

Focused Investment in Shopping Centers for Daily Needs

KENEDIX
Retail REIT Corporation

Semi-annual Report for the 10th Period
(From October 1, 2019 to March 31, 2020)

Kenedix Retail REIT Corporation

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

The 10th fiscal period ended March 31, 2020

Distribution per unit

JPY 6,535

Forecast DPU for the 11th fiscal period

JPY 5,540

Forecast DPU for the 12th fiscal period

JPY 6,450

Total assets (by acquisition price)

JPY 225.8 bn

Number of properties

62

Number of tenants

496

Occupancy rate at the end of period

99.4%

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

Thanks to your support, KRR has reported its results of operations for the tenth fiscal period (from October 1, 2019 to March 31, 2020). In February 2015, We became the first J-REIT to focus primarily on shopping centers for daily needs that cater to the day-to-day needs of local area customers. During the five years since our listing, we have been steadily accumulating track records. In June 2018, we added logistics facilities to our investment targets, and we have acquired six distribution centers so far. We expanded our investment criteria in order to adapt to changing retail environment with the recent penetration of e-commerce where the functions of retail and logistics facilities are getting similar from the perspective of providing products to consumers. For the tenth fiscal period, operating revenue totaled 8,291 million yen, operating income was 4,101 million yen, ordinary income was 3,499 million yen, and net income was 3,498 million yen. The distributions to unitholders was 6,535 yen per unit.

In the tenth fiscal period, we acquired six retail facilities and one logistics facility through the fourth public offering after our listing, including the assets acquired through the reshuffle with Fululu Garden Yachiyo, announced in September 2019. In addition, we acquired a distribution center in Shinjuku ward, Tokyo in January 2020. As a result, our portfolio at the end of the tenth fiscal period has expanded to 62 properties at 225,810 million yen from 18 properties at 80,843 million yen at the time of listing.

Meanwhile, the spread of COVID-19 and the government’s announcement of the state of emergency have created unprecedented challenges to the retail industry. Despite these circumstances, shopping centers for daily needs with grocery supermarkets as core tenants remain vital to local communities. On the other hand, the business climate is expected to remain unstable for service-oriented tenants, some suspending operations. We believe that it is essential to aim for co-existence by accepting temporary rent reductions/deferral in order to sustain businesses of tenants facing a serious decline in sales due to the spread of COVID-19, which we believe will also lead to the maximization of the long-term value of our portfolio. The forecast distribution per unit for the eleventh fiscal period is 5,540 yen per unit, taking into account the impact of the spread of COVID-19. Meanwhile, for the twelfth fiscal period, we expect 6,450 yen per unit on the assumption that the spread of COVID-19 will converge.

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

We respectfully look forward to your continued support.

Moyuru Watanabe

渡辺 萌

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

Key Characteristics

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

1 Environment recognition

Changes in retail facilities with the rise of e-commerce

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

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

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

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

Delivery of products from retail facilities



Installation of lockers to pick up products



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



▶ Retail facilities adapting to delivery or receipt of products ordered on the Internet (Note)



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



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

2 Investment Policy

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

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

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

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



Location Located within residential areas of a metropolitan commuter district

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

Tenants Providing primarily daily necessities

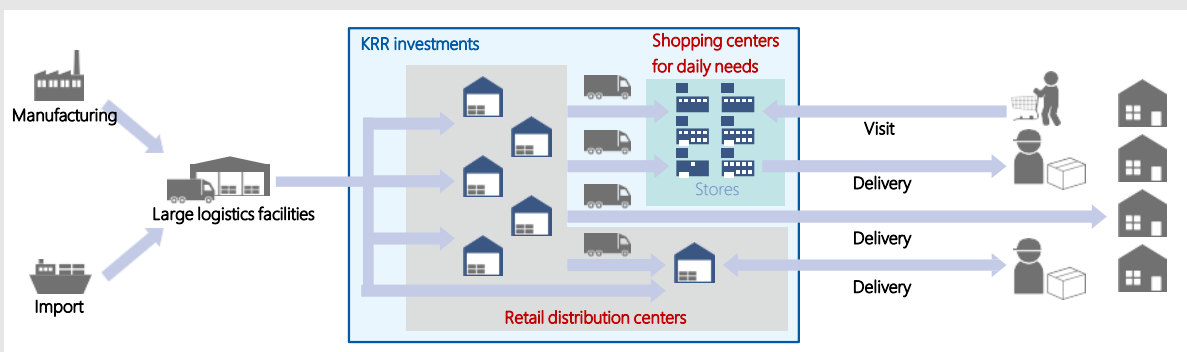
- Housing Yaoko, a grocery supermarket (anchor tenant), and a group of specialty stores (non-anchor tenants)

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

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

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

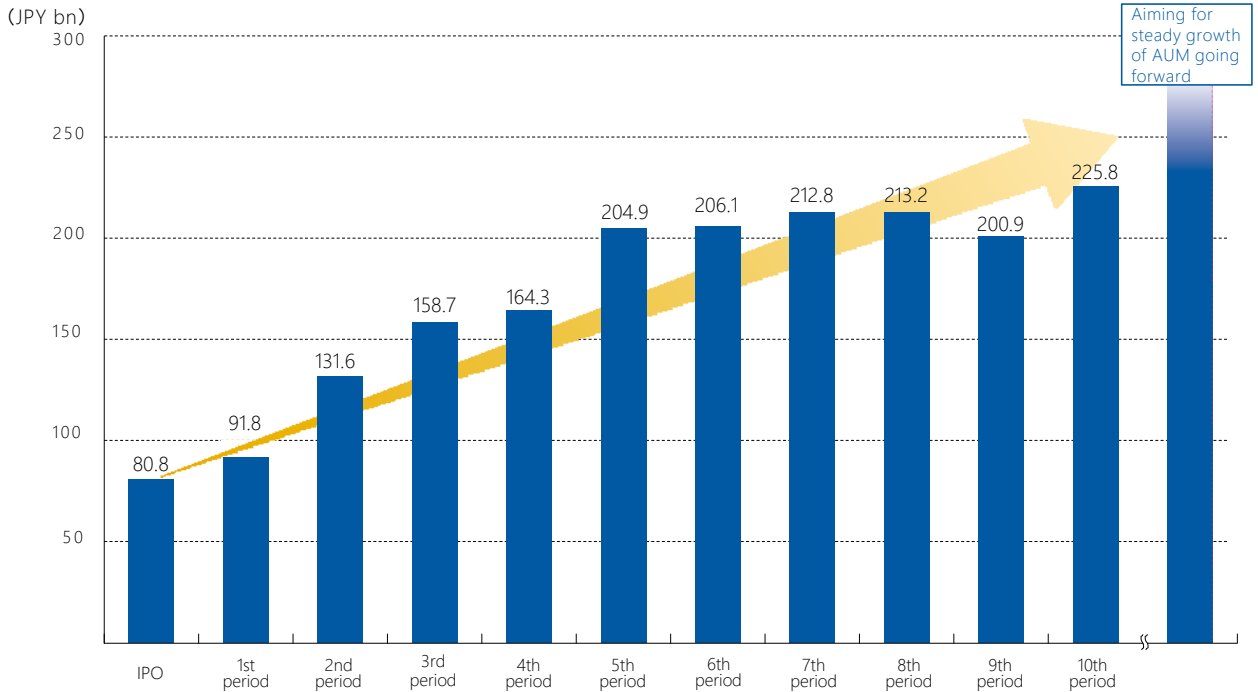
Major KRR investments and their positioning in the supply chain



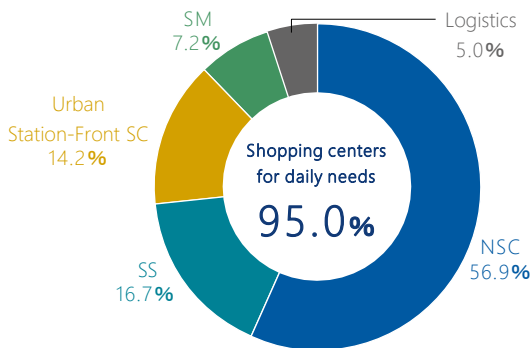
Growth Strategies

1 Steady AUM growth

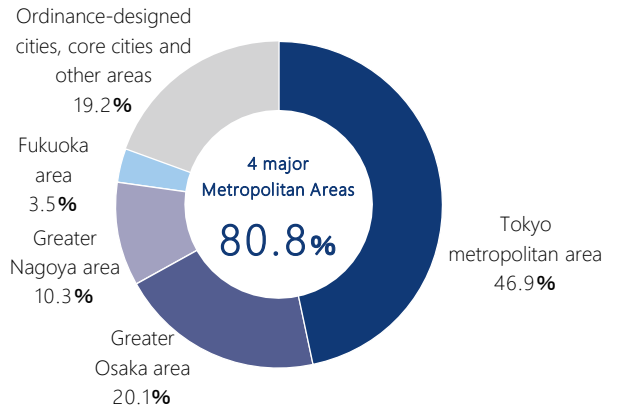
Since IPO in 2015, KRR achieved steady growth in AUM through four public offerings. AUM size that was 80.8 billion yen at IPO has expanded 3 times to 225.8 billion yen.



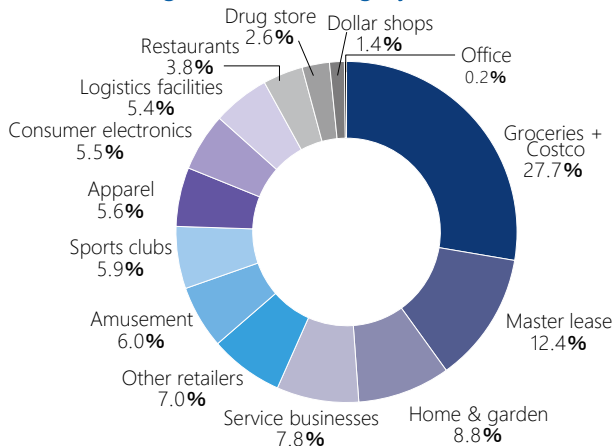
► Types of retail property (by acquisition price)



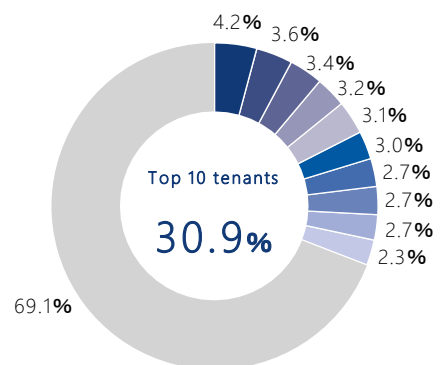
► Location (by acquisition price)



► Percentage of tenant category (based on rents)



► Top 10 tenants (based on rent)



Note: The percentages in the above pie charts are based on properties owned by KRR as of April 30, 2020. The rent-based ratio is calculated based on the rents of the properties as of March 31, 2020.



2 Assets acquired in the 10th fiscal period

T-25 Apita Terrace Yokohama Tsunashima (51% quasi-co-ownership interest)

An NSC that meets diverse customer needs and constitutes a next-generation urban smart city in an area with a dense and growing population

	NSC	Location	Yokohama, Kanagawa
	Acquisition price	JPY 5,899 mn	
	Appraisal value	JPY 6,220 mn	
	Appraisal NOI yield	4.8%	


T-27 Monenosato Mall

An NSC with YorkMart as its core tenant, located in the developing Monenosato New Town residential area

	NSC	Location	Yotsukaido, Chiba
	Acquisition price	JPY 2,410 mn	
	Appraisal value	JPY 2,510 mn	
	Appraisal NOI yield	5.3%	

T-29 Across Plaza Urayasu Higashino (Land)

The underlying land for a relatively new NSC opened in December 2017 along a major road in a residential area in Urayasu, an area with continued population growth

	NSC	Location	Urayasu, Chiba
	Acquisition price	JPY 2,248 mn	
	Appraisal value	JPY 2,300 mn	
	Appraisal NOI yield	4.0%	

L-5 Gyoda Distribution Center

A versatile storage and distribution center suitable for local distribution in Tokyo metropolitan commuter districts and semi-long-distance distribution

	L	Location	Gyoda, Saitama
	Acquisition price	JPY 3,160 mn	
	Appraisal value	JPY 3,350 mn	
	Appraisal NOI yield	5.7%	

T-26 Kalsa Hiratsuka

An NSC with the retail trade area covering Hiratsuka and Chigasaki, the core of the Shonan area

	NSC	Location	Hiratsuka, Kanagawa
	Acquisition price	JPY 5,980 mn	
	Appraisal value	JPY 6,010 mn	
	Appraisal NOI yield	4.7%	

T-28 Chofu Center Building (Retail wing)

An NSC that serves the needs of its neighborhood, located in a commercial and residential district within walking distance of Chofu Station, and a grocery supermarket as its core tenant

	NSC	Location	Chofu, Tokyo
	Acquisition price	JPY 2,300 mn	
	Appraisal value	JPY 2,440 mn	
	Appraisal NOI yield	5.5%	


N-7 Valor Nakashidami (Land)

The underlying land for a relatively new grocery supermarket in Moriyama-ku, Nagoya, an area undergoing continued development, with a land readjustment project underway

	SM	Location	Nagoya, Aichi
	Acquisition price	JPY 2,551 mn	
	Appraisal value	JPY 2,560 mn	
	Appraisal NOI yield	4.7%	

L-6 Shinjuku Nishiochiai Distribution Center


Highly scarce urban distribution center for last-mile deliveries in a densely populated area

	L	Location	Shinjuku ward, Tokyo
	Acquisition price	JPY 810 mn	
	Appraisal value	JPY 815 mn	
	Appraisal NOI yield	4.3%	

3 Assets acquired in the 11th fiscal period

T-30 Comfort Market Nishi-Magome

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

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

4 Assets to be disposed of in the 11th fiscal period

N-5 K's Denki ShinMoriyama (Land)

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

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

Note: "Appraisal value" indicates the appraisal value at the time of acquisition for the acquired property and the appraisal value at the end of March 2020 for the property to be sold. "Appraisal NOI yield" is the real estate appraisal at the time of acquisition. It is calculated by dividing the net operating income stated in the evaluation report by the acquisition price. "Disposition NOI yield" is calculated by dividing the net operating income stated in the latest real estate appraisal report by the sale price.

