this selection process results, we invest in retail properties with a competitive edge, and good prospects for consistent rental revenue and growth in asset value. We also invest in land ownership interests underlying retail properties. While many of the land-only properties are selected from the "JINUSHI BUSINESS" portfolio held by Nippon Commercial Development Co., Ltd. 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 warehousing properties, provided that we are given an opportunity to acquire them in the future.

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

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

(B) Management Strategy for Existing Properties

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

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

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

"One-stop" asset management and property management services

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

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

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

Pursuit of internal growth through management of retail properties

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

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

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

iii. Realize growth in asset value by pursuing property expansions

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

(Note) The underutilized space is defined as the area that is calculated by multiplying the floor space ratio, or the ratio of total area of the building to the site area, which is prescribed in Article 52 of the Building Standards Act and applied to each retail property in accordance with the Building Standards Act, City Planning Act and other laws and regulations, by the land area that is allowed to be used as a retail property site, and subtracting from this figure the actual gross floor area of the building.

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

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

(C) Financing

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

(D) Disclosure of Information

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

(E) Conflicts of Interest

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

(6) Important Subsequent Events

Issuance of new investment units

KRR passed resolutions at the Board of Directors Meeting held on August 27, 2015 and September 15, 2015, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on October 1, 2015 and October 21, 2015, respectively. KRR used the net proceeds through third-party allotment for the partial repayment, 1,200,000 thousand yen, of short-term borrowings.

As a result, unitholders' capital totaled 77,606,649,500 yen and total number of investment units issued and outstanding increased to 355,250 as of October 21, 2015.

Issuance of new investment units through public offerings

Total number of units issued	88,750 units (Domestic 50,950 units, International 37,800 units)
Issue price (offer price)	216,543 yen per unit
Total amount of issue price (total offer price)	19,218,191,250 yen
Paid-in amount (issue amount)	208,991 yen per unit
Total paid-in amount (total issue amount)	18,547,951,250 yen
Payment date	October 1, 2015

Issuance of new investment units through third-party allotment

Total number of units issued	5,750 units
Paid-in amount (issue amount)	208,991 yen per unit
Total paid-in amount (total issue amount)	1,201,698,250 yen
Payment date	October 21, 2015
Allottee	SMBC Nikko Securities Inc.

(Reference Material)

(A) Acquisition of Assets

KRR acquired 13 assets (acquisition price of 37,920 million yen) on October 2, 2015.

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

Property number	Property type	Property name	Location	Seller	Acquisition price (million yen)	Appraisal value (million yen)	Acquisition date
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Sumitomo Mitsui Finance and Leasing Co., Ltd.	4,815	5,210	October 2, 2015
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Sumitomo Mitsui Finance and Leasing Co., Ltd.	3,169	3,410	October 2, 2015
T-11	NSC	Unicus Kamisato (Land)	Kodamagun, Saitama	P&D Consulting Co., Ltd.	3,000	3,010	October 2, 2015
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	P&D Consulting Co., Ltd.	1,700	1,730	October 2, 2015
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Nippon Commercial Development Co., Ltd.	1,442	1,460	October 2, 2015
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	G.K. Properties 1	760	780	October 2, 2015
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	JRP4 G.K.	6,555	6,580	October 2, 2015
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	JRP5 G.K.	6,450	6,840	October 2, 2015
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	G.K. Properties 1	1,280	1,290	October 2, 2015
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Nippon Commercial Development Co., Ltd.	487	500	October 2, 2015
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	G.K. JPN1	4,180	5,050	October 2, 2015
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Undisclosed (Note)	3,252	3,320	October 2, 2015
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Undisclosed (Note)	830	847	October 2, 2015
Total			—	—	37,920	40,027	—

(Note) We have not obtained the seller's consent.

(B) Asset under construction

A new building with 2,641.48m² gross floor area (hereinafter the “secondhand shop building”) was acquired on the underutilized site of Roseo Mito, a property owned by KRR. KRR expects the total construction cost for the secondhand shop building to be 371 million yen.

(C) Financing

KRR borrowed funds for the acquisition on October 2, 2015.

Series	Lender	Amount (in thousands of yen)	Interest rate	Drawdown date	Repayment date (Note 1)	Repayment method	Remarks
4-A	Sumitomo Mitsui Banking Corporation	2,050,000	JBA 1-month Japanese Yen TIBOR+0.50%	October 2, 2015	October 2, 2016	Full on maturity	Unsecured/ Unguaranteed
4-B	Sumitomo Mitsui Banking Corporation	3,450,000	0.54510% (Note2)	October 2, 2015	March 31, 2019	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Resona Bank, Ltd.						
	The Musashino Bank, Ltd.						
4-C	Mitsubishi UFJ Trust and Banking Corporation	800,000	0.98675% (Note2)	October 2, 2015	March 31, 2023	Full on maturity	Unsecured/ Unguaranteed
	Resona Bank, Ltd.						
	The Musashino Bank, Ltd.						
4-D	Development Bank of Japan Inc.	1,500,000	1.01262% (Note3)	October 2, 2015	March 31, 2023	Full on maturity	Unsecured/ Unguaranteed
4-E	Sumitomo Mitsui Banking Corporation	7,000,000	1.11010% (Note2)	October 2, 2015	March 31, 2024	Full on maturity	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Mizuho Trust & Banking Co., Ltd.						
	Sumitomo Mitsui Trust Bank, Ltd.						
	Resona Bank, Ltd.						
4-F	Sumitomo Mitsui Banking Corporation	1,900,000	1.24300% (Note2)	October 2, 2015	April 16, 2025	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
4-G (Note4)	Sumitomo Mitsui Banking Corporation	3,650,000	JBA 1-month Japanese Yen TIBOR+0.50%	October 2, 2015	October 2, 2016	Full on maturity	Unsecured/ Unguaranteed

(Note 1) The repayment date will be the following business day in case such date falls on a day that is not a business day or the preceding business day in case such date falls in the next calendar month.

(Note 2) These borrowings are floating interest rates. However, we have entered into interest rate swap agreements to hedge the risks of interest rate volatility. These rates are the interest rates including the effect of the swaps (i.e., fixed interest rates).

(Note 3) These borrowings are fixed interest rates.

(Note 4) As for Series 4-G, amount outstanding as of October 30, 2015 is 2,450 million yen as it was prepaid by 1,200 million yen on October 30, 2015. The repayment of Series 4-G was funded by net proceeds from the sale of new investment units through a third-party allotment with a October 21, 2015 payment date and cash on hands.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	1st period (From October 3, 2014 to September 30, 2015)
Total Number of Authorized Investment Units	5,000,000 units
Total Number of Investment Units Issued and Outstanding	260,750 units
Unitholders' Capital	57,857 million yen
Number of unitholders	8,954

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of September 30, 2015.

Name	Location	Number of units held (Units)	Ratio to total number of units issued and outstanding (%) (Note)
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11, Harumi, Chuo-ku, Tokyo	38,222	14.65
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	24,577	9.42
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	Office Tower Z, Harumi Island Triton Square, 1-8-12 Harumi, Chuo-ku, Tokyo	16,332	6.26
THE BANK OF NEW YORK MELLON SA/NV 10	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	9,242	3.54
BARCLAYS BANK PLC A/C CLIENT SEGREGATED A/C PB CAYMAN CLIENTS	6-10-1, Roppongi, Minato-ku, Tokyo Standing proxy: Barclays Securities Japan Ltd	7,976	3.05
STATE STREET BANK AND TRUST COMPANY 505225	4-16-13, Tsukishima, Chuo-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	6,620	2.53
CBLDN-STICHTING PGGM DEPOSITARY – LISTED REAL ESTATE PF FUND	6-27-30 Shinjuku, Shinjuku-ku, Tokyo Standing proxy: Citibank Japan Ltd.	6,388	2.44
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	6,102	2.34
KENEDIX, INC.	6-5 Nihonbashi Kabutocho, Chuo-ku, Tokyo	5,750	2.20
NORTHERN TRUST CO. (AVFC) RE COLONIAL FIRST STATE INVESTMENTS LIMITED	3-11-1, Nihonbashi, Chuo-ku, Tokyo Standing proxy: The Hong Kong and Shanghai Banking Corporation Ltd	5,748	2.20
合計		126,957	48.68

(Note) "Ratio to total number of units issued and outstanding" is rounded down to the second decimal place.

(3) Matters Concerning Directors and auditor**i) Executive Director, Supervisory Director, and Independent Auditor as of September 30, 2015 are as follows**

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director	Akihiro Asano	Director and COO, General Manager of the Retail REIT Division, KFM	2,977
Supervisory Director (Note 1)	Yoshiyuki Wada	representative partner, Grant Thornton Taiyo LLC Auditor, Zero Co., Ltd. outside director, Forval Telecom, Inc.	2,977
	Mai Ishiwatari	Partner, Shiroyama-Tower Law Office Executive director of Human Resources and Legal, Cocone Corporation	2,977
Independent Auditor (Note 2)	Ernst & Young ShinNihon LLC	—	15,600

(Note 1) 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.

(Note 2) Compensation for the Accounting Auditor includes payments for procedures for which an agreement has been reached involving the issuance of new investment units, which is a service not prescribed in Article 2 (1) of the Certified Public Accountants Act of Japan (Act No. 103, 1948).

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

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

(4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of September 30, 2015 are as follows

Operational Role	Name
Asset Manager	KFM
Asset Custodian	Mizuho Trust & Banking Co., Ltd.
Unitholders' Register Agent	Mizuho Trust & Banking Co., Ltd.
General Administrator	Mizuho Trust & Banking Co., Ltd.

Status on Investment Properties

(1) Component of Assets

Type of Specified Asset	Property type	Areas (Note 1)	First fiscal period as of September 30, 2015	
			Total Amount Held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)
Trust Beneficiary Interest in Real Estate	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan	49,405	45.6
		Greater Osaka area	24,898	23.0
		Greater Nagoya area	5,458	5.0
		Fukuoka area	1,527	1.4
		Tokureishi and other areas	12,188	11.2
	Other retail properties	—	—	—
Total of Trust Beneficiary Interests in Real Estate			93,478	86.2
Bank Deposits and Other Assets			14,903	13.8
Total Assets			108,382	100.0

(Note1)“Areas” are categorized to the Tokyo metropolitan area, the Greater Osaka area, the Greater Nagoya area, the Fukuoka area and Tokureishi 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. “Tokureishi and other areas” refers to cities designated by government ordinance, which have a population of 200,000 persons or more, and to other area with a population of fewer than 200,000 persons, which we believe will have suitable customer traffic from surrounding area.

(Note2)“Total Amount Held” is the amount allocated in the balance sheets as of September 30, 2015 (figures are on a net book value basis after deducting depreciation), and is rounded down to the nearest million.

(Note3) “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 10 largest properties by book value) by KRR as of September 30, 2015.

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	15,048	77,057.56	76,707.48	99.5	19.2	Retail facility
O-4	Blumer HAT Kobe	11,494	24,185.02	24,055.88	99.5	9.3	Retail facility
R-1	Roseo Mito	9,871	45,654.67	45,654.67	100.0	9.0	Retail facility
O-1	Blumer Maitamon	8,498	30,037.11	29,888.11	99.5	12.4	Retail facility
T-2	MONA Shin-Urayasu	8,223	9,568.31	9,376.34	98.0	13.2	Retail facility
T-3	Passaggio Nishiarai	5,964	10,546.25	10,366.25	98.3	7.9	Retail facility
T-4	Daikanyama Address Dixsept	5,454	5,056.39	4,748.56	93.9	6.4	Retail facility
T-5	Unicus Ina	4,411	13,044.37	13,044.37	100.0	3.3	Retail facility
T-6	Yorktown Kita-Kaname	4,038	— (Note 5)	— (Note 5)	100.0	2.9	Retail facility
T-7	Unicus Yoshikawa	3,657	10,620.04	10,620.04	100.0	3.3	Retail facility
Total		76,662	— (Note 5)	— (Note 5)	—	86.8	

(Note 1) "Leasable area" is equivalent to gross floor area of space that we consider to be available for lease in each property, rounded to the nearest tenth. For land-only properties, leasable area is equivalent to land area as described in the property registry. The construction site within Roseo Mito is excluded from leasable area.

(Note 2) "Leased area" indicates the total leased area based on the lease agreements for each property as of September 30, 2015. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases (the master lease in which rent received by the lessor is in principle the same amount as the rent received by the master lessee from end-tenants), the leased area based on the lease agreements between the master lessee and the end-tenants as of September 30, 2015 is shown. As for sublease type master leases (the master lease in which a fixed amount of rent is received from the master lessee.), the leased area to the master lessee is shown.

(Note 3) "The occupancy rate" is calculated by dividing leased area by leasable area as of September 30, 2015, rounded to the nearest tenth. The "Total" of "Occupancy rate" represents the average occupancy rate of all properties in the initial portfolio.

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

(Note 5) We have not obtained consent from the tenant(s) to release this information.