1 Environmental initiatives

▶ Evaluation of Environmental Initiatives

Acquired Certification for CASBEE for Real Estate

CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives; the evaluation of the environmental quality and performance of buildings themselves and the external environmental load of buildings. On March 31, 2020, KRR acquired CASBEE real estate evaluation certification for the following two properties.



N-4
Homecenter Kohnan
Sunadabashi

Certification rank
S rank



L-3
Musashi Ranzan
Distribution Center

Certification rank
A rank

Acquired DBJ Green Building Certification

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

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

T-2 MONA Shin-Urayasu

T-4 Daikanyama Address Dixept

O-1 Blumer Maitamon

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

T-3
Passaggio Nishiarai

O-5
Carino Esaka

Properties with high environmental & social awareness (★★)

T-5
Unicus Ina

N-6
Resora Obu Shopping
Terrace

T-7
Unicus Yoshikawa

R-1
Roseo Mito

T-19
Yumemachi
Narashinodai Mall

T-20
Kawamachi Yahagi Mall

R-4
Ashico Town Ashikaga

O-4
Blumer HAT Kobe

R-10
Sun Street Hamakita

The number of certified properties and certified floor area (m²) (as of March 31, 2020)

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

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (723,374.38m², calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties).

Awarded GRESB Green Stars for four consecutive years

Awarded a "Green Star" Rating in response to high evaluations for four consecutive years since its first participation in the GRESB Real Estate Assessment in 2016.

Won the first place in the "Eastern Asia - Retail - Listed" category and also earned four star (out of five star) GRESB Rating in 2019, improved from three star in the previous year.



▶ Solar panel installation

We installed solar panels at Unicus Ina to decrease CO₂ emissions.

2019 Power generation results (Note)
283,143kWh

Note: The figures are for the period April to December 2019.





2 Social initiatives

Collaboration with local communities

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



Local events at our properties

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



Supporting Japan for UNHCR

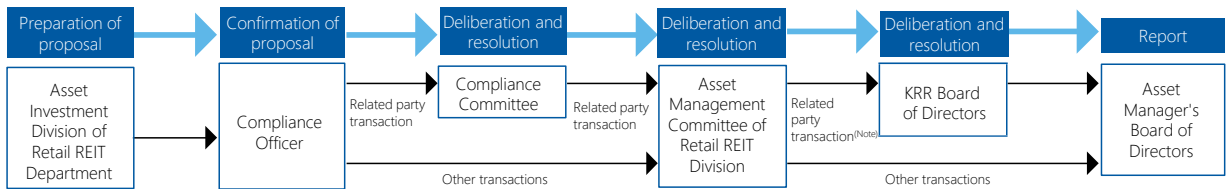
We support the activity of Japan for UNHCR (United Nations High Commissioner for Refugees) by providing common areas of our properties for their fund-raising campaign.



3 Governance structure

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

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



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

► Kenedix Group's business model benefiting from our growth

The Kenedix Group's J-REIT assets constitute the majority of their AUM. Because of the importance of the J-REIT business to the Kenedix Group, we believe that our sound growth is in line with their interests. We also implemented the following measures to align the Kenedix Group's performance to unitholder value.

<p>Alignment with Kenedix Group (Note)</p> <p>Kenedix increased its holdings to 10,050 units (Approx. 1.9% of total outstanding units)</p>	<p>Introduction of fee aiming to provide incentives to enhance unitholder value (since October 1, 2018)</p>		
	<p>Asset management fee I</p> <p>Total assets at the end of the previous period X 0.3% (annual rate)</p> <p>▼</p> <p>Total assets at the end of the previous period X 0.27% (annual rate)</p>	<p>Asset management fee II</p> <p>Net income X DPU X 0.0012%</p> <p>▼</p> <p>Net income X DPU X 0.0013%</p>	<p>Investment unit performance fee (newly adopted)</p> <p>KRR's excess returns over TSE REIT Total Return Index X market cap X 0.1%</p>
	<p>Acquisition fee</p> <p>Acquisition price X 1.0% (Including acquisition of buildings through expansion or reconstruction)</p>	<p>Disposition fee</p> <p>Disposition price X 0.5%</p>	<p>Merger fee (newly adopted)</p> <p>Appraisal value of the assets to be succeeded X 1.0% (maximum)</p>

Note: The figures are as of the end of March 2020.



T-19 NSC

Yumemachi Narashinodai Mall

Shopping center for daily needs in Funabashi, with a highly competitive grocery supermarket as the core tenant

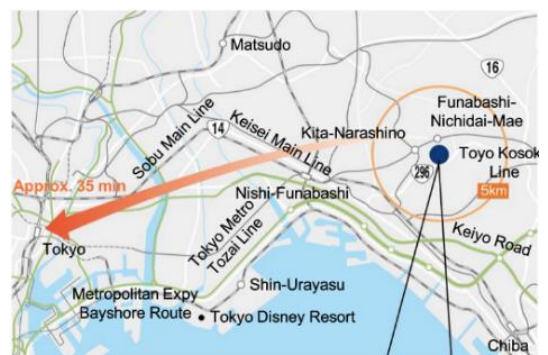
Yumemachi Narashinodai Mall is a relatively new neighborhood shopping center (NSC) opened in April 2016, located in the northeastern part of Funabashi along National Road 296 (Narita Road), which connects Tsudanuma and Funabashi to Narita. The shopping center has flat parking lots that can accommodate 343 vehicles, attracting customers by car, in addition to residents living in the vicinity.

In the vicinity of this property, the Toyo Rapid Railway Toyo Rapid Line started operations, connecting directly with the Tokyo Metro Tozai Line (approximately 35 minutes of commuting from the nearest Funabashi-Nichidaimae Station to Otemachi Station on a rapid train), improving commuting convenience. Since its opening, the area has been developed as a residential district, and approximately 1,000 condominiums are currently being developed in front of Yachiyo Midorigaoka Station, which is one station adjacent to the nearest station.

The property consists of the main building and the GU (apparel shop) building. The core tenant is Lopia, a grocery supermarket, which specializes in meat products and is popular among consumers for its offering of low-priced goods. In addition to shops such as a drug store, a consumer electronics store, an apparel shop, and a dollar shop, there are also service-oriented tenants such as a dentist, a laundry, a restaurant, a cat cafe, a barber shop and a massage shop, making it easy for child-rearing families as well as a wide range of households to visit. Since its opening, the visitors to the shopping center have increased every year as an active shopping center for everyday use regardless of weekdays or holidays. Since the acquisition of the property in April 2017, we have been maintaining and improving the value of the property by creating a website for the shopping center, replacing furniture in common areas, and refurbishing the parking lot with consideration for neighborhood residents.

On the operational front, we are actively working to build stronger ties with local communities by sponsoring the distribution of 2,000 educational stickers to local communities on road safety measures in the surrounding roads and sponsoring annual regional summer festivals. In addition, from the standpoint of energy conservation, we are using LED lighting in the shopping center and parking lots. As a result of these efforts, we received DBJ Green Building Certification as a property with high environmental and social awareness for the property in June 2019.

We will continue to pursue management that is integrated with the local community and work to revitalize the facility as a shopping center for daily needs.



Acquisition price	JPY 3,416 mn	Gross floor area	7,889.24m ²
Location	Funabashi, Chiba	Core tenants	Lopia Co., Ltd.
Land area	16,633.58m ²		Nojima Corporation

Financial Highlights

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

1 Financial highlights (as of March 31, 2020)

LTV 44.5%	Long-term debt ratio 96.9%	Fixed interest debt ratio 91.3%
Weighted average debt maturity 4.5 years	Number of lenders 12	Average interest rate 0.99%

2 Credit rating and commitment lines (as of March 31, 2020)

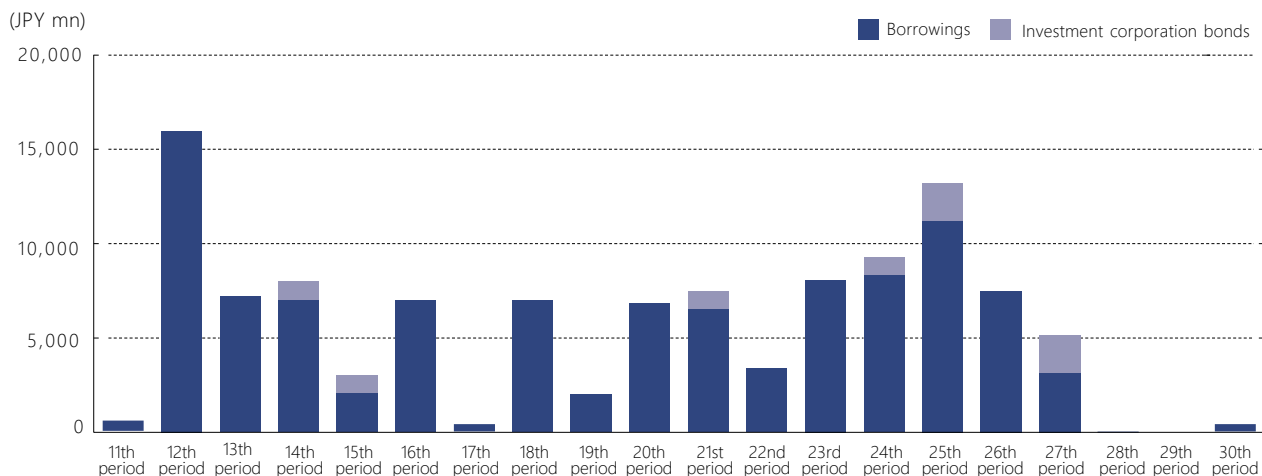
Credit rating (JCR)	Commitment credit lines
A+ (Stable)	JPY 3.0 bn

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

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

Debt outstanding JPY 112,800 mn

(excluding interest-bearing tenant leasehold and security deposits)



4 Inclusion in major indices

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

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

Portfolio List as of April 15, 2020



Total acquisition price

Weighted average occupancy rate

Number of Tenants

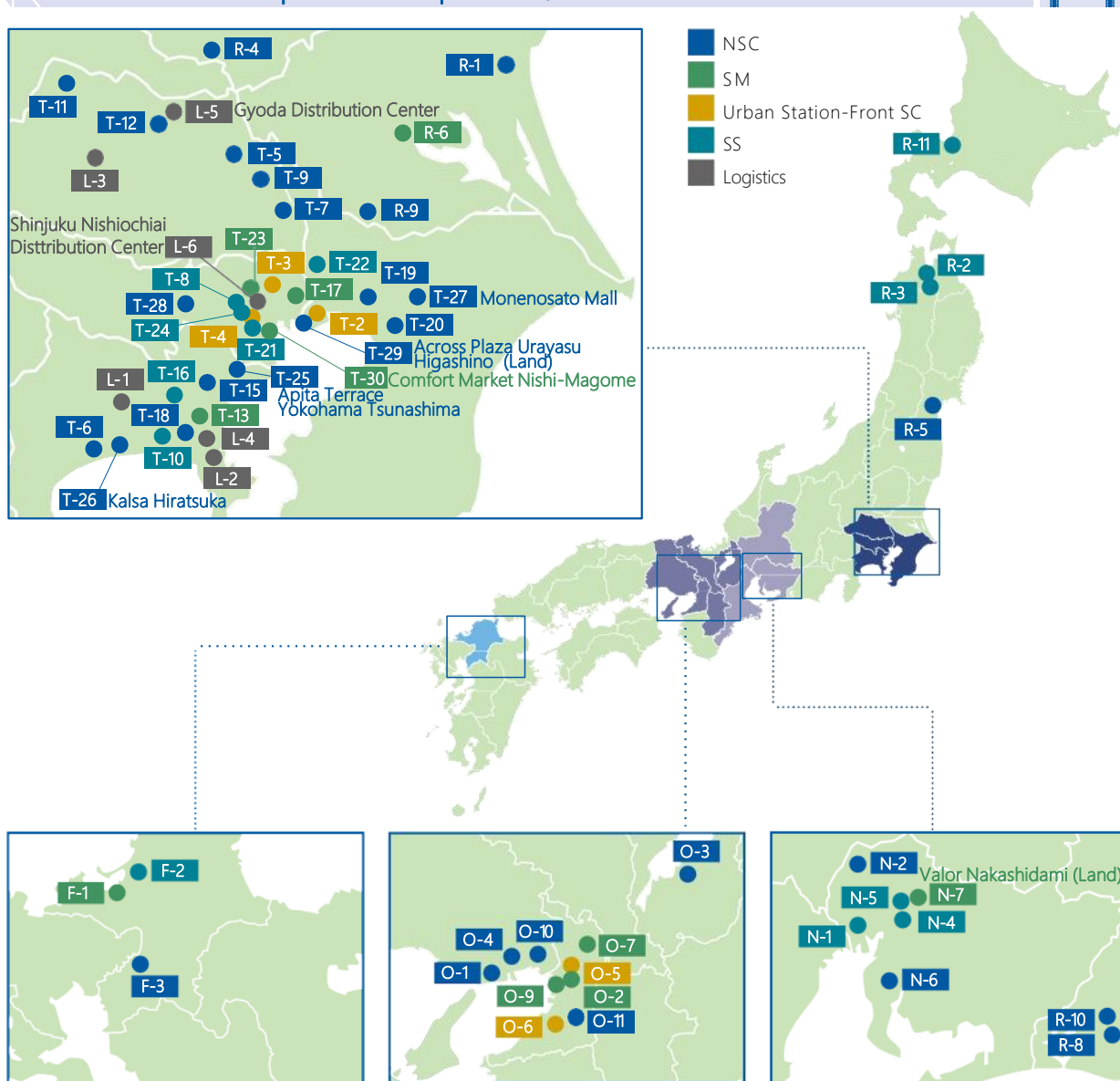
JPY 227,730mn

99.4%

497

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) ^(Note 1)	Number of tenants ^(Note 2)
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	99.5	57
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	100.0	42
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	99.1	27
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,470	100.0	1
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	100.0	1
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	99.6	10
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	100.0	1
T-9	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	4,815	100.0	1
T-10	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	3,169	100.0	1
T-11	Unicus Kamisato (Land)	Kodama-gun, Saitama	3,000	100.0	1
T-12	Unicus Konosu (Land)	Konosu, Saitama	1,700	100.0	1
T-13	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	1,442	100.0	1
T-15	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	100.0	1
T-16	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	81.0	1
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	100.0	1
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	100.0	1
T-25	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	5,899	100.0	1
T-26	Kalsa Hiratsuka	Hiratsuka, Kanagawa	5,980	100.0	3
T-27	Monenosato Mall	Yotsukaido, Chiba	2,410	100.0	6
T-28	Chofu Center Building (Retail wing)	Chofu, Tokyo	2,300	100.0	3
T-29	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	2,248	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	99.7	50
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	2,140	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	99.5	42
O-5	Carino Esaka	Suita, Osaka	6,555	98.8	29
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	100.0	1
O-7	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	100.0	1
O-9	Life Nishi-Tengachaya	Osaka, Osaka	1,505	100.0	1
O-10	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	100.0	1
O-11	Habikigaoka Shopping Center	Habikino, Osaka	2,000	100.0	2
N-1	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	100.0	1
N-4	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	7,140	100.0	1
N-5	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	1,370	100.0	1
N-6	Resora Obu Shopping Terrace	Obu, Aichi	7,911	97.1	39
N-7	Valor Nakashidami (Land)	Nagoya, Aichi	2,551	100.0	1
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	100.0	1
F-2	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	100.0	1
F-3	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	100.0	4
R-1	Roseo Mito	Mito, Ibaraki	10,046	100.0	23
R-2	K's Denki Aomori Honten	Aomori, Aomori	1,469	100.0	1
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	100.0	1
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	95.0	28

Portfolio Map as of April 15, 2020



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) ^(Note 1)	Number of tenants ^(Note 2)
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1
R-8	P-1 Plaza Tenno	Hamamatsu, Shizuoka	4,010	100.0	7
R-9	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	4,111	100.0	1
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	10,746	99.4	50
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	100.0	1
L-1	Zama Distribution Center	Zama, Kanagawa	1,400	100.0	1
L-2	Oppama Distribution Center	Yokosuka, Kanagawa	1,300	100.0	1
L-3	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	3,879	100.0	1
L-4	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	790	100.0	1
L-5	Gyoda Distribution Center	Gyoda, Saitama	3,160	100.0	1
L-6	Shinjuku Nihiochiai Distribution Center	Shinjuku ward, Tokyo	810	100.0	1
Total of assets acquired by the end of the 10th period			225,810	99.4	496
T-30	Comfort Market Nishi-Magome	Ota ward, Tokyo	1,920	100.0	1
Total of assets acquired during the 11th period			1,920	100.0	1
Total			227,730	99.4	497

Note 1: "Occupancy rate" is as of March 31, 2020.

Note 2: "Number of tenants" indicates the number of end-tenants as of March 31, 2020.

Overview of portfolio (as of April 15, 2020)

T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiarai



T-4 Daikanyama Address Dixsept



T-5 Unicus Ina



T-6 Yorktown Kita-Kaname



T-7 Unicus Yoshikawa



T-8 Sports Club Renaissance Fujimidai



T-9 Super Viva Home Iwatsuki (Land)



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



T-11 Unicus Kamisato (Land)



T-12 Unicus Konosu (Land)



T-13 Inageya Yokohama Minamihonjuku (Land)



T-15 Nakamachidai Tokyu Store



T-16 Central Wellness Club Nagatsuta Minamidai



T-17 Life Kameido



T-18 Totsuka-Fukaya Shopping Center (Land)



T-19 Yumemachi Narashinodai Mall



T-20 Kawamachi Yahagi Mall



T-21 Prime Square Jiyugaoka



T-22 Round1 IchikawaOnitaka



T-23 Ozeki Tokiwadai



O-1 Blumer Maitamon



T-24 Konami Sports Club Shibuya



O-2 Life Takadono (Land)



O-3 DCM Kahma MEGA Don Quijote UNY Omihachiman



O-4 Blumer HAT Kobe



O-7 Hankyu Oasis Hirakatadeguchi



O-9 Life Nishi-Tengachaya



Note: Please refer p.5 for the properties acquired in the tenth and eleventh fiscal period and properties to be disposed in eleventh fiscal period.



O-5 Carino Esaka



O-6 COMBOX Komoyake



O-10 Million Town Tsukaguchi (Land)



O-11 Habigaoka Shopping Center



N-1 DCM Kahma Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



N-4 Homecenter Kohnan Sunadabashi



N-6 Resora Obu Shopping Terrace



F-1 Sunny Noma



F-2 Round1 Stadium Hakata-Hannichibashi



F-3 Kurume-Nishi Shopping Center



R-1 Roseo Mito



R-2 K's Denki Aomori Honten



R-3 Super Sports Xebio Aomori-Chuo



R-4 Ashico Town Ashikaga



R-5 Yorktown ShindenHigashi



R-6 Kasumi Technopark Sakura



R-8 P-1 Plaza Tenno



R-9 Seiyu Rakuichi Moriya (Land)



R-10 Sun Street Hamakita



R-11 Costco Wholesale Sapporo Warehouse



L-1 Zama Distribution Center



L-2 Oppama Distribution Center



L-3 Musashi Ranzan Distribution Center

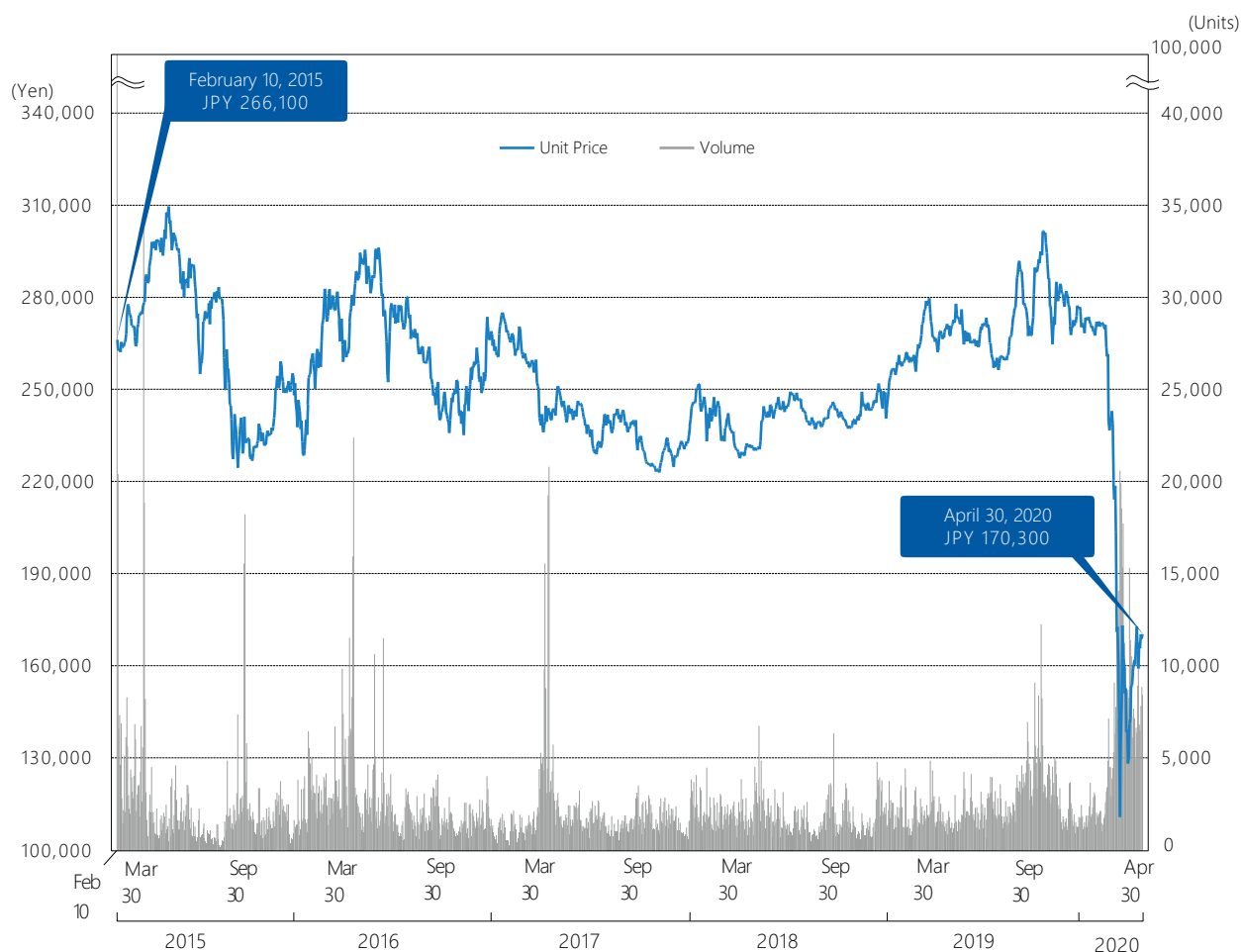


L-4 Yokohama Kamigo Distribution Center



Summary of Investment Unit

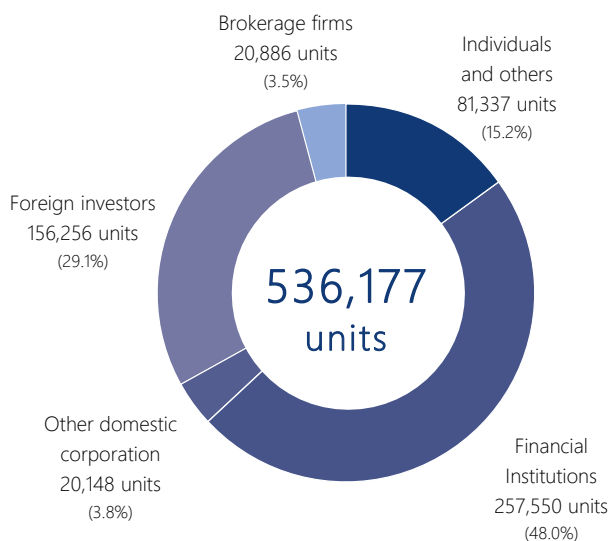
Unit Price and trading volume



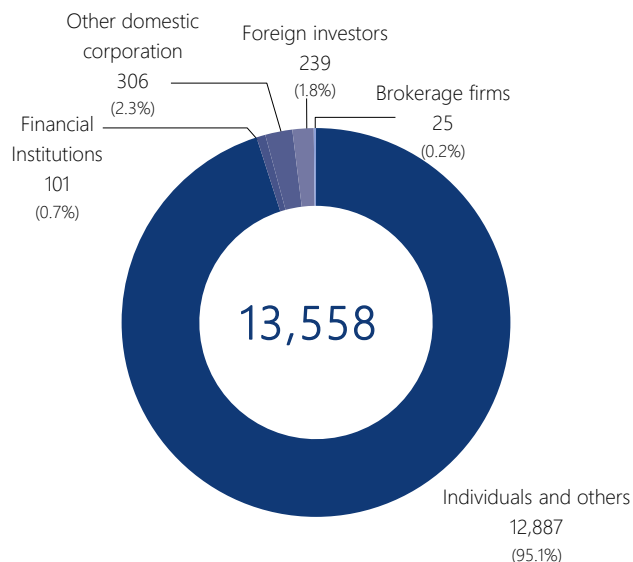
General breakdown of unitholders

As of March 31, 2020

Ownership ratio by investor type



Number of unitholders by investor type



II. ASSET MANAGEMENT REPORT

Overview of Asset Management

(1) Trends in Key Indicators

Fiscal period		Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)	Ninth fiscal period (From April 1, 2019 to September 30, 2019)	Tenth fiscal period (From October 1, 2019 To March 31, 2020)
Operating revenues	Millions of yen	8,126	8,577	8,415	8,609	8,291
Of which, property-related revenues	Millions of yen	8,126	8,364	8,197	8,367	8,234
Property-related expenses	Millions of yen	4,358	4,760	4,530	4,729	4,189
Of which, property-related expenses	Millions of yen	3,609	3,984	3,733	3,891	3,359
Operating income	Millions of yen	3,768	3,816	3,884	3,879	4,101
Ordinary income	Millions of yen	3,179	3,201	3,284	3,288	3,499
Net income	Millions of yen	3,175	3,197	3,283	3,287	3,498
Total assets	Millions of yen	231,107	238,490	237,845	236,253	249,246
[Period-on-period changes]	%	(+0.6)	(+3.2)	(-0.3)	(-0.7)	(+5.5)
Total net assets	Millions of yen	116,585	116,729	116,505	116,386	124,450
[Period-on-period changes]	%	(+0.1)	(+0.1)	(-0.2)	(-0.1)	(+6.9)
Unitholders' capital ^(Note 2)	Millions of yen	113,399	113,399	113,399	113,399	121,183
Number of investment units issued and outstanding	Units	507,700	507,700	507,700	507,700	536,177
Net assets per unit	Yen	229,633	229,918	229,477	229,242	232,107
Distributions	Millions of yen	3,175	3,198	3,288	3,292	3,503
Distributions per unit	Yen	6,255	6,299	6,477	6,486	6,535
Of which, distributions of earnings	Yen	6,255	6,299	6,138	6,242	6,525
Of which, distributions in excess of retained earnings	Yen	-	-	339	244	10
Ordinary income to total assets ^(Note 3)	%	1.4	1.4	1.4	1.4	1.4
[Annualized] ^(Note 4)	%	(2.8)	(2.7)	(2.8)	(2.8)	(2.9)
Return on net assets ^(Note 5)	%	2.7	2.7	2.8	2.8	2.9
[Annualized] ^(Note 4)	%	(5.5)	(5.5)	(5.6)	(5.6)	(5.8)
Net assets to total assets ^(Note 6)	%	50.4	48.9	49.0	49.3	49.9
[Period-on-period changes]	%	(-0.3)	(-1.5)	(+0.0)	(+0.3)	(+0.7)
Operating days	Days	182	183	182	183	183
Payout ratio ^(Note 7)	%	100.0	100.0	94.9	96.4	100.0
Number of properties		52	53	53	55	62
Leasable area	m ²	866,425.22	890,152.09	913,759.61	850,456.06	945,177.87
Number of tenants ^(Note 8)		522	520	511	480	496
Occupancy ratio	%	99.5	99.4	99.2	98.9	99.4
Depreciation expense	Millions of yen	925	971	990	1,019	1,024
Capital expenditures	Millions of yen	263	806	500	791	475
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	5,441	5,352	5,454	5,494	5,899
FFO (Funds from operation) ^(Note 10)	Millions of yen	4,194	4,028	4,105	4,093	4,498
FFO per unit ^(Note 11)	Yen	8,260	7,935	8,085	8,063	8,389

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Status of Asset Management

(Overview of the Fiscal Period ended March 31, 2020)

i) Transition of KRR

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (“J-REIT”) Market of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the fiscal period ended March 31, 2020 was 536,177 units.