(3) Overview of the Portfolio

[Overview of Assets Owned]

The following summarizes the real estate or the real estate properties in trust owned by KRR as of September 30, 2015.

Area (Note1)	Property number	Property type (Note 2)	Property name	Location (City or Ward, Prefecture)	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	15,048	15,100
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,223	8,360
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,964	6,200
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,454	5,450
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,411	4,430
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	4,038	4,220
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,657	3,690
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,607	2,640
O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,498	8,820
	O-2	SM	Central Square Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	2,870
	O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,178	2,390
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,494	11,600
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,500
	N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,199	2,200
	N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	945
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,527	1,500
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,871	10,300
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,499	1,590
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	913	901
Total						93,575	95,706

(Note1) "T" "O" "N" "F" and "R" herein after refers to Tokyo metropolitan area, the Greater Osaka area, the Greater Nagoya area, the Fukuoka area and Tokureishi and other areas, respectively.

(Note2) Properties herein after are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store).

(Note3) "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.

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	First fiscal period as of September 30, 2015			
				Number of tenants (Note 1)	Occupancy rate (%)	rental revenue (millions)	Ratio to total rental revenue (%)
T	T-1	CSC	Fululu Garden Yachiyo	49	99.5	978	19.2
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(72)	98.0	672	13.2
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(40)	98.3	404	7.9
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(26)	93.9	324	6.4
	T-5	NSC	Unicus Ina	1	100.0	169	3.3
	T-6	NSC	Yorktown Kita-Kaname	1	100.0	— (Note 2)	— (Note 2)
	T-7	NSC	Unicus Yoshikawa	1(11)	100.0	167	3.3
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 2)	— (Note 2)
O	O-1	NSC	Blumer Maitamon	48	99.5	630	12.4
	O-2	SM	Central Square Takadono (Land)	1	100.0	— (Note 2)	— (Note 2)
	O-3	NSC	Piago Kahma Home Center Omihachimam	2	100.0		
	O-4	NSC	Blumer HAT Kobe	1(41)	99.5	473	9.3
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	1	100.0	— (Note 2)	— (Note 2)
	N-2	NSC	Valor Ichinomiya-Nishi	1	100.0		
	N-3	SS	K's Denki Nakagawa Tomita (Land)	1	100.0		
F	F-1	SM	Sunny Noma	1	100.0		
R	R-1	NSC	Roseo Mito	1(22)	100.0	456	9.0
	R-2	SS	K's Denki Aomori Honten	1	100.0	— (Note 2)	— (Note 2)
	R-3	SS	Super Sports Xebio Aomori-Chuo	1	100.0		
Total				321	99.6	5,103	100.0

(Note 1) Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of September 30, 2015. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. The "Total" of "Number of tenants" shows the total number of tenants. As for pass-through type master leases, the number of end-tenants is used for calculation. As for sublease type master leases, the number of master lessee is used for calculation.

(Note 2) We have not obtained consent from the tenant(s) to release this information.

(4)Specified Transaction

As of September 30, 2015, 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)
			Due after one year	
OTC	Interest rate swaps: Receive floating/ pay fix	31,750	31,750	—
Total	—	31,750	31,750	—

(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.

(5)Other Assets

Real estate or beneficiary rights of real estate in trust owned by KRR are disclosed in “(3) Overview of the Portfolio”. KRR has no other specified assets.

(6)Asset in Geographic Area

KRR owns no asset in specified area other than Japan.

Capital Expenditures

(1)Planned Capital Expenditures

The table below shows major capital expenditures for renovations, repairs and other projects that are planned for the second fiscal period ending March 31, 2016. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditures that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
R-1	Roseo Mito	Mito, Ibaraki	building construction (Secondhand shop)	From June to November 2015	378	96	96
O-4	Blumer HAT Kobe	Kobe, hyogo	Renewal	From December 2015 To April 2016	89	—	—
T-2	MONA Shin-Urayasu	Urayasu, Chiba	PMAC replacement	From June 2015 to January 2016	65	—	—
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Replacing to LED lights for common areas	From December 2015 to March 2016	55	—	—
O-1	Blumer Maitamon	Kobe, Hyogo	Flooring replacement	From February to April 2016	47	—	—

(2)Capital Expenditures during the Period under review

The table below shows major capital expenditures for renovations, repairs and other projects in the period under review. The amount of capital expenditures in the period under review was 131 million yen. There were also expenditures of 144 million yen that were recorded as repair expenses. In total we spent 275 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Rest room remodeling	From April to June 2015	41
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	Replacing to LED lights for common areas	From June to June 2015	26
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Painting of exterior Stairways	From July to September 2015	15
Other					47
Total					131

(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)

	1st period From October 3, 2014 to September 30, 2015
Asset management fees (Note)	313,577
Asset custody fees	5,761
Administrative service fees	20,258
Directors' compensation	8,931
Other operating expenses	45,112
Total	393,641

(Note) Asset management fees for the 1st period, other than the amount above, 918,430 thousand yen are capitalized