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

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

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

ii) Investment Environment

The Japanese economy slowed down during the fiscal year under review, affected by the consumption tax hike in October 2019. In addition, economic activity slowed down sharply due to the spread of novel coronavirus (COVID-19).

The financial conditions have remained extremely unstable due to the spread of COVID-19. Interest rates in Japan remained low and stable on the backdrop of the strengthening of easing policy by the Bank of Japan, monetary easing policies by the U.S. monetary authorities, and the unstable global markets.

Under these conditions, active real estate transactions continued in the real estate sales market against the backdrop of accommodative monetary policy, but the outlook remains uncertain due to the spread of COVID-19. In addition, although J-REIT performed well in the fiscal year under review with the TSE REIT Index reaching a 12-year high, it fell sharply due to the spread of COVID-19.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired eight assets (Gyoda Distribution Center with acquisition price (Note 1) of 3,160 million yen, Monenosato Mall with acquisition price of 2,410 million yen, Chofu Center Building (Retail wing) with acquisition price of 2,300 million yen, Across Plaza Urayasu Higashino (Land) with acquisition price of 2,248 million yen, Apita Terrace Yokohama Tsunashima (51% trust beneficiary quasico-ownership interest) with acquisition price of 5,899 million yen, Kalsa Hiratsuka with acquisition price of 5,980 million yen, Valor Nakashidami (Land) with acquisition price of 2,551 million yen and Shinjuku Nishiochiai Distribution Center with acquisition price of 810 million yen). KRR disposed of one asset (Welcia Kishiwadakamori (Land) with sale price of 560 million yen (acquisition price was 487 million yen)). As a result, the portfolio at the end of the period under review (March 31, 2020) consists 62 properties with the total acquisition price of 225,810 million yen.

Note 1: “Acquisition price” represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (acquisition expenses, property tax, city planning tax, consumption tax, etc.) required in the acquisition of the asset.

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

(B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (March 31, 2020). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property and distribution centers management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction.

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

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.4%. Furthermore, the portfolio is diversified in terms of tenants as there are 496 end-tenants (Note 2) in KRR’s retail properties and distribution centers.

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

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

(C) Financing

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

(Debt Finance)

During the fiscal period under review, KRR borrowed 4,800 million yen for the acquisition of properties and 12,490 million refinancing. Consequently, borrowings totaled 103,900 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 110,900 million yen at the end of the fiscal period under review (March 31, 2020).

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

As a result, the average maturity of debt is 4.5 years, the weighted average interest rate is 0.99%, the long-term debt ratio (Note 1) is 96.9% and the LTV ratio (Note 2) is 44.5%.

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

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

(Credit Ratings)

The status of the credit ratings as of March 31, 2020 is as follows.

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

(Shelf Registration)

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

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

iv) Results of Operations

For this period, revenue was 8,291 million yen, operating income was 4,101 million yen, ordinary income was 3,499 million yen and net income was 3,498 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 3,498,554,925 yen which is almost equivalent to the earnings for the fiscal period. The distribution per unit (excluding excess of earnings) was 6,525 yen, Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in the KRR Articles of Incorporation, KRR made a distribution in excess of earnings for the 5,361,770 yen allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No.47 of 2006, including subsequent amendments.)) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) and the item deduced from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 10 yen.

Consequently, the distribution per unit was 6,535 yen (of which the distribution in excess of earnings per unit was 10 yen).

(3) Changes in Investment Units Issued and Outstanding

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

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

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

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

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

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

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

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

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

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

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

(Changes in Unit Price at Tokyo Stock Exchange)

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

Fiscal period	Sixth fiscal period	Seventh fiscal period	Eighth fiscal period	Ninth fiscal period	Tenth fiscal period
For the period ended	March 31, 2018	September 30, 2018	March 31, 2019	September 30, 2019	March 31, 2020
Highest	JPY 251,700	JPY 249,200	JPY 279,600	JPY 291,800	JPY 301,500
Lowest	JPY 223,000	JPY 227,600	JPY 237,200	JPY 256,300	JPY 110,900

(4) Distributions

The distribution of earnings for the third period is 6,525 yen per unit. In order to maintain KRR's favorable tax treatment, which is available to J-REITs under Article 67-15 of the Special Taxation Measures Act, KRR intends to distribute most of KRR's retained earnings.

Furthermore, KRR made a distribution in excess of earnings for the allowance for temporary adjustment for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights and the item deducted from net asset in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 10 yen.

Consequently, the distribution per unit for the fiscal period, including the excess distribution, was 6,535 yen (of which the distribution in excess of earnings per unit was 10 yen).

(in thousands of yen)

Fiscal period For the period ended	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018	Eighth fiscal period March 31, 2019	Ninth fiscal period September 30, 2019	Tenth fiscal period March 31, 2020
Unappropriated retained earnings	3,175,962	3,198,151	3,283,881	3,455,496	3,784,993
Retained earnings carried forward	299	149	167,619	286,433	212,121
Total distributions	3,175,663	3,198,002	3,288,372	3,292,942	3,503,916
[Distributions per unit]	[6,255 yen]	[6,299 yen]	[6,477 yen]	[6,486 yen]	[6,535 yen]
Of which, distributions of earnings [Distributions of earnings per unit]	3,175,663 [6,255 yen]	3,198,002 [6,299 yen]	3,116,262 [6,138 yen]	3,169,063 [6,242 yen]	3,498,554 [6,525 yen]
Of which, distributions in excess of retained earnings [Distributions in excess of retained earnings per unit]	— [—]	— [—]	172,110 [339 yen]	123,878 [244 yen]	5,361 [10 yen]
Total distributions in excess of earnings for the allowance for temporary adjustment	—	—	172,110	123,878	5,361
[Distributions per unit]	[—]	[—]	[339 yen]	[244 yen]	[10 yen]
Total distributions in excess of earnings from the unitholders' capital for tax purposes	—	—	—	—	—
[Distributions per unit]	[—]	[—]	[—]	[—]	[—]

(5) Management Policy and Issues to be Addressed

Outlook for Asset Management

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

As for Japan's retail environment, even in an environment marked by the spread of COVID-19, specialty stores such as supermarkets and drugstores that meet the diversified tastes of consumers are expected to perform well. On the other hand, due to the spread of COVID-19 and stay-at-home requests in accordance with the state of emergency declaration in Japan, it is necessary to pay attention to the conditions of service-oriented tenants and stores handling non-daily necessities.

In the real estate market, uncertainty is rising due to a worsening business sentiment caused by the spread of COVID-19. In addition, investors should especially keep in mind the risk of changes in banks' lending attitude towards real estate sector, as amount of banks' outstanding loans towards real estate sector reached new highs.

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

(A) Investment Strategy for New Properties and Disposition Policy

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

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

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

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

(B) Management Strategy for Existing Properties

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

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

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

"One-stop" asset management and property management services

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

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

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

the Kenedix Group. Solutions include measures such as the effectively utilizing capital expenditures, optimizing tenant mix, realizing growth in asset value by pursuing property expansions, and cutting costs, to improve tenant satisfaction and acquire more know-how.

Pursuit of internal growth through management of retail properties

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

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

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

iii. Realize growth in asset value by pursuing property expansions

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

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

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

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

Implementing distribution center management

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

(C) Financing

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

(D) Disclosure of Information

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

(E) Conflicts of Interest

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

(6) Important Subsequent Events

Not applicable

(Reference Material)

i) Acquisition of Assets

KRR acquired following assets.

Property number	Property type (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 3)	Appraisal value (million yen) (Note 4)	Acquisition date
T-30	SM	Comfort Market Nishi-Magome	Ota ward, Tokyo	Undisclosed (Note 2)	1,920	2,000	April 15, 2020

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

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

Note 3: "Acquisition price" represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (acquisition expenses, property tax, city planning tax, consumption tax, etc.) required in the acquisition of the asset.

Note 4: Appraisal values are as of March 1, 2020.

ii) Disposition of Assets

KRR has contracted a purchase and sale agreement on March 31, 2020 to dispose of the following asset.

Property number	Property type	Property name	Location	Buyer	Sale price (million yen) (Note2)	Sale date
N-5	SS	K's Denki Shin-Moriyama (Land) (Note 1)	Moriyama-ku, Nagoya, Aichi	Nippon Commercial Development Co., Ltd.	1,527	September 30, 2020

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

Note 2: "Sale price" represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, city planning tax, consumption tax, etc.) required in the sale of the asset.

iii) Investment Corporation Bonds

KRR decided to issue investment corporation bonds adopted at the board of directors' meeting held on September 26, 2019 and the payment was completed on April 30, 2020. The details are as follows.

Name of investment corporation bonds	Kenedix Retail REIT Corporation 6th Series Unsecured Investment Corporation Bonds (Ranking <i>pari passu</i> among the specified investment corporation bonds and small private placement with restrictions on splits of denomination of each bond) (the "Investment Corporation Bonds")
Total amount of the bonds	1.0 billion yen
Interest rate	0.400% per annum
Payment date	April 30, 2020
Collateral / Guarantee	No collateral or guarantee is applicable, and no assets are specifically reserved as collateral for the Investment Corporation Bonds.
Redemption method and maturity	April 30, 2025 The Investment Corporation Bonds may be purchased and cancelled at any time after the payment date, except for the case of service regulations and other rules that the statutory or depository otherwise stipulates. If the maturity date of the Investment Corporation Bonds falls on the bank holiday, the payment will be brought forward to the previous bank business day.
Ratings	Not acquired
Fiscal agent, issuing agent and paying agent	MUFG Bank, Ltd.
Use of funds	Total amount raised (approximate net balance) was 993 million yen. It was used for partial prepayment of borrowings, which was borrowed on April 15, 2020.

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)	Ninth fiscal period (From April 1, 2019 to September 30, 2019)	Tenth fiscal period (From October 1, 2019 to March 31, 2020)
Total number of authorized investment units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	507,700 units	507,700 units	507,700 units	507,700 units	536,177 units
Unitholders' capital	113,399 million yen	113,399 million yen	113,399 million yen	113,399 million yen	121,183 million yen
Number of unitholders	12,545	12,261	10,931	10,907	13,558

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of March 31, 2020.

Name	Location	Number of units held (Units)	Ratio (%) (Note)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	72,165	13.45
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11 Harumi, Chuo-ku, Tokyo	55,836	10.41
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	27,458	5.12
MIZUHO TRUST & BANKING CO., LTD.	1-2-1 Yaesu, Chuo-ku, Tokyo	14,792	2.75
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	Office Tower Z, Harumi Island Triton Square, 1-8-12 Harumi, Chuo-ku, Tokyo	12,407	2.31
AOZORA BANK, LTD.	6-1-1 Kojimachi, Chiyoda-ku, Tokyo	11,958	2.23
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	10,809	2.01
J.P. MORGAN BANK LUXEMBOURG S.A. 385576	Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	10,387	1.93
Kenedix, Inc.	2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo	10,050	1.87
STATE STREET BANK WEST CLIENT- TREATY 505234	Shinagawa Intercity Tower A 2-15-1 Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	8,641	1.61
Total		234,503	43.73

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

(3) Matters Concerning Directors and Auditor

i) Executive Director, Supervisory Director, and Independent Auditor as of March 31, 2020

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director (Note 1)	Akihiro Asano	Director & COO, Head of Retail REIT Department, KFM	1,250
	Moyuru Watanabe	Director & COO, Head of Retail REIT Department, KFM	250
Supervisory Director (Note 2)	Yoshitoshi Yasu	Yoshitoshi Yasu Certified Public Accountant / Tax Accountant Office Auditor of YOKU MOKU Holdings Co., Ltd. Auditor of YOKU MOKU Co., Ltd. Auditor of YOKU MOKU Crea Co., Ltd. Auditor of Fujiricoh Trading Co., Ltd. Auditor of CLOVER Inc. Auditor of Kabou-issin Co., Ltd. Director & member of Audit committee of Loop Inc.	1,500
	Akiko Yamakawa	Partner of Vanguard Lawyers Tokyo	1,500
Independent Auditor (Note 3)	Ernst & Young ShinNihon LLC	—	14,800

Note 1: On February 25, 2020, Akihiro Asano resigned as an executive officer and Moyuru Watanabe was appointed as an executive director on February 26, 2020. For major concurrent positions held by Akihiro Asano, information as of the date of retirement is provided.

Note 2: 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 3: Compensation for independent auditors includes compensation for preparing a comfort letter for the issuance of new investment units.

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

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

(4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of March 31, 2020 are as follows.

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

Status on Investment Properties

(1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Ninth fiscal period as of September 30, 2019		Tenth fiscal period as of March 31, 2020	
			Total amount held (Millions of yen) (Note 2)	Ratio (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Ratio (%) (Note 3)
Trust beneficiary interest in real estate	Shopping centers for daily needs	Tokyo metropolitan area	75,604	32.0	94,703	38.0
		Greater Osaka area	46,914	19.9	46,272	18.6
		Greater Nagoya area	21,005	8.9	23,542	9.4
		Fukuoka area	7,972	3.4	7,932	3.2
		Ordinance-designated cities, core cities and other areas	44,101	18.7	43,994	17.7
	Other retail properties	—	—	—	—	
	Distribution centers	Tokyo metropolitan area	4,740	2.0	7,883	3.2
Total of trust beneficiary interests in real estate			200,338	84.8	224,328	90.0
Real estate	Distribution centers	Tokyo metropolitan area	2,830	1.2	3,699	1.5
Total of real estate			2,830	1.2	3,699	1.5
Bank deposits and other assets			33,084	14.0	21,218	8.5
Total assets			236,253	100.0	249,246	100.0

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

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

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

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of March 31, 2020.

Property number	Property name	Book value (million yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio to total rental revenue (%) (Note 4)	Primary use
O-4	Blumer HAT Kobe	11,310	23,775.88	23,646.58	99.5	5.6	Retail
R-10	Sun Street Hamakita	10,708	48,697.29 (Note 5)	48,463.82 (Note 5)	99.5	6.3	Retail
R-1	Roseo Mito	9,766	48,296.15	48,296.15	100.0	4.7	Retail
T-2	MONA Shin-Urayasu	8,742	9,953.98	9,902.93	99.5	6.4	Retail
O-1	Blumer Maitamon	8,368	30,290.85	30,187.39	99.7	5.8	Retail
N-6	Resora Obu Shopping Terrace	8,139	19,909.33	19,323.01	97.1	3.4	Retail
N-4	Homecenter Kohnan Sunadabashi	6,928	20,329.07	20,329.07	100.0	— (Note 7)	Retail
O-5	Carino Esaka	6,804	7,540.58	7,447.11	98.8	3.7	Retail
O-6	COMBOX Komyoike	6,239	25,530.44 (Note 6)	25,530.44	100.0	2.7	Retail
T-26	Kalsa Hiratsuka	6,039	14,195.00	14,195.00	100.0	— (Note 7)	Retail
Total		83,047	248,518.57	247,321.80	99.5	— (Note 7)	

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

Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of March 31, 2020. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of March 31, 2020 is shown. As for sublease type master leases, the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of March 31, 2020, rounded to the nearest tenth.

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

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

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

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

(3) Overview of the Portfolio

[Overview of Assets Owned]

The following summarizes the real estate or the real estate properties in trust owned by KRR as of March 31, 2020.

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in million yen)	Evaluation value (in million yen) (Note 3)
T	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,742	10,000
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,724	6,750
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,367	6,250
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,431	5,240
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,901	4,350
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,534	3,860
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,471	2,760
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,600
	T-10	SS	K's Denki Shonan- Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,480
	T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,050
	T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,780
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,390
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,351	3,810
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,748	1,780
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,484	1,520
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,320
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,394	3,520
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,094	3,230
	T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,989	2,840
	T-22	SS	Round1 Ichikawa- Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,854	1,980
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,275	1,350
	T-24	SS	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,595	3,380
	T-25	NSC	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	Trust beneficiary interest in real estate	5,952 (Note 4)	6,220 (Note 4)
	T-26	NSC	Kalsa Hiratsuka	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	6,039	6,020
	T-27	NSC	Monenosato Mall	Yotsukaido, Chiba	Trust beneficiary interest in real estate	2,508	2,570
	T-28	NSC	Chofu Center Building (Retail wing)	Chofu, Tokyo	Trust beneficiary interest in real estate	2,394	2,480
	T-29	NSC	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	Trust beneficiary interest in real estate	2,283	2,320

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in million yen)	Evaluation value (in million yen) (Note 3)
O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,368	9,630
	O-2	SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,150
	O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,132	2,590
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,310	11,500
	O-5	Urban Station- Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,804	7,210
	O-6	Urban Station- Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,239	6,550
	O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,300	1,330
	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,539	1,690
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,980
	O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	Trust beneficiary interest in real estate	2,077	2,020
	N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351
N-2		NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,143	2,360
N-4		SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	6,928	7,300
N-5		SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,440
N-6		NSC	Resora Obu Shopping Terrace	Obu Aichi	Trust beneficiary interest in real estate	8,139	7,060
N-7		SM	Valor Nakashidami (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,587	2,570
F		F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,404
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	4,972	5,760
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,554	1,840
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,766	12,000
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,442	1,560
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	869	920
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,374	4,880
	R-5	NSC	Yorktown Shinden- Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,250	2,660
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	838	878
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,129	4,350
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,260
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,708 (Note 4)	11,250 (Note 4)
	R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Trust beneficiary interest in real estate	4,293	4,420
	T	L-1	L	Zama Distribution Center	Zama, Kanagawa	Real estate	1,477
L-2		L	Oppama Distribution Center	Yokosuka, Kanagawa	Real estate	1,362	1,570
L-3		L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	Trust beneficiary interest in real estate	3,873 (Note 4)	4,010 (Note 4)
L-4		L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	Trust beneficiary interest in real estate	835	841
L-5		L	Gyoda Distribution Center	Gyoda, Saitama	Trust beneficiary interest in real estate	3,180	3,370
L-6		L	Shinjuku Nishiochiai Distribution Center	Shinjuku ward, Tokyo	Real estate	853	821
Total						228,027	243,600

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

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

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

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

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

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

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	Ninth fiscal period As of September 30, 2019				Tenth fiscal period as of March 31, 2020			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)
T	T-1	CSC	Fululu Garden Yachiyo (Note 4)	—	—	678	8.1	—	—	—	—
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(58)	100.0	526	6.3	1(57)	99.5	528	6.4
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(42)	100.0	318	3.8	1(42)	100.0	303	3.7
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(27)	99.1	270	3.2	1(27)	99.1	267	3.3
	T-5	NSC	Unicus Ina	1	100.0	140	1.7	1	100.0	143	1.7
	T-6	NSC	Yorktown Kita-Kaname	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-7	NSC	Unicus Yoshikawa	1(10)	99.6	132	1.6	1(10)	99.6	132	1.6
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-9	NSC	Super Viva Home Iwatsuki (Land)	1	100.0			1	100.0		
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	1	100.0			1	100.0		
	T-11	NSC	Unicus Kamisato (Land)	1	100.0	75	0.9	1	100.0	75	0.9
	T-12	NSC	Unicus Konosu (Land)	1	100.0	43	0.5	1	100.0	43	0.5
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-15	NSC	Nakamachidai Tokyu Store	1	100.0			1	100.0		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	1	81.0			1	81.0		
	T-17	SM	Life Kameido	1	100.0			1	100.0		
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	2	100.0			2	100.0		
	T-19	NSC	Yumemachi Narashinodai Mall	1(14)	100.0	145	1.7	1(14)	100.0	141	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0	117	1.4	1(12)	100.0	114	1.4
	T-21	SS	Prime Square Jiyugaoka	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	T-22	SS	Round1 Ichikawa-Onitaka	1	100.0			1	100.0		
	T-23	SM	Ozeki Tokiwadai	1	100.0			1	100.0		
	T-24	SS	Konami Sports Club Shibuya	1	100.0			1	100.0		
	T-25	NSC	Apita Terrace Yokohama Tsunashima	—	—	—	—	1	100.0	—	—
	T-26	NSC	Kalsa Hiratsuka	—	—	—	—	3	100.0	—	—
	T-27	NSC	Monenosato Mall	—	—	—	—	1(6)	100.0	80	1.0
	T-28	NSC	Chofu Center Building (Retail wing)	—	—	—	—	3	100.0	75	0.9
	T-29	NSC	Across Plaza Urayasu Higashino (Land)	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)

Area	Property number	Property type	Property name	Ninth fiscal period as of September 30, 2019				Tenth fiscal period As of March 31, 2020			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (million yen) (Note 2)	Ratio to total rental revenue (%)
O	O-1	NSC	Blumer Maitamon	50	99.7	494	5.9	50	99.7	478	5.8
	O-2	SM	Life Takadono (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	O-4	NSC	Blumer HAT Kobe	1(41)	84.4	469	5.6	1(42)	99.5	464	5.6
	O-5	Urban Station-Front SC	Carino Esaka	1(30)	100.0	312	3.7	1(29)	98.8	301	3.7
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	226	2.7	1	100.0	226	2.7
	O-7	SM	Hankyu Oasis Hirakatadeguchi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-8	SS	Welcia Kishiwadakamori (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-9	SM	Life Nishi-Tengachaya	1	100.0	44	0.5	1	100.0	44	0.5
	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-11	NSC	Habikigaoka Shopping Center	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-2	NSC	Valor Ichinomiya-Nishi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-4	SS	Homecenter Kohnan Sunadabashi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-5	SS	K's Denki Shin-Moriyama (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-6	NSC	Resora Obu Shopping Terrace	1(39)	95.5	272	3.3	1(39)	97.1	278	3.4
	N-7	SM	Valor Nakashidami (Land)	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
F	F-1	SM	Sunny Noma	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	F-3	NSC	Kurume-Nishi Shopping Center	4	100.0	52	0.6	4	100.0	52	0.6
R	R-1	NSC	Roseo Mito	1(23)	100.0	384	4.6	1(23)	100.0	383	4.7
	R-2	SS	K's Denki Aomori Honten	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-3	SS	Super Sports Xebio Aomori-Chuo	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-4	NSC	Ashico Town Ashikaga	1(2)	100.0	332	3.4	1(28)	95.0	251	3.1
	R-5	NSC	Yorktown Shinden-Higashi	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	R-6	SM	Kasumi Technopark Sakura	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-7	Urban Station-Front SC	Solala Plaza (Note 4)	1	100.0	—	—	—	—	—	—
	R-8	NSC	P-1 Plaza Tenno	1(7)	100.0	138	1.7	1(7)	100.0	137	1.7
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-10	NSC	Sun Street Hamakita	1(50)	99.4	547	6.5	1(51)	99.5	516	6.3
	R-11	SS	Costco Wholesale Sapporo Warehouse	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
T	L-1	L	Zama Distribution Center	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
	L-2	L	Oppama Distribution Center	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
	L-3	L	Musashi Ranzan Distribution Center	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	L-4	L	Yokohama Kamigo Distribution Center	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)

L-5	L	Gyoda Distribution Center	—	—	—	—	1	100.0		
L-6	L	Shinjuku Nishiochiai Distribution Center	—	—	—	—	1	100.0		
Total			480	98.9	8,367	100.0	496	99.4	8,234	100.0

Note 1: Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of March 31, 2020. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. As for the “Total” of “Number of tenants”, the number of end-tenants is used for pass-through type master leases and the number of master lessee is used for sublease type master leases.

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

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

Note 4: Fululu Garden Yachiyo was disposed of on September 27, 2019 and Solala Plaza was disposed on April 5, 2019 (51% quasi co-ownership interests)..

(4) Specified Transaction

As of March 31, 2020, the contract amount and fair value of the outstanding transaction under the specified transaction account of KRR are as follows.

	Type	Contract amount (million yen) (Note 1)		Fair value (million yen) (Note 2) (Note 3)
			Due after one year (Note 1)	
OTC	Interest rate swaps: Receive floating / pay fixed	70,610	65,110	-211
Total	—	70,610	65,110	-211

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

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

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

(5) Other Assets

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

(6) Asset in Geographic Area

KRR owns no asset in specified area other than Japan.

Capital Expenditures

(1) Planned Capital Expenditures

The table below shows major capital expenditures ^(Note) for renovations, repairs and other projects that are planned for the Eleventh fiscal period ending September 30, 2020. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditure that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Air Conditioning Equipment Replacement (Phase 1)	From April 2020 to September 2020	204	-	-
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Compartment division Construction	From June 2020 to August 2020	107	-	-
O-1	Blumer Maitamon	Kobe, Hyogo	Exterior wall repair work (Phase 1)	From April 2020 to September 2020	76	-	-
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	Solar panel installation	From June 2020 to July 2020	40	-	-
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	Installation of a parking lot fill-up control system	From April 2020 to September 2020	27 ^(Note)	-	-

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

(2) Capital Expenditures during the Fiscal Period under Review

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

The amount of capital expenditures in the fiscal period under review was 475 million yen. There were also expenditures of 208 million yen that were recorded as repair expenses. In total KRR spent 683 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Rooftop waterproof (YB building)	From October 2019 to March 2020	71
T-5	Unicus Ina	Kitaadachi-gun, Saitama	Rooftop waterproof	From January 2020 to March 2020	49
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Installation of pressurized water supply pump	From March 2020 to March 2020	33
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	GHP renewal	From October 2019 to December 2019	31
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Hot water heater replacement	From February 2020 to March 2020	30
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	Exterior wall repair work (MEGA Don Quijote UNY building)	From September 2019 to November 2019	26
Others					231
Total					475

(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)	
	Ninth fiscal period (From April 1, 2019 to September 30, 2019)	Tenth fiscal period (From October 1, 2019 To March 31, 2020)
Asset management fees ^(Note)	674,397	685,500
Asset custody fees	9,699	9,643
Administrative service fees	30,904	32,189
Directors' compensation	4,500	4,500
Other operating expenses	118,687	98,176
Total	838,188	830,010

Note: In addition to above, the amount of asset management fees capitalized are 54,900 thousand yen for the ninth fiscal period and 253,581 thousand yen for the tenth fiscal period related to the acquisition of properties that entered the book value of the properties, and 91,249 thousand yen for the ninth fiscal period and 2,800 thousand yen for the tenth fiscal period related to the disposition of properties.

(2) Status of Borrowings

Borrowings on a financial institution basis as of March 31, 2020 are as follows.