(2) Status of Borrowings

Borrowings on a financial institution basis as of September 30, 2015 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 (Note2) (Notes) (%)	Payment due date (Notes)	Use	Remarks		
Short-term Payable	Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000	0.430	February 10, 2016	(Notes)	Unsecured/ Non-guaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	450,000	-	450,000						
	Mizuho Bank, Ltd.	-	400,000	-	400,000						
	Aozora Bank, Ltd.	-	250,000	-	250,000						
	Resona Bank, Ltd.	-	250,000	-	250,000						
	Sumitomo Mitsui Trust Bank, Ltd.	-	200,000	-	200,000						
	Sumitomo Mitsui Banking Corporation (Note6)	-	1,322,500	1,322,500	-					0.630	February 10, 2016
	Sumitomo Mitsui Banking Corporation (Note7)	-	6,900,000	6,900,000	-					0.430	April 16, 2016
Sub Total	-	10,222,500	8,222,500	-	2,000,000						
Long-term Payable	Sumitomo Mitsui Banking Corporation	-	2,300,000	-	2,300,000	0.545	February 10, 2018	(Notes)	Unsecured/ Non-guaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	800,000	-	800,000						
	Mizuho Bank, Ltd.	-	400,000	-	400,000						
	Mizuho Trust & Banking Co., Ltd.	-	350,000	-	350,000						
	Sumitomo Mitsui Banking Corporation	-	2,400,000	-	2,400,000	0.751	February 10, 2020				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	800,000	-	800,000						
	Mitsubishi UFJ Trust and Banking Corporation	-	800,000	-	800,000						
	Sumitomo Mitsui Trust Bank, Ltd.	-	550,000	-	550,000						
	Aozora Bank, Ltd.	-	500,000	-	500,000						
	Resona Bank, Ltd.	-	500,000	-	500,000						
	The Daiwa Bank, Ltd.	-	400,000	-	400,000						
	The Maashino Bank, Ltd.	-	400,000	-	400,000						
	Mizuho Bank, Ltd.	-	350,000	-	350,000						
	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000						
	Sumitomo Mitsui Banking Corporation	-	3,000,000	-	3,000,000					0.865	February 10, 2021
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	700,000	-	700,000						
	Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000						
	Aozora Bank, Ltd.	-	450,000	-	450,000						
	Resona Bank, Ltd.	-	450,000	-	450,000						
	Mizuho Bank, Ltd.	-	400,000	-	400,000						
	Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	800,000	-	800,000						
	Sumitomo Mitsui Trust Bank, Ltd.	-	600,000	-	600,000	0.978	February 10, 2022				
	Aozora Bank, Ltd.	-	400,000	-	400,000						
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000						
	Mizuho Bank, Ltd.	-	300,000	-	300,000						
	Resona Bank, Ltd.	-	300,000	-	300,000						
	Development Bank of Japan Inc. (Note8)	-	1,500,000	-	1,500,000					0.925	February 10, 2021
	Development Bank of Japan Inc. (Note8)	-	1,600,000	-	1,600,000					1.033	February 10, 2022
	Sumitomo Mitsui Banking Corporation	-	4,600,000	-	4,600,000					1.366	April 16, 2025
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	750,000	-	750,000	0.534	March 31, 2019				
	Aozora Bank, Ltd.	-	500,000	-	500,000						
	Mizuho Bank, Ltd.	-	400,000	-	400,000						
	Sumitomo Mitsui Trust Bank, Ltd.	-	200,000	-	200,000						
	Resona Bank, Ltd.	-	200,000	-	200,000						
	The Maashino Bank, Ltd.	-	150,000	-	150,000						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,000,000	-	1,000,000						
	Sumitomo Mitsui Trust Bank, Ltd.	-	600,000	-	600,000					0.975	March 31, 2023
	Mizuho Bank, Ltd.	-	400,000	-	400,000						
	Resona Bank, Ltd.	-	400,000	-	400,000						
Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000							
Mitsubishi UFJ Trust and Banking Corporation	-	400,000	-	400,000							
Development Bank of Japan Inc. (Note8)	-	1,500,000	-	1,500,000	0.994	March 31, 2023					
Sub Total	-	36,350,000	-	36,350,000							
Total	-	46,572,500	8,222,500	-	38,350,000						

(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
Long-term loans payable	-	3,850,000	2,200,000	7,000,000	23,300,000

(Note 2) All debts except for the following Note8 are borrowing at a floating rate.

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

(Note 4) All the repayment methods of debt financing except for the following Note6 and Note7 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) Prepayment was made on March 16, 2015.

(Note 7) Prepayment was made on September 30, 2015.

(Note 8) Borrowings at a fixed rate.

(3) Status of Investment Corporation Bonds

Not applicable

(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			
			Date	Acquisition price (in millions) (Note)	Date	Disposition price (in millions)	Book value (in millions)	Gain/Loss (in millions)
Trust beneficiary interest in real estate	T-1	Fululu Garden Yachiyo	Feb.2, 2015	14,848	—	—	—	—
Trust beneficiary interest in real estate	T-2	MONA Shin-Urayasu	Feb.2, 2015	8,063	—	—	—	—
Trust beneficiary interest in real estate	T-3	Passaggio Nishiarai	Feb.2, 2015	5,850	—	—	—	—
Trust beneficiary interest in real estate	T-4	Daikanyama Address Dixsept	Feb.2, 2015	5,390	—	—	—	—
Trust beneficiary interest in real estate	T-5	Unicus Ina	Feb.2, 2015	4,379	—	—	—	—
Trust beneficiary interest in real estate	T-6	Yorktown Kita-Kaname	Feb.2, 2015	4,000	—	—	—	—
Trust beneficiary interest in real estate	T-7	Unicus Yoshikawa	Feb.2, 2015	3,600	—	—	—	—
Trust beneficiary interest in real estate	T-8	Sports Club Renaissance Fujimidai	Feb.2, 2015	2,586	—	—	—	—
Trust beneficiary interest in real estate	O-1	Blumer Maitamon	Feb.2, 2015	8,389	—	—	—	—
Trust beneficiary interest in real estate	O-2	Central Square Takadono (Land)	Feb.2, 2015	2,685	—	—	—	—
Trust beneficiary interest in real estate	O-3	Piago Kahma Home Center Omihachiman	Feb.2, 2015	2,140	—	—	—	—
Trust beneficiary interest in real estate	O-4	Blumer HAT Kobe	Apr.16, 2015	11,000	—	—	—	—
Trust beneficiary interest in real estate	N-1	Kahma Home Center Nakagawa Tomita (Land)	Feb.2, 2015	2,311	—	—	—	—
Trust beneficiary interest in real estate	N-2	Valor Ichinomiya-Nishi	Feb.2, 2015	2,174	—	—	—	—
Trust beneficiary interest in real estate	N-3	K's Denki Nakagawa Tomita (Land)	Feb.2, 2015	889	—	—	—	—
Trust beneficiary interest in real estate	F-1	Sunny Noma	Feb.2, 2015	1,497	—	—	—	—
Trust beneficiary interest in real estate	R-1	Roseo Mito	Feb.2, 2015	9,675	—	—	—	—
Trust beneficiary interest in real estate	R-2	K's Denki Aomori Honten	Feb.2, 2015	1,469	—	—	—	—
Trust beneficiary interest in real estate	R-3	Super Sports Xebio Aomori-Chuo	Feb.2, 2015	898	—	—	—	—
Total			—	91,843	—	—	—	—

Note) "Acquisition price" or 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.