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks		
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,750,000	—	2,750,000	—	0.473	January 31, 2020	(Note 4)	Unsecured/ Unguaranteed		
	Sumitomo Mitsui Banking Corporation	700,000	—	—	700,000	0.471	September 30, 2020				
	Sumitomo Mitsui Trust Bank, Ltd. (Note6)	620,000	—	620,000	—	0.477					
	Sumitomo Mitsui Banking Corporation	—	2,750,000	—	2,750,000	0.469	January 31, 2021				
	Sub Total	4,070,000	2,750,000	3,370,000	3,450,000						
Current Portion of Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,400,000	—	2,400,000	—	0.751	February 10, 2020	(Note 4)	Unsecured/ Unguaranteed		
	MUFG Bank, Ltd.	800,000	—	800,000	—						
	MUFG Bank, Ltd.	800,000	—	800,000	—						
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	—	550,000	—						
	Aozora Bank, Ltd.	500,000	—	500,000	—						
	Resona Bank, Ltd.	500,000	—	500,000	—						
	The Gunma Bank, Ltd.	400,000	—	400,000	—						
	The Musashino Bank, Ltd.	400,000	—	400,000	—						
	Mizuho Bank, Ltd.	350,000	—	350,000	—	0.477	August 31, 2020				
	Mizuho Trust & Banking Co., Ltd.	300,000	—	300,000	—						
	MUFG Bank, Ltd. (Note6)	1,270,000	—	1,270,000	—						
	Mizuho Trust & Banking Co., Ltd. (Note6)	650,000	—	650,000	—						
	Sumitomo Mitsui Trust Bank, Ltd. (Note6)	200,000	—	200,000	—						
	Sumitomo Mitsui Banking Corporation (Note7)	3,000,000	—	—	3,000,000	0.865	February 10, 2021				
	MUFG Bank, Ltd. (Note7)	700,000	—	—	700,000						
	Sumitomo Mitsui Trust Bank, Ltd. (Note7)	500,000	—	—	500,000						
	Aozora Bank, Ltd. (Note7)	450,000	—	—	450,000						
	Resona Bank, Ltd. (Note7)	450,000	—	—	450,000						
	Mizuho Bank, Ltd. (Note7)	400,000	—	—	400,000	0.925	February 10, 2021				
	Development Bank of Japan Inc. (Note5) (Note7)	1,500,000	—	—	1,500,000						
	Sumitomo Mitsui Banking Corporation	—	2,400,000	—	2,400,000						
	MUFG Bank, Ltd.	—	1,600,000	—	1,600,000						
	Sumitomo Mitsui Trust Bank, Ltd.	—	550,000	—	550,000						
Resona Bank, Ltd.	—	500,000	—	500,000							
Aozora Bank, Ltd.	—	500,000	—	500,000							
Mizuho Bank, Ltd.	—	350,000	—	350,000							
Mizuho Trust & Banking Co., Ltd.	—	300,000	—	300,000	0.469	February 28, 2021					
Sub Total	16,120,000	6,200,000	9,120,000	13,200,000							
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,600,000	—	—			2,600,000	0.978	February 10, 2022	(Note 4)	Unsecured/ Unguaranteed
	MUFG Bank, Ltd.	800,000	—	—			800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	—	—			600,000				
	Aozora Bank, Ltd.	400,000	—	—			400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	—	—			400,000				
	Mizuho Bank, Ltd.	300,000	—	—			300,000				
	Resona Bank, Ltd.	300,000	—	—			300,000	1.033	February 10, 2022		
	Development Bank of Japan Inc. (Note5)	1,600,000	—	—			1,600,000				
	Sumitomo Mitsui Banking Corporation	4,600,000	—	—	4,600,000	1.366	April 16, 2025				
	MUFG Bank, Ltd.	1,000,000	—	—	1,000,000						
	Sumitomo Mitsui Trust Bank, 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						
	MUFG Bank, Ltd.	400,000	—	—	400,000						
	Development Bank of Japan Inc. (Note5)	1,500,000	—	—	1,500,000			0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	—	—	450,000						
	Resona Bank, Ltd.	200,000	—	—	200,000	0.987	March 31, 2023				
	The Musashino Bank, Ltd.	150,000	—	—	150,000						
Development Bank of Japan Inc. (Note5)	1,500,000	—	—	1,500,000	1.013			March 31, 2023			

Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	3,000,000	—	—	3,000,000	1.110	March 31, 2024	(Note 4)	Unsecured/ Unguaranteed	
	Mizuho Bank, Ltd.	1,150,000	—	—	1,150,000					
	MUFG Bank, Ltd.	1,000,000	—	—	1,000,000					
	Mizuho Trust & Banking Co., Ltd.	700,000	—	—	700,000					
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	—	—	650,000					
	Resona Bank, Ltd.	500,000	—	—	500,000					
	Sumitomo Mitsui Banking Corporation	1,500,000	—	—	1,500,000	1.243	April 16, 2025			
	MUFG Bank, Ltd.	400,000	—	—	400,000	0.803	September 30, 2024			
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	—	—	450,000	0.760	September 30, 2024			
	Development Bank of Japan Inc. (Note5)	890,000	—	—	890,000	0.932	April 21, 2026			
	Sumitomo Mitsui Banking Corporation	2,670,000	—	—	2,670,000	0.888	October 31, 2025			
	MUFG Bank, Ltd.	890,000	—	—	890,000	0.550	September 30, 2021			
	The Gunma Bank, Ltd. (Note5)	500,000	—	—	500,000	1.049	January 31, 2027			
	Development Bank of Japan Inc. (Note5)	2,000,000	—	—	2,000,000	1.049				
	Mizuho Trust & Banking Co., Ltd. (Note5)	1,000,000	—	—	1,000,000	1.002				
	Resona Bank, Ltd.	500,000	—	—	500,000	0.485	April 27, 2021			
	Sumitomo Mitsui Banking Corporation	2,600,000	—	—	2,600,000					
	Aozora Bank, Ltd.	500,000	—	—	500,000					
	MUFG Bank, Ltd.	400,000	—	—	400,000					
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	—	—	300,000					
	Resona Bank, Ltd.	300,000	—	—	300,000	0.400	April 27, 2021			
	MUFG Bank, Ltd. (Note5)	600,000	—	—	600,000	0.553				
	Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000	0.553				
	Mizuho Bank, Ltd. (Note5)	400,000	—	—	400,000	0.553				
	Mizuho Trust & Banking Co., Ltd. (Note5)	200,000	—	—	200,000	0.553	October 31, 2024			
	Sumitomo Mitsui Banking Corporation	1,500,000	—	—	1,500,000	0.772				
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	—	—	400,000					
	Aozora Bank, Ltd.	400,000	—	—	400,000					
	Resona Bank, Ltd.	300,000	—	—	300,000	0.696				October 31, 2024
	MUFG Bank, Ltd. (Note5)	600,000	—	—	600,000	0.815				
	Mizuho Bank, Ltd. (Note5)	600,000	—	—	600,000	0.814				
	Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000	0.814				
	Mizuho Trust & Banking Co., Ltd. (Note5)	200,000	—	—	200,000	0.814	October 31, 2026			
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.903				
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	1.033	May 18, 2027			
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	—	—	500,000					
	Resona Bank, Ltd.	400,000	—	—	400,000					
	Development Bank of Japan Inc. (Note5)	500,000	—	—	500,000	1.050	May 18, 2027			
	Mizuho Bank, Ltd. (Note5)	500,000	—	—	500,000	1.049				
	Mizuho Trust & Banking Co., Ltd. (Note5)	300,000	—	—	300,000	1.050				
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.670	September 29, 2023			
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	—	—	1,500,000	0.918	September 30, 2026			
MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.930	September 29, 2027				
Mizuho Bank, Ltd. (Note5)	1,500,000	—	—	1,500,000	1.029					
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	—	—	1,500,000	1.100	September 29, 2028				
Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000	1.035	October 3, 2027				
MUFG Bank, Ltd. (Note5)	1,200,000	—	—	1,200,000	1.000	February 10, 2028				
MUFG Bank, Ltd.	1,250,000	—	—	1,250,000	0.603	August 31, 2022				
Mizuho Bank, Ltd.	800,000	—	—	800,000						
Sumitomo Mitsui Banking Corporation	900,000	—	—	900,000	0.988	April 30, 2027				
Sumitomo Mitsui Banking Corporation	2,600,000	—	—	2,600,000	0.985	April 30, 2027				
Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.902	April 30, 2026				
Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	1.090	April 30, 2028				
The Bank of Fukuoka, Ltd.	1,000,000	—	—	1,000,000	0.907	May 31, 2026				

Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	1,500,000	—	—	1,500,000	0.999	May 31, 2027	(Note 4)	Unsecured/ Unguaranteed
	MUFG Bank, Ltd. (Note5)	500,000	—	—	500,000	0.900			
	Mizuho Bank, Ltd.	500,000	—	—	500,000	0.999			
	Mizuho Trust & Banking Co., Ltd.	500,000	—	—	500,000	0.999	March 31, 2025		
	Nippon Life Insurance Company	700,000	—	—	700,000	0.913			
	Sumitomo Mitsui Trust Bank, Ltd.	700,000	—	—	700,000	0.726	March 31, 2026		
	Resona Bank, Ltd.	500,000	—	—	500,000	0.676			
	Aozora Bank, Ltd.	500,000	—	—	500,000	0.726			
	Mizuho Bank, Ltd.	400,000	—	—	400,000	0.726			
	The Musashino Bank, Ltd.	400,000	—	—	400,000	0.676			
	Sumitomo Mitsui Banking Corporation	1,850,000	—	—	1,850,000	0.910			
	MUFG Bank, Ltd.	1,300,000	—	—	1,300,000	0.860	August 31, 2024		
	Resona Bank, Ltd.	650,000	—	—	650,000	0.460			
	Aozora Bank, Ltd.	890,000	—	—	890,000	0.585	August 31, 2026		
	Mizuho Bank, Ltd.	1,370,000	—	—	1,370,000	0.718	March 31, 2028		
	Sumitomo Mitsui Trust Bank, Ltd.	—	820,000	—	820,000	0.550	October 31, 2024		
	MUFG Bank, Ltd.	—	1,270,000	—	1,270,000	0.750	January 31, 2028		
	Mizuho Trust & Banking Co., Ltd. (Note5)	—	650,000	—	650,000	0.670	April 30, 2028		
	MUFG Bank, Ltd. (Note5)	—	1,500,000	—	1,500,000	0.520	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	—	1,000,000	—	1,000,000	0.644			
	Mizuho Bank, Ltd.	—	1,000,000	—	1,000,000	0.644			
	Mizuho Trust & Banking Co., Ltd. (Note5)	—	500,000	—	500,000	0.550			
	Resona Bank, Ltd.	—	300,000	—	300,000	0.644			
	Development Bank of Japan Inc. (Note5)	—	500,000	—	500,000	0.830			
	The Gunma Bank, Ltd.	—	400,000	—	400,000	0.498	January 31, 2025		
	The Musashino Bank, Ltd. (Note5)	—	400,000	—	400,000	0.478	January 31, 2025		
Sub Total	78,910,000	8,340,000	—	87,250,000					
Total	99,100,000	17,290,000	12,490,000	103,900,000					

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

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

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

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

Note 5: Borrowings at a fixed rate.

Note 6: Prepayment was made on October 31, 2019.

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

(3) Status of Investment Corporation Bonds

Bonds	Issuance date	Balance as of October 1, 2019 (million yen)	Balance as of March 31, 2020 (million yen)	Interest rate (%)	Maturity date	Redemption method	Use	Remarks
1st Series Unsecured Investment Corporation Bonds	October 31, 2016	1,000	1,000	0.200	October 29, 2021	Full on maturity	(Note 1)	(Note 3)
2nd Series Unsecured Investment Corporation Bonds	October 31, 2016	1,000	1,000	0.600	October 30, 2026			
3rd Series Unsecured Investment Corporation Bonds	August 31, 2017	1,000	1,000	0.320	August 31, 2022		(Note 2)	
4th Series Unsecured Investment Corporation Bonds	August 31, 2017	2,000	2,000	0.700	August 31, 2027			
5th Series Unsecured Investment Corporation Bonds	April 26, 2018	2,000	2,000	0.700	April 26, 2028			
Total		7,000	7,000					

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

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

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

(4) Status of Short-Term Investment Corporation Bonds

Not applicable

(5) Status of Subscription Rights to New Investment Units

Not applicable

Acquisition and Disposition

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

Ownership form	Property number	Property name	Acquisition		Disposition			
			Acquisition date	Acquisition price (million yen) (Note)	Disposition Date	Disposition price (million yen) (Note)	Book value (million yen)	Gain / loss (million yen)
Trust beneficiary interest in real estate	L-5	Gyoda Distribution Center	October 1, 2019	3,160	—	—	—	—
Trust beneficiary interest in real estate	T-27	Monenosato Mall	October 24, 2019	2,410	—	—	—	—
Trust beneficiary interest in real estate	T-28	Chofu Center Building (Retail wing)	October 24, 2019	2,300	—	—	—	—
Trust beneficiary interest in real estate	T-29	Across Plaza Urayasu Higashino (Land)	October 24, 2019	2,248	—	—	—	—
Trust beneficiary interest in real estate	T-25	Apita Terrace Yokohama Tsunashima	November 1, 2019	5,899	—	—	—	—
Trust beneficiary interest in real estate	T-26	Kalsa Hiratsuka	November 1, 2019	5,980	—	—	—	—
Trust beneficiary interest in real estate	N-7	Valor Nakashidami (Land)	November 1, 2019	2,551	—	—	—	—
Real estate	L-6	Shinjuku Nishiochiai Distribution Center	January 10, 2020	810	—	—	—	—
Trust beneficiary interest in real estate	O-8	Welcia Kishiwadakamori (Land)	—	—	October 31, 2019	560	497	56

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

(2) Acquisition and Disposition of Other Assets

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

(3) Appraisal Values of Specific Assets

i) Real Estate

Acquisition /disposition	Ownership form	Property number	Property name	Acquisition/ disposition date	Acquisition/ disposition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	Appraiser	Evaluation date
Acquisition	Real estate	L-6	Shinjuku Nishiochiai Distribution Center	January 10, 2020	810	815	Japan Real Estate Institute	December 1, 2019
	Trust beneficiary interest in real estate	L-5	Gyoda Distribution Center	October 1, 2019	3,160	3,350	The Tanizawa Sōgō Appraisal Co., Ltd.	September 1, 2019
		T-27	Monenosato Mall	October 24, 2019	2,410	2,510	Japan Real Estate Institute	September 1, 2019
		T-28	Chofu Center Building (Retail wing)	October 24, 2019	2,300	2,440	Japan Real Estate Institute	September 1, 2019

Acquisition/disposition	Ownership form	Property number	Property name	Acquisition/disposition date	Acquisition/disposition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	T-29	Across Plaza Urayasu Higashino (Land)	October 24, 2019	2,248	2,300	Daiwa Real Estate Appraisal Co., Ltd.	September 1, 2019
		T-25	Apita Terrace Yokohama Tsunashima	November 1, 2019	5,899	6,220	Daiwa Real Estate Appraisal Co., Ltd.	September 1, 2019
		T-26	Kalsa Hiratsuka	November 1, 2019	5,980	6,010	Japan Real Estate Institute	September 1, 2019
		N-7	Valor Nakashidami (Land)	November 1, 2019	2,551	2,560	The Tanizawa Sōgō Appraisal Co., Ltd.	September 1, 2019
Disposition	Trust beneficiary interest in real estate	O-8	Welcia Kishiwadakamori (Land)	October 31, 2019	560	488	Japan Real Estate Institute	September 30, 2019

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

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

ii) Others

(A) Investigator regarding values of certain assets

BDO Toyo & Co.

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Article 201 of the Act on Investment Trusts and Investment Corporations, BDO Toyo & Co. performs an investigation of transactions. For the fiscal period from October 1, 2019 to March 31, 2020, the transactions subject to such investigation were three interest rate swap transactions, for which KRR received reports from BDO Toyo & Co. For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions. This survey is not a part of the audit for financial statements, and there is no guarantee of fairness of the price and internal management system.