(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 Date	Acquisition price (in millions) (Note 1)	Appraisal value (in millions)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	T-1	Fululu Garden Yachiyo	Feb.2, 2015	14,848	15,000	Daiwa Real Estate Appraisal Co., Ltd.	Oct.1, 2014
		T-2	MONASHin-Urayasu	Feb.2, 2015	8,063	8,340	Japan Real Estate Institute	Oct.1, 2014
		T-3	Passaggio Nishiarai	Feb.2, 2015	5,850	6,020	Daiwa Real Estate Appraisal Co., Ltd.	Oct.1, 2014
		T-4	DaikanyamaAddress Dixsept	Feb.2, 2015	5,390	5,400	Japan Real Estate Institute	Oct.1, 2014
		T-5	Unicus Ina	Feb.2, 2015	4,379	4,410	Japan Real Estate Institute	Oct.1, 2014
		T-6	Yorktown Kita-Kaname	Feb.2, 2015	4,000	4,120	Daiwa Real Estate Appraisal Co., Ltd.	Oct.1, 2014
		T-7	Unicus Yoshikawa	Feb.2, 2015	3,600	3,630	Daiwa Real Estate Appraisal Co., Ltd.	Oct.1, 2014
		T-8	Sports Club Renaissance Fujimida	Feb.2, 2015	2,586	2,600	Daiwa Real Estate Appraisal Co., Ltd.	Oct.1, 2014
		O-1	Blumer Maitamon	Feb.2, 2015	8,389	8,520	The Tanizawa Sōgō Appraisal Co., Ltd.	Oct.1, 2014
		O-2	Central Square Takadono (Land)	Feb.2, 2015	2,685	2,700	The Tanizawa Sōgō Appraisal Co., Ltd.	Oct.1, 2014
		O-3	Piango Kahma Home Center Omihachiman	Feb.2, 2015	2,140	2,390	Japan Real Estate Institute	Oct.1, 2014
		O-4	Blumer HAT Kobe	Apr.16, 2015	11,000	11,200	Daiwa Real Estate Appraisal Co., Ltd.	Mar.1, 2015
		N-1	Kahma Home Center Nakagawa Tomita (Land)	Feb.2, 2015	2,311	2,380	The Tanizawa Sōgō Appraisal Co., Ltd.	Oct.1, 2014
		N-2	Valor Ichinomiya-Nishi	Feb.2, 2015	2,174	2,190	Japan Real Estate Institute	Oct.1, 2014
		N-3	K's Denki Nakagawa Tomita(Land)	Feb.2, 2015	889	903	The Tanizawa Sōgō Appraisal Co., Ltd.	Oct.1, 2014
		F-1	Sunny Noma	Feb.2, 2015	1,497	1,500	Japan Real Estate Institute	Oct.1, 2014
		R-1	Roseo Mito	Feb.2, 2015	9,675	9,780	Japan Real Estate Institute	Oct.1, 2014
		R-2	K's Denki Aomori Honten	Feb.2, 2015	1,469	1,590	Japan Real Estate Institute	Oct.1, 2014
		R-3	Super Sports Xebio Aomori-Chuo	Feb.2, 2015	898	901	Japan Real Estate Institute	Oct.1, 2014

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

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

ii) Others

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, Ernst & Young ShinNihon LLC performs an investigation of transactions other than those stated in "(1) Real Estate" above. For the period from October 3, 2014 to September 30, 2015, the transactions subject to such investigation were eleven interest rate swap transactions, for which KRR received a report from Ernst & Young ShinNihon LLC.

(4) Related-party transaction**i) Transactions**

	Transaction price (in millions)			
	Purchase		Sale	
Total amount	91,843		—	
Transactions with related-party				
JRP1 TMK	8,063	(8.8%)	—	(—%)
JRP2 TMK	5,390	(5.9%)	—	(—%)
JRP3 TMK	8,389	(9.1%)	—	(—%)
GK Roseo	9,675	(10.5%)	—	(—%)
合計	31,517	(34.3%)	—	(—%)

ii) Amounts of fees paid

	Total fees (A) (in millions)	Name of related-party and the amount of transactions		(B)/(A)
		Name	Amount paid(B)	
Property management fee	226	KFM	209	92.6%

(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) Status on Transactions with Asset Manager in connection with Concurrent Business conducted by the Asset Manager

No transaction business with 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,” “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) Status 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

III. Financial Statements

(1st Fiscal Period: from October 3, 2014 to September 30, 2015)

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



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 September 30, 2015, 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 at September 30, 2015, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

December 24, 2015
Tokyo, Japan

Kenedix Retail REIT Corporation

Balance Sheet

As of September 30, 2015

As of September 30, 2015

(in thousands of yen)

Assets	
Current assets	
Cash and deposits (Note 9)	¥3,950,551
Cash and deposits in trust (Note 9)	7,829,874
Operating accounts receivable	163,767
Prepaid expenses	16,763
Consumption taxes receivable	2,071,748
Other	10,783
Total current assets	14,043,489
Non-current assets	
Property, plant and equipment (Note 15 and 18)	
Construction in progress	96,745
Buildings in trust	25,766,439
Accumulated depreciation	(518,285)
Buildings in trust, net (Note 3)	25,248,154
Structures in trust	1,118,727
Accumulated depreciation	(35,074)
Structures in trust, net (Note 3)	1,083,653
Machinery and equipment in trust	29,194
Accumulated depreciation	(869)
Machinery and equipment in trust, net	28,324
Tools, furniture and fixtures in trust	26,211
Accumulated depreciation	(1,231)
Tools, furniture and fixtures in trust, net	24,979
Land in trust (Note 3)	66,910,436
Construction in progress in trust	12,025
Total property, plant and equipment, net	93,404,319
Intangible assets (Note 18)	
Leasehold right in trust (Note 15)	171,078
Other	2,445
Total intangible assets	173,523
Investments and other assets	
Lease and guarantee deposits	10,000
Lease and guarantee deposits in trust	5,320
Long-term prepaid expenses	418,520
Long-term deposits	124,960
Total investments and other assets	558,800
Total non-current assets	94,136,642
Deferred assets	
Organization costs	40,501
Investment unit issuance costs	161,506
Total deferred assets	202,008
Total assets	¥108,382,141

See accompanying notes to financial statements.