(4) Related-Party Transactions

i) Transactions

	Transaction price (in million yen)			
	Purchase		Sale	
Total amount	25,358		560	
Transaction with related-party				
GK IK Investment Four	5,899	(23.3%)	-	(-%)
GK KRF77	3,160	(12.5%)	-	(-%)
Total	9,059	(35.7%)	-	(-%)

ii) Amounts of Fees Paid

	Total amount of fee paid (A) (in million yen)	Related-party transaction		Ratio (B) / (A) (%)
		Payment destination	Amount of fee paid (B) (in million yen)	
Brokerage	165	Kenedix, Inc.	141	85.3

Note 1: 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.

Note 2: The fee paid for renovation placing orders to related party is as follows.
Kenedix Engineering, Inc. Capital expenditures JPY 69 million, repair JPY 9 million

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

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

Accounting

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

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

(2) Change in Calculation of Depreciation

Not applicable

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

Not applicable

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

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

Not applicable

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

Not applicable

(5) Disclosure of Companies Owning Real Estate Overseas

Not applicable

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

Not applicable

Others

(1) Notice

i) General Meeting of Unitholders

Not applicable

ii) Board of Directors

Not applicable

(2) Others

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

Independent Auditor's Report

The Board of Directors
Kenedix Retail REIT Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation (the Company), which comprise the balance sheet as at March 31, 2020, and the statement of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2020

吉村 基 

Motoki Yoshimura
Designated Engagement Partner
Certified Public Accountant

吉田 雅彦 

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant

Financial Statements

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

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

Kenedix Retail REIT Corporation
Balance Sheet

As of March 31, 2020

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥6,125,619	¥18,599,690
Cash and deposits in trust (Notes 9 and 11)	12,924,521	12,974,943
Operating accounts receivable	166,961	230,017
Prepaid expenses	32,902	137,034
Consumption taxes receivable	863,462	-
Other	1,907	25,002
Total current assets	20,115,374	31,966,688
Non-current assets		
Property, plant and equipment (Notes 17 and 20)		
Buildings	735,397	692,529
Accumulated depreciation	(29,574)	(14,554)
Buildings, net	705,823	677,974
Structures	38,751	37,947
Accumulated depreciation	(1,954)	(969)
Structures, net	36,796	36,978
Land	2,951,386	2,115,355
Construction in progress	5,062	-
Buildings in trust	60,239,912	53,995,091
Accumulated depreciation	(6,621,134)	(5,698,859)
Buildings in trust, net (Note 3)	53,618,778	48,296,231
Structures in trust	3,419,821	3,055,215
Accumulated depreciation	(474,705)	(410,820)
Structures in trust, net (Note 3)	2,945,115	2,644,394
Machinery and equipment in trust	220,898	220,898
Accumulated depreciation	(39,592)	(33,189)
Machinery and equipment in trust, net	181,305	187,709
Tools, furniture and fixtures in trust	147,539	127,382
Accumulated depreciation	(40,505)	(29,146)
Tools, furniture and fixtures in trust, net (Note 3)	107,034	98,235
Land in trust (Note 3)	163,155,870	144,794,027
Construction in progress in trust	4,115	-
Total property, plant and equipment, net	223,711,288	198,850,906
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,308,804	4,312,783
Other	9,937	7,811
Total intangible assets	4,318,742	4,320,594
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,236	60,256
Long-term prepaid expenses	830,025	825,953
Long-term deposits	117,110	157,110
Other	8,339	2,352
Total investments and other assets	1,025,711	1,055,672
Total non-current assets	229,055,742	204,227,173
Deferred assets		
Organization costs	-	55
Investment corporation bond issuance costs	36,615	40,329
Investment unit issuance costs	38,633	19,253
Total deferred assets	75,248	59,638
Total assets	¥249,246,364	¥236,253,500

See accompanying notes to financial statements.

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥692,883	¥951,647
Short-term loans payable (Notes 11 and 21)	3,450,000	4,070,000
Current portion of long-term loans payable (Notes 11 and 21)	13,200,000	9,120,000
Accounts payable-other	463,187	541,163
Accrued expenses	32,558	24,019
Income taxes payable	956	1,108
Accrued consumption taxes	120,675	556,438
Advances received	1,266,351	1,193,590
Deposits received	20,626	71,404
Total current liabilities	19,247,239	16,529,373
Non-current liabilities		
Investment corporation bonds (Notes 11 and 22)	7,000,000	7,000,000
Long-term loans payable (Notes 11 and 21)	87,250,000	85,910,000
Tenant leasehold and security deposits (Note 11)	148,083	128,623
Tenant leasehold and security deposits in trust (Notes 3 and 11)	10,878,319	9,958,139
Asset retirement obligations (Note 15)	24,229	24,077
Other	247,638	316,840
Total non-current liabilities	105,548,270	103,337,680
Total liabilities	124,795,509	119,867,054
Net assets		
Unitholders' equity		
Unitholders' capital	121,183,494	113,399,022
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(305,743)	(181,865)
Total deduction from unitholders' capital	(305,743)	(181,865)
Unitholders' capital, net	120,877,750	113,217,156
Surplus		
Unappropriated retained earnings	3,784,993	3,455,496
Total surplus	3,784,993	3,455,496
Total unitholders' equity	124,662,744	116,672,653
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	(211,889)	(286,206)
Total valuation and translation adjustments	(211,889)	(286,206)
Total net assets (Note 6)	124,450,854	116,386,446
Total liabilities and net assets	¥249,246,364	¥236,253,500

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Income and Retained Earnings

For the period from October 1, 2019 to March 31, 2020

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
	(in thousands of yen)	
Operating revenues		
Rent revenue-real estate (Note 7)	¥7,238,807	¥7,129,860
Other lease business revenue (Note 7)	996,119	1,237,149
Gain on sales of real estate property (Note 7)	56,596	242,514
Total operating revenues	8,291,523	8,609,524
Operating expenses		
Expenses related to rent business (Note 7)	3,359,716	3,891,696
Asset management fees	685,500	674,397
Asset custody fees	9,643	9,699
Administrative service fees	32,189	30,904
Directors' compensation	4,500	4,500
Other operating expenses	98,176	118,687
Total operating expenses	4,189,726	4,729,884
Operating income	4,101,796	3,879,639
Non-operating income		
Interest income	57	58
Dividends and redemption-prescription	565	722
Total non-operating income	622	780
Non-operating expenses		
Interest expenses	453,558	449,454
Interest expenses on investment corporation bonds	19,671	19,538
Financing-related expenses	98,913	94,397
Amortization of organization costs	55	5,066
Amortization of investment corporation bond issuance costs	3,714	3,714
Amortization of investment unit issuance costs	26,980	19,253
Total non-operating expenses	602,893	591,425
Ordinary income	3,499,525	3,288,995
Income before income taxes	3,499,525	3,288,995
Income taxes		
Current	965	1,117
Total income taxes	965	1,117
Net income	3,498,560	3,287,877
Retained earnings brought forward	286,433	167,619
Unappropriated retained earnings	¥3,784,993	¥3,455,496

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Changes in Net Assets

For the period from October 1, 2019 to March 31, 2020

	Unitholders' equity						
	Unitholders' capital				Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropri- ated retained earnings	Total surplus	Total unitholders' equity
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
(in thousands of yen)							
Balance as of March 31, 2019 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,283,881	¥3,283,881	¥116,673,148
Changes of items during the period							
Dividends from surplus					(3,116,262)	(3,116,262)	(3,116,262)
Distributions in excess of earnings from allowance for temporary difference adjustments		(172,110)	(172,110)	(172,110)			(172,110)
Net income					3,287,877	3,287,877	3,287,877
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	(172,110)	(172,110)	(172,110)	171,614	171,614	(495)
Balance as of September 30, 2019 (Note 8)	¥113,399,022	¥ (181,865)	¥ (181,865)	¥113,217,156	¥3,455,496	¥3,455,496	¥116,672,653
Changes of items during the period							
Issuance of new investment units	7,784,472			7,784,472			7,784,472
Dividends from surplus					(3,169,063)	(3,169,063)	(3,169,063)
Distributions in excess of earnings from allowance for temporary difference adjustments		(123,878)	(123,878)	(123,878)			(123,878)
Net income					3,498,560	3,498,560	3,498,560
Net changes of items other than unitholders' equity							
Total changes of items during the period	7,784,472	(123,878)	(123,878)	(7,660,593)	329,496	329,496	7,990,090
Balance as of March 31, 2020 (Note 8)	¥121,183,494	¥ (305,743)	¥ (305,743)	¥120,877,750	¥3,784,993	¥3,784,993	¥124,662,744

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	(in thousands of yen)		
Balance as of March 31, 2019 (Note 8)	¥(167,579)	¥(167,579)	¥116,505,569
Changes of items during the period			
Dividends from surplus			(3,116,262)
Distributions in excess of earnings from allowance for temporary difference adjustments			(172,110)
Net income			3,287,877
Net changes of items other than unitholders' equity	(118,627)	(118,627)	(118,627)
Total changes of items during the period	(118,627)	(118,627)	(119,122)
Balance as of September 30, 2019 (Note 8)	¥(286,206)	¥(286,206)	¥116,386,446
Changes of items during the period			
Issuance of new investment units			7,784,472
Dividends from surplus			(3,169,063)
Distributions in excess of earnings from allowance for temporary difference adjustments			(123,878)
Net income			3,498,560
Net changes of items other than unitholders' equity	74,317	74,317	74,317
Total changes of items during the period	74,317	74,317	8,064,408
Balance as of March 31, 2020 (Note 8)	¥(211,889)	¥(211,889)	124,450,854

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation
Statement of Cash Flows

For the period from October 1, 2019 to March 31, 2020

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,499,525	¥3,288,995
Depreciation and amortization	1,025,511	1,020,517
Amortization of organization costs	55	5,066
Amortization of investment corporation bond issuance costs	3,714	3,714
Amortization of investment unit issuance costs	26,980	19,253
Interest income	(57)	(58)
Interest expenses	473,230	468,993
Decrease (increase) in operating accounts receivable	63,055	(16,802)
Decrease (increase) in consumption taxes receivable	(863,462)	-
Decrease (increase) in prepaid expenses	104,132	(105,726)
Increase (decrease) in operating accounts payable	(101,513)	9,399
Increase (decrease) in accounts payable-other	(56,055)	85,880
Increase (decrease) in accrued consumption taxes	(435,763)	373,363
Increase (decrease) in advances received	72,761	39,037
Increase (decrease) in deposits received	(50,778)	(11,587)
Decrease (increase) in long-term prepaid expenses	(4,072)	65,552
Increase (decrease) in long-term deposits received	40,000	-
Decrease in net property, plant and equipment held in trust due to sale	497,568	17,624,357
Other	(65)	5,485
Subtotal	4,294,767	22,875,441
Interest income received	57	58
Interest expenses paid	(464,671)	(472,583)
Income taxes paid	(1,117)	(1,027)
Net cash provided by (used in) operating activities	3,829,036	22,401,889
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(884,765)	(2,845,831)
Purchase of property, plant and equipment in trust	(25,672,644)	(3,501,983)
Purchase of intangible assets	(3,580)	(2,500)
Proceeds from lease and guarantee deposits in trust	20	-
Proceeds from tenant leasehold and security deposits	19,460	128,623
Repayments of tenant leasehold and security deposits in trust	(151,208)	(2,824,940)
Proceeds from tenant leasehold and security deposits in trust	1,093,091	384,497
Proceeds from restricted bank deposits in trust	15,000	1,419,737
Net cash provided by (used in) investing activities	(25,584,626)	(7,242,397)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,750,000	1,320,000
Decrease in short-term loans payable	(3,370,000)	-
Proceeds from long-term loans payable	14,540,000	5,690,000
Repayments of long-term loans payable	(9,120,000)	(7,010,000)
Proceeds from issuance of investment units	7,738,113	-
Dividends paid	(3,292,016)	(3,288,016)
Net cash provided by (used in) financing activities	9,246,096	(3,288,016)
Net increase (decrease) in cash and cash equivalents	(12,509,493)	11,871,475
Cash and cash equivalents at the beginning of the period	31,319,634	19,448,158
Cash and cash equivalents at the end of the period (Note 9)	¥18,810,140	¥31,319,634

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from October 1, 2019 to March 31, 2020

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Retail REIT Corporation (“KRR”) was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On February 10, 2015, KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453). Subsequently, KRR raised funds through public offerings, including international offerings. As a result, the number of investment units issued as of March 31, 2020 was 536,177 units.

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

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

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

KRR acquired four properties (Zama Distribution Center with acquisition price of 1,400 million yen, Oppama Distribution Center with acquisition price of 1,300 million yen, Yokohama Kamigo Distribution Center with acquisition price of 790 million yen and Habikigaoka Shopping Center with acquisition price of 2,000 million yen), and sold two properties (Solala Plaza (51% quasi co-ownership interest) with sale price of 3,049 million yen (initial acquisition price of 2,917 million yen) and Fululu Garden Yachiyo with sale price of 15,200 million yen (initial acquisition price of 14,848 million yen)). For the period ended September 30, 2019, the portfolio of 55 properties (total acquisition price of 200,938 million yen) as a whole performed well with an overall occupancy ratio of 98.9% as of September 30, 2019.

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

Furthermore, the portfolio was diversified in terms of tenants as there were 480 and 496 end-tenants as of September 30, 2019 and March 31, 2020 in KRR’s properties, respectively.

Basis of Presentation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(B) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

(C) Long-term Prepaid Expenses

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

(D) Organization Costs

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

(E) Investment Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

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

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

(H) Revenue Recognition

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

(I) Taxes on Property and Equipment

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

When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥20,564 thousand and ¥32,362 thousand as of September 30, 2019 and March 31, 2020, respectively.

(J) Income Taxes

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

(K) Consumption Taxes

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

(L) Derivative Financial Instruments

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

(M) Cash and Cash Equivalents

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

(N) Presentation of Amounts

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

3. Accounting standards issued but not yet effective

New accounting standards and implementation guidance issued but not yet effective are as follows:

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

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Impact of applying the accounting standards

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

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on July 4, 2019)

- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2019)

(1) Overview

The IASB and the FASB have established detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” (IASB) and Topic 820 “Fair Value Measurement” (FASB)). The ASBJ repeatedly considered the guidance regarding fair value of financial instruments and disclosure in order to improve the comparability with such international accounting standards, and issued “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement.”