As of September 30, 2015

(in thousands of yen)

Liabilities	
Current liabilities	
Operating accounts payable	¥330,055
Short-term loans payable (Note 9 and 19)	2,000,000
Accounts payable-other	257,854
Accrued expenses	3,412
Income taxes payable	6,321
Advances received	518,706
Deposits received	359,954
Total current liabilities	3,476,305
Non-current liabilities	
Long-term loans payable (Note 9 and 19)	36,350,000
Tenant leasehold and security deposits (Notes 9)	20,000
Tenant leasehold and security deposits in trust (Notes 3 and 9)	8,722,663
Asset retirement obligations (Note 13)	22,901
Total non-current liabilities	45,115,565
Total liabilities	48,591,870
Net assets	
Unitholders' equity	
Unitholders' capital	57,857,000
Surplus	
Unappropriated retained earnings	1,933,270
Total surplus	1,933,270
Total unitholders' equity	59,790,270
Total net assets (Note 4)	59,790,270
Total liabilities and net assets	¥108,382,141

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Income and Retained Earnings

For the period from October 3, 2014 to September 30, 2015

	From October 3, 2014 to September 30, 2015
(in thousands of yen)	
Operating revenues	
Rent revenue-real estate (Note 5)	¥4,128,035
Other lease business revenue (Note 5)	975,033
Total operating revenues	5,103,069
Operating expenses	
Expenses related to rent business (Note 5)	2,246,179
Asset management fees	313,577
Asset custody fees	5,761
Administrative service fees	20,258
Directors' compensation	8,931
Other operating expenses	45,112
Total operating expenses	2,639,820
Operating income	2,463,248
Non-operating income	
Interest income	1,071
Total non-operating income	1,071
Non-operating expenses	
Interest expenses	208,576
Financing-related expenses	262,279
Amortization of organization costs	10,049
Amortization of investment unit issuance costs	43,605
Total non-operating expenses	524,510
Ordinary income	1,939,809
Income before income taxes	1,939,809
Income taxes	
Current	6,539
Total income taxes	6,539
Net income	1,933,270
Unappropriated retained earnings	¥1,933,270

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Changes in Net Assets

For the period from October 3, 2014 to September 30, 2015

	Unitholders' equity									
	Surplus									
	Unitholders' capital	Unappropriated retained earnings		Total surplus		Total unitholders' equity		Total net assets		
	(in thousands of yen)									
Balance at the beginning of the period	¥	-	¥	-	¥	-	¥	-	¥	-
Changes of items during the period										
Issuance of new investment units	57,857,000						57,857,000		57,857,000	
Net income			1,933,270		1,933,270		1,933,270		1,933,270	
Total changes of items during the period	57,857,000		1,933,270		1,933,270		59,790,270		59,790,270	
Balance as of September 30, 2015 (Note 6)	¥57,857,000		¥ 1,933,270		¥ 1,933,270		¥59,790,270		¥59,790,270	

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Cash Flows

For the period from October 3, 2014 to September 30, 2015

	From October 3, 2014 to September 30, 2015
	(in thousands of yen)
Net cash provided by (used in) operating activities	
Income before income taxes	¥1,939,809
Depreciation and amortization	561,321
Amortization of organization costs	10,049
Amortization of investment unit issuance costs	43,605
Interest income	(1,071)
Interest expenses	208,576
Decrease (increase) in operating accounts receivable	(163,767)
Decrease (increase) in consumption taxes receivable	(2,071,748)
Decrease (increase) in prepaid expenses	(16,763)
Increase (decrease) in operating accounts payable	304,096
Increase (decrease) in accounts payable-other	257,854
Increase (decrease) in advances received	518,706
Increase (decrease) in deposits received	359,954
Decrease (increase) in long-term prepaid expenses	(418,520)
Decrease (increase) in long-term deposits	(124,960)
Payments of organization costs	(50,551)
Subtotal	1,356,591
Interest income received	1,071
Interest expenses paid	(205,164)
Income taxes paid	(217)
Net cash provided by (used in) operating activities	1,152,280
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(96,745)
Purchase of property, plant and equipment in trust	(93,814,364)
Purchase of intangible assets	(2,809)
Purchase of intangible assets in trust	(176,383)
Payments for lease and guarantee deposits	(10,000)
Payments for lease and guarantee deposits in trust	(5,320)
Proceeds from tenant leasehold and security deposits	20,000
Repayments of tenant leasehold and security deposits in trust	(393,751)
Proceeds from tenant leasehold and security deposits in trust	9,116,415
Payments of restricted bank deposits in trust	(3,917,992)
Proceeds from restricted bank deposits in trust	287,569
Net cash provided by (used in) investing activities	(88,993,382)
Net cash provided by (used in) financing activities	
Proceeds from short-term loans payable	10,222,500
Payments of short-term loans payable	(8,222,500)
Proceeds from long-term loans payable	36,350,000
Proceeds from issuance of investment units	57,651,888
Other	(10,783)
Net cash provided by (used in) financing activities	95,991,104
Net increase (decrease) in cash and cash equivalents	8,150,002
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period (Note 7)	¥8,150,002

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from October 3, 2014 to September 30, 2015

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Retail REIT Corporation ("KRR") was established on October 3, 2014, with unitholders' capital of ¥150 million (750 units) and with Kenedix Real Estate Fund Management Inc. ("KFM") as the organizer 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 issued new investment units (254,250 units) through a public offering with the payment completed on February 9, 2015, which were listed on the Real Estate Investment Trust Securities (J-REIT) Market of the Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453) on February 10, 2015. In addition, new investment units (5,750 units) were issued through a third-party allotment on March 11, 2015. As a result, the number of investment units issued as of September 30, 2015, the end of the period, was 260,750 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 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 and started the operations of trust beneficiary interests in real estate (18 properties; total acquisition price: ¥80,843 million) on February 10, 2015. In addition, KRR acquired a property (acquisition price: ¥11,000 million) on April 16, 2015. For the period ended September 30, 2015, the portfolio as a whole performed well with an overall occupancy ratio of 99.6% as of September 30, 2015. Furthermore, the portfolio is diversified in terms of tenants as there are 321 end-tenants in KRR's properties.

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 basis over the estimated useful lives of the assets ranging as stated below:

	From October 3, 2014 to September 30, 2015
Buildings	2-64 years
Structures	8-59 years
Machinery and equipment	10-25 years
Tools, furniture and fixtures	5-10 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) 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 sheet and the statement of income and retained earnings.

(G) Revenue Recognition

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

(H) Taxes on Property and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is 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 ¥600,480 thousand as of September 30, 2015.

(I) **Income Taxes**

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

(J) **Consumption Taxes**

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

(K) **Derivative Financial Instruments**

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

(L) **Cash and Cash Equivalents**

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

(M) **Presentation of Amounts**

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

3. COLLATERAL

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

Assets pledged as collateral	As of September 30, 2015
	(in thousands of yen)
Buildings in trust	¥2,475,636
Structures in trust	48,748
Land in trust	6,595,863
Total	9,120,248
Secured liabilities	As of September 30, 2015
Tenant leasehold and security deposits in trust	3,630,423
Total	¥3,630,423

4. 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.

5. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES

Rental and other operating revenues and property-related expenses for the period from October 3, 2014 to September 30, 2015 consist of the following:

	From October 3, 2014 to September 30, 2015
	(in thousands of yen)
Rental and other operating revenues:	
Rent revenue-real estate:	
Rental revenues	¥3,643,804
Rental revenues from limited proprietary rights of land	220,680
Common area charges	263,549
Subtotal	4,128,035
Other lease business revenue:	
Parking space rental revenues	126,629
Utility charge reimbursement	500,044
Miscellaneous	348,360
Subtotal	975,033
Total rental and other operating revenues	5,103,069
Property-related expenses:	
Expenses related to rent business:	
Property management fees and facility management fees	655,263
Utilities	548,099
Taxes	1,280
Repairs and maintenance	144,732
Insurance	9,662
Trust fees	12,214
Depreciation	560,957
Others	313,968
Total property-related expenses	2,246,179
Net operating income from real estate rental business	¥2,856,889

6. UNITHOLDERS' EQUITY

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

	From October 3, 2014 to September 30, 2015
Total number of authorized investment units	5,000,000 units
Total number of investment units issued and outstanding	260,750 units

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of September 30, 2015:

	As of September 30, 2015
	(in thousands of yen)
Cash and deposits	¥3,950,551
Cash and deposits in trust	7,829,874
Restricted bank deposits in trust *	(3,630,423)
Cash and cash equivalents	¥8,150,002

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

8. LEASES

(As lessee)

Future minimum lease payments subsequent to September 30, 2015 under non-cancelable operating leases are as follows:

	As of September 30, 2015
	(in thousands of yen)
Due within 1 year	¥10,500
Due after 1 year	214,798
Total	¥225,298

(As lessor)

Future minimum lease income subsequent to September 30, 2015 under the non-cancelable operating leases are as follows:

	As of September 30, 2015
	(in thousands of yen)
Due within 1 year	¥2,080,978
Due after 1 year	17,941,367
Total	¥20,022,345

9. 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 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.

Borrowings, which are made primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years and 7 months as of September 30, 2015, the end of the first fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

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

properties.

(3) Risk management for financial instruments

a. Credit risk

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

b. Market risk

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

c. Liquidity risk

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

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

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

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

(B). Estimated Fair Value of Financial Instruments

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

As of September 30, 2015

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥3,950,551	¥3,950,551	¥ -
(2) Cash and deposits in trust	7,829,874	7,829,874	-
Total	11,780,426	11,780,426	-
(1) Short-term loans payable	2,000,000	2,000,000	-
(2) Long-term loans payable	36,350,000	35,739,489	(610,510)
(3) Tenant leasehold and security deposits in trust	3,344,264	3,376,087	31,823
Total	41,694,264	41,115,576	(578,687)
Derivative transactions	¥ -	¥ -	¥ -

*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) 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) 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 "10. DERIVATIVE TRANSACTIONS".

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

Classification	As of September 30, 2015
	(in thousands of yen)
Tenant leasehold and security deposits	¥20,000
Tenant leasehold and security deposits in trust	5,378,399
Total	¥5,398,399

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

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

As of September 30, 2015

	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	¥ 3,950,551	¥ —	¥ —	¥ —	¥ —	¥ —
Cash and deposits in trust	7,829,874	—	—	—	—	—
Total	¥11,780,426	¥ —	¥ —	¥ —	¥ —	¥ —

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

As of September 30, 2015

	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	¥2,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	—	3,850,000	2,200,000	7,000,000	23,300,000
Tenant leasehold and security deposits in trust	421,435	421,435	421,435	421,435	421,435	842,870
Total	¥2,421,435	¥421,435	¥4,271,435	¥2,621,435	¥7,421,435	¥24,142,870

10. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2015 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		
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥31,750,000	¥31,750,000	*	-

*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 "9. FINANCIAL INSTRUMENTS" (*1) Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions; Liabilities (2) Long-term loans payable.)

11. RELATED PARTY TRANSACTIONS

1 . Parent Company, major corporate unitholders and other

1st Fiscal Period (October 3, 2014 to September 30, 2015): Not applicable

2 . Affiliated companies and other

1st Fiscal Period (October 3, 2014 to September 30, 2015): Not applicable

3 . Fellow subsidiary companies and other

1st Fiscal Period (October 3, 2014 to September 30, 2015): Not applicable

4 . Directors, major individual unitholders and other

1st Fiscal Period (October 3, 2014 to September 30, 2015): Not applicable

12. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 37%. 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 ¥1,933 million for the periods ended September 30, 2015, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income was 0.34% for the periods ended September 30, 2015. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of September 30, 2015
Statutory tax rate	37.11%
Deductible cash distributions	(36.98)
Others	0.21
Effective tax rate	0.34%

The significant components of deferred tax assets and liabilities:

	As of September 30, 2015
	(in thousands of yen)
Deferred tax assets:	
Enterprise tax payable	¥ 360
Amortization of leasehold right in trust	1,713
Depreciation	391
Asset retirement obligations	7,399
Subtotal deferred tax assets	9,866
Valuation allowance	(9,866)
Total deferred tax assets	¥ —

13. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheet

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 3, 2014 to September 30, 2015
	(in thousands of yen)
Balance at the beginning of the period	¥ -
Increase due to acquisition of properties	22,711
Accretion adjustment	190
Balance at the end of the period	¥22,901

14. SEGMENT INFORMATION

Segment information for the period ended from October 3, 2014 to September 30, 2015 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 statement 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 statement 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 sheet.

(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 statement of income and retained earnings.

15. INVESTMENT AND RENTAL PROPERTIES

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

	From October 3, 2014 to September 30, 2015
	(in thousands of yen)
Book value	
Balance at the beginning of the period	¥ -
Changes during the period	93,575,397
Balance at the end of the period	93,575,397
Fair value at the end of the period	¥95,706,000

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 reporting period, the principal increase was the acquisitions of real estate trust beneficiary interests in 19 properties totaling ¥93,873,555 thousand and the principal decrease was depreciation amounting to ¥560,766 thousand.

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

The profit or loss for the period ended September 30, 2015 concerning investment and rental properties is included in Note "5. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES."

16. PER UNIT INFORMATION

	From October 3, 2014 to September 30, 2015
Net asset value per unit	¥229,301
Net income per unit	¥11,515 (¥7,434)

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the period (167,878 units). The figure in brackets shows net income per unit based on the day-weighted average number of investment units outstanding during the period (260,034 units) assuming the beginning of the fiscal period is February 10, 2015, the date that the asset management actually started. 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 3, 2014 to September 30, 2015
Net income (in thousands of yen)	¥1,933,270
Net income not attributable to ordinary unitholders (in thousands of yen)	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥1,933,270
Weighted average number of units during the period (units)	167,878

17. SIGNIFICANT SUBSEQUENT EVENTS

Issuance of new investment units

KRR passed resolutions at the Board of Directors Meeting held on August 27, 2015 and September 15, 2015, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on October 1, 2015 and October 21, 2015, respectively. KRR used the net proceeds through third-party allotment for the partial repayment of the short-term loans payable of ¥1,200,000 thousand.

As a result, unitholders' capital totaled ¥77,606,649,500 and total number of investment units issued and outstanding increased to 355,250 as of October 21, 2015.

(Issuance of new investment units through public offerings)

Total number of units issued : 88,750 units (Domestic 50,950 units, International 37,800 units)

Issue price (offer price) : ¥216,543 per unit

Total amount of issue price (total offer price) : ¥19,218,191,250

Paid-in amount (issue amount) : ¥208,991 per unit

Total paid-in amount (total issue amount) : ¥18,547,951,250

Payment date : October 1, 2015

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

Total number of units issued : 5,750 units

Paid-in amount (issue amount) : ¥208,991 per unit

Total paid-in amount (total issue amount) : ¥1,201,698,250

Payment date : October 21, 2015

Allottee : SMBC Nikko Securities Inc.

18. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following as of September 30, 2015:

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)								
Construction in progress	¥ -	¥96,745	¥ -	¥96,745	¥ -	¥ -	¥96,745	
Subtotal	-	96,745	-	96,745	-	-	96,745	
Buildings in trust	-	25,766,439	-	25,766,439	518,285	518,285	25,248,154	*
Structures in trust	-	1,118,727	-	1,118,727	35,074	35,074	1,083,653	*
Machinery and equipment in trust	-	29,194	-	29,194	869	869	28,324	
Tools, furniture and fixtures in trust	-	26,211	-	26,211	1,231	1,231	24,979	
Land in trust	-	66,910,436	-	66,910,436	-	-	66,910,436	*
Construction in progress in trust	-	12,025	-	12,025	-	-	12,025	
Subtotal	-	93,863,035	-	93,863,035	555,462	555,462	93,307,573	
Total	-	93,959,781	-	93,959,781	555,462	555,462	93,404,319	
Intangible assets								
Leasehold right in trust	-	176,383	-	176,383	5,304	5,304	171,078	
Other	-	2,809	-	2,809	364	364	2,445	
Total	¥ -	¥179,192	¥ -	¥179,192	¥5,669	¥5,669	¥173,523	

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

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2015:

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 (Note2) (Note3)	Payment due date (Note4)	Use	Remarks
Lender								
(in thousands of yen)					(%)			
Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	450,000	-	450,000				
Mizuho Bank, Ltd.	-	400,000	-	400,000				
Short-term loans payable					0.430	February 10, 2016		
Aozora Bank, Ltd.	-	250,000	-	250,000			(Note5)	Unsecured/ Non-guaranteed
Resona Bank, Limited	-	250,000	-	250,000				
Sumitomo Mitsui Trust Bank, Limited	-	200,000	-	200,000				
Sumitomo Mitsui Banking Corporation (Note6)	-	1,322,500	1,322,500	-	0.630	February 10, 2016		
Sumitomo Mitsui Banking Corporation (Note7)	-	6,900,000	6,900,000	-	0.430	April 16, 2016		

	Subtotal	-	10,222,500	8,222,500	2,000,000		
	Sumitomo Mitsui Banking Corporation	-	2,300,000	-	2,300,000		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	800,000	-	800,000	0.545	February 10, 2018
	Mizuho Bank, Ltd.	-	400,000	-	400,000		
	Mizuho Trust & Banking Co., Ltd.	-	350,000	-	350,000		
	Sumitomo Mitsui Banking Corporation	-	2,400,000	-	2,400,000		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	800,000	-	800,000		
	Mitsubishi UFJ Trust and Banking Corporation	-	800,000	-	800,000		
	Sumitomo Mitsui Trust Bank, 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		
Long-term loans payable	Mizuho Bank, Ltd.	-	350,000	-	350,000		Unsecured/ (Note5) Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000		
	Sumitomo Mitsui Banking Corporation	-	3,000,000	-	3,000,000		
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	800,000	-	800,000		
	Sumitomo Mitsui Trust Bank, Limited	-	600,000	-	600,000	0.978	February 10, 2022
	Aozora Bank, Ltd.	-	400,000	-	400,000		
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000		

Resona Bank, Limited	-	300,000	-	300,000		
Mizuho Bank, Ltd.	-	300,000	-	300,000		
Development Bank of Japan Inc. (Note8)	-	1,500,000	-	1,500,000	0.925	February 10, 2021
Development Bank of Japan Inc. (Note8)	-	1,600,000	-	1,600,000	1.033	February 10, 2022
Sumitomo Mitsui Banking Corporation	-	4,600,000	-	4,600,000	1.366	April 16, 2025
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	750,000	-	750,000		
Aozora Bank, Ltd.	-	500,000	-	500,000		
Mizuho Bank, Ltd.	-	400,000	-	400,000		
Sumitomo Mitsui Trust Bank, Limited	-	200,000	-	200,000	0.534	March 31, 2019
Resona Bank, Limited	-	200,000	-	200,000		
The Musashino Bank, Ltd.	-	150,000	-	150,000		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,000,000	-	1,000,000		
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
Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000		
Mitsubishi UFJ Trust and Banking Corporation	-	400,000	-	400,000		
Development Bank of Japan Inc. (Note8)	-	1,500,000	-	1,500,000	0.994	March 31, 2023
Subtotal	-	36,350,000	-	36,350,000		
Total	-	46,572,500	8,222,500	38,350,000		

Note1: 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 (in thousands yen)	Due after 4 years through 5 years	Due after 5 years
Long-term loans payable	-	3,850,000	2,200,000	7,000,000	23,300,000

Note2: All debts except for the following Note8 are borrowing at a floating rate.

Note3: 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.

Note4: All the repayment methods of debt financing except for the following Note6 and Note7 are lump-sum repayments on the due date.

Note5: 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.

Note6: Prepayment was made on March 16, 2015.

Note7: Prepayment was made on September 30, 2015.

Note8: Borrowings at a fixed rate.

20. DISTRIBUTIONS

From October 3, 2014
to September 30, 2015

I. Retained earnings at the end of period	¥ 1,933,270,617
II. Total distributions	¥1,933,200,500
Distributions per unit	¥7,414
III. Retained earnings brought forward to the next period	¥70,117

Method of calculating distribution amount

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 ¥1,933,200,500 which is the maximum integral multiple of 260,750 units issued and outstanding as the distribution of earnings. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the first fiscal period, KRR has decided not to distribute cash in excess of distributable profit.

KENEDIX

Retail REIT Corporation