(2) Scheduled date of application

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

(3) Impact of applying the accounting standards

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

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

(1) Overview

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

(2) Scheduled date of application

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

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

(1) Overview

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

(2) Scheduled date of application

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

4. COLLATERAL

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

Assets pledged as collateral	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Buildings in trust	¥668,630	¥652,282
Structures in trust	23,989	25,193
Land in trust	2,709,001	2,709,001
Total	¥3,401,621	¥3,386,476

Secured liabilities	As of March 31, 2020	As of September 30, 2019
Tenant leasehold and security deposits in trust	¥460,565	¥482,562
Total	¥460,565	¥482,562

5. COMMITMENT LINE CONTRACTS

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

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Total amount of commitment line contracts	¥3,000,000	¥3,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥3,000,000	¥3,000,000

6. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

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

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

2. Method of reversal

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

The following summarizes allowance for temporary difference adjustments as of September 30, 2019

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

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
		(in thousands of yen)					
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥14,324	¥9,754	¥4,569	¥ -	¥14,324	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	167,541	-	167,541	-	167,541	-
Total		¥181,865	¥9,754	¥172,110	¥ -	¥181,865	-

2. Method of reversal

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

7. 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.

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

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

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥5,957,213	¥5,906,675
Rental revenues from limited proprietary rights of land	1,014,174	929,686
Common area charges	267,419	293,498
Subtotal	7,238,807	7,129,860
Other lease business revenue:		
Parking space rental revenues	204,170	196,389
Utility charge reimbursement	529,178	686,217
Miscellaneous	262,770	354,542
Subtotal	996,119	1,237,149
Total rental and other operating revenues	8,234,927	8,367,009
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	675,050	812,506
Utilities	495,587	651,605
Taxes	629,029	736,890
Repairs and maintenance	208,221	296,687
Insurance	13,470	12,880
Trust fees	23,926	23,026
Depreciation	1,024,057	1,019,546
Others	290,373	338,551
Total property-related expenses	3,359,716	3,891,696
Net operating income from real estate rental business	¥4,875,211	¥4,475,313

Gain on sales of real estate property:

From October 1, 2019 to March 31, 2020

	(in thousands of yen)
Welcia Kishiwadakamori (Land)	
Revenue from sales of real estate property	¥560,000
Cost of real estate property	497,568
Other sales expenses	5,835
<u>Gain on sales of real estate property</u>	<u>¥56,596</u>

From April 1, 2019 to September 30, 2019

	(in thousands of yen)
Solala Plaza (51% quasi co-ownership interests)	
Revenue from sales of real estate property	¥3,049,800
Cost of real estate property	2,827,727
Other sales expenses	20,455
<u>Gain on sales of real estate property</u>	<u>¥201,616</u>

	(in thousands of yen)
Fululu Garden Yachiyo	
Revenue from sales of real estate property	¥15,200,000
Cost of real estate property	14,796,629
Other sales expenses	362,472
<u>Gain on sales of real estate property</u>	<u>¥40,898</u>

9. UNITHOLDERS' EQUITY

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

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	536,177 units	507,700 units

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of March 31, 2020 and September 30, 2019:

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Cash and deposits	¥6,125,619	¥18,599,690
Cash and deposits in trust	12,924,521	12,974,943
Restricted bank deposits in trust *	(240,000)	(255,000)
<u>Cash and cash equivalents</u>	<u>¥18,810,140</u>	<u>¥31,319,634</u>

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

11. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of March 31, 2020 and September 30, 2019 are as follows:

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	167,548	172,798
Total	¥178,048	¥183,298

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of March 31, 2020 and September 30, 2019 are as follows:

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Due within 1 year	¥9,818,120	¥8,850,474
Due after 1 year	59,381,345	53,231,922
Total	¥69,199,466	¥62,082,397

12. FINANCIAL INSTRUMENTS

(A). Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds, which are made or issued primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years and 7 months for loans payable and also have a redemption date of a maximum of 8 years and 1 month for investment corporation bonds as of March 31, 2020, the end of the 10th fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, loans payable with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the loans payable.

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

(3) Risk management for financial instruments

a. Credit risk

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

b. Market risk

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

c. Liquidity risk

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

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

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

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

(B). Estimated Fair Value of Financial Instruments

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

As of March 31, 2020

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

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

As of September 30, 2019

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥18,599,690	¥18,599,690	¥ -
(2) Cash and deposits in trust	12,974,943	12,974,943	-
Total	31,574,634	31,574,634	-
(1) Short-term loans payable	4,070,000	4,070,000	-
(2) Current portion of long-term loans payable	9,120,000	9,115,112	(4,887)
(3) Investment corporation bonds	7,000,000	7,084,100	84,100
(4) Long-term loans payable	85,910,000	86,818,747	908,747
(5) Tenant leasehold and security deposits in trust	777,358	758,152	(19,206)
Total	106,877,358	107,846,112	968,753
Derivative transactions	¥(286,206)	¥(286,206)	¥ -

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

Classification	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Tenant leasehold and security deposits (Note)	¥148,083	¥128,623
Tenant leasehold and security deposits in trust (Note)	¥10,024,780	¥9,180,780
Total	¥10,172,863	¥9,309,403

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

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

As of March 31, 2020

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

As of September 30, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands of yen)					
Cash and deposits	¥18,599,690	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	12,974,943	-	-	-	-	-
Total	¥31,574,634	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of March 31, 2020

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

Total	¥16,663,995	¥14,313,995	¥10,063,995	¥7,513,995	¥8,823,995	¥53,665,806
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As of September 30, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Short-term loans payable	¥4,070,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	2,000,000	-	-	5,000,000
Long-term loans payable	9,120,000	13,300,000	9,050,000	7,500,000	8,990,000	47,070,000
Tenant leasehold and security deposits in trust	13,995	13,995	13,995	13,995	13,995	82,803
Total	¥13,203,995	¥13,313,995	¥11,063,995	¥7,513,995	¥9,003,995	¥52,152,803

13. DERIVATIVE TRANSACTIONS

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

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

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

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

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2019 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Maturing	after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥33,920,000	¥33,920,000	¥(286,206)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	38,900,000	31,900,000	*	-
Total			¥72,820,000	¥65,820,000	¥(286,206)	

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

14. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

10th Fiscal Period (October 1, 2019 to March 31, 2020) and 9th Fiscal Period (April 1, 2019 to September 30, 2019): Not applicable

2. Affiliated companies and other

10th Fiscal Period (October 1, 2019 to March 31, 2020) and 9th Fiscal Period (April 1, 2019 to September 30, 2019): Not applicable

3. Fellow subsidiary companies and other

10th Fiscal Period (October 1, 2019 to March 31, 2020) and 9th Fiscal Period (April 1, 2019 to September 30, 2019): Not applicable

4. Directors, major individual unitholders and other

10th Fiscal Period (October 1, 2019 to March 31, 2020) and 9th Fiscal Period (April 1, 2019 to September 30, 2019): Not applicable

15. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, KRR may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If KRR does not satisfy all of the requirements, the entire taxable income of KRR will be subject to regular corporate income taxes. Since KRR distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥3,503 million and ¥3,292 million for the periods ended March 31, 2020 and September 30, 2019, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on KRR's income was 0.03% for the periods ended March 31, 2020 and September 30, 2019. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of March 31, 2020	As of September 30, 2019
Statutory tax rate	31.46%	31.51%
Deductible cash distributions	(31.50)	(31.55)
Others	0.07	0.07
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities:

	As of March 31, 2020	As of September 30, 2019
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 17	¥ 24
Amortization of leasehold right in trust	12,933	11,682
Depreciation	4,655	4,205
Asset retirement obligations	7,622	7,574
Deferred gains or losses on hedges	66,660	90,040
Subtotal deferred tax assets	91,889	113,527
Valuation allowance	(91,889)	(113,527)
Total deferred tax assets	¥ -	¥ -

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

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

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

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
	(in thousands of yen)	
Balance at the beginning of the period	¥24,077	¥23,927
Accretion adjustment	151	150
Balance at the end of the period	¥24,229	¥24,077

17. SEGMENT INFORMATION

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

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

18. INVESTMENT AND RENTAL PROPERTIES

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

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥203,168,529	¥215,255,734
Changes during the period	24,859,032	(12,087,205)
Balance at the end of the period	228,027,561	203,168,529
Fair value at the end of the period	¥243,687,900	¥217,936,000

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

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period ended March 31, 2020, the principal increase was due to the acquisitions of real estate and real estate trust beneficiary interests in 8 properties totaling 25,882,004 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 1 property totaling 497,568 thousand yen and depreciation amounting to 1,023,906 thousand yen and during the fiscal period ended September 30, 2019, the principal increase was due to the acquisitions of real estate and real estate trust beneficiary interests in 4 properties totaling 5,765,573 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 2 properties totaling 17,624,357 thousand yen and depreciation amounting to 1,019,396 thousand yen.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers. The fair value of K's Denki Shin-Moriyama (Land) as of March 31, 2020, is based on the sales price (1,527,900 thousand yen) under the trust beneficiary interest sales contracts entered into on March 31, 2020. In addition, the fair value of Welcia Kishiwadakamori (Land) as of September 30, 2019, is based on the sales price (560,000 thousand yen) under the trust beneficiary interest sales contracts entered into on May 16, 2019.

The profit or loss for the periods ended March 31, 2020 and September 30, 2019 concerning investment and rental properties is included in Note "7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY."

19. PER UNIT INFORMATION

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
Net asset value per unit	¥232,107	¥229,242
Net income per unit	¥6,568	¥6,476

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended March 31, 2020 (532,612 units) and during the fiscal period ended September 30, 2019 (507,700 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
Net income (in thousands of yen)	¥3,498,560	¥3,287,877
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,498,560	¥3,287,877
Weighted average number of units during the period (units)	532,612	507,700

20. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

21. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

Property, plant and equipment and intangible assets consist of the following as of September 30, 2019:

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Depreciation		Net balance at the end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Buildings	¥ -	¥692,529	¥ -	¥692,529	¥14,554	¥14,554	¥677,974	
Structures	-	37,947	-	37,947	969	969	36,978	
Land	-	2,115,355	-	2,115,355	-	-	2,115,355	
Subtotal	-	2,845,831	-	2,845,831	15,523	15,523	2,830,308	
Buildings in trust	59,140,856	1,240,754	6,386,519	53,995,091	5,698,859	926,698	48,296,231	*
Structures in trust	2,999,320	99,631	43,737	3,055,215	410,820	58,121	2,644,394	
Machinery and equipment in trust	250,568	-	29,669	220,898	33,189	6,512	187,709	
Tools, furniture and fixtures in trust	93,286	61,258	27,162	127,382	29,146	8,561	98,235	
Land in trust	154,566,718	2,306,956	12,079,647	144,794,027	-	-	144,794,027	*
Subtotal	217,050,750	3,708,600	18,566,736	202,192,614	6,172,016	999,893	196,020,598	
Total	217,050,750	6,554,432	18,566,736	205,038,446	6,187,539	1,015,417	198,850,906	
Intangible assets								
Leasehold right in trust	4,349,916	-	-	4,349,916	37,133	3,978	4,312,783	
Other	9,803	2,500	-	12,303	4,491	971	7,811	
Total	¥ 4,359,719	¥ 2,500	¥ -	¥ 4,362,219	¥ 41,625	¥ 4,949	¥ 4,320,594	

*The amount of decrease during the period is primarily attributable to the sales of the real estate properties.

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

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

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

	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000	0.978	February 10, 2022		
	Resona Bank, Limited	300,000	-	-	300,000				
	Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023		
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000	1.110	March 31, 2024		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Long-term loans payable	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000			(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000	1.110	March 31, 2024		
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		
	Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
	Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
	Resona Bank, Limited	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.485	April 27, 2021		
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000	0.485	April 27, 2021		
	Resona Bank, Limited	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.400	April 27, 2021		
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553	April 27, 2021		
Long-term loans payable	Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553		(Note 5)	Unsecured/ Non-guaranteed
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553	April 27, 2021		

	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000			
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000	0.772	October 31, 2024	
	Aozora Bank, Ltd.	400,000	-	-	400,000			
	Resona Bank, Limited	300,000	-	-	300,000			
	MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696		
	Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815		
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024	
	Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814		
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026	
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000			
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027	
	Resona Bank, Limited	400,000	-	-	400,000			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050		
	Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027	
	Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050		
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023	
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026	
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930		
	Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029	September 29, 2027	
	Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028	
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027	
	MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028	
	MUFG Bank, Ltd.	1,250,000	-	-	1,250,000			
	Mizuho Bank, Ltd.	800,000	-	-	800,000	0.603	August 31, 2022	
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027	
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027	
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026	
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028	
	The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026	
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999	May 31, 2027	
	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.900		
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999	May 31, 2027	
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999		
	Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025	
	Sumitomo Mitsui Trust Bank, Limited	700,000	-	-	700,000	0.726		
	Resona Bank, Limited	500,000	-	-	500,000	0.676		
Long-term loans payable	Aozora Bank, Ltd.	500,000	-	-	500,000	0.726	March 31, 2026	(Note 5)
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.726		
	The Musashino Bank, Ltd.	400,000	-	-	400,000	0.676		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.910	March 31,	

Unsecured/
Non-
guaranteed

MUFG Bank, Ltd.	1,300,000	-	-	1,300,000	0.860	2028
Resona Bank, Limited.	650,000	-	-	650,000	0.460	August 31, 2024
Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026
Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028
Sumitomo Mitsui Trust Bank, Limited	-	820,000	-	820,000	0.550	October 31, 2024
MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.750	January 31, 2028
Mizuho Trust & Banking Co., Ltd. (Note 6)	-	650,000	-	650,000	0.670	April 30, 2028
MUFG Bank, Ltd. (Note 6)	-	1,500,000	-	1,500,000	0.520	
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.644	
Mizuho Bank, Ltd.	-	1,000,000	-	1,000,000	0.644	October 31, 2026
Mizuho Trust & Banking Co., Ltd. (Note 6)	-	500,000	-	500,000	0.550	
Resona Bank, Limited	-	300,000	-	300,000	0.644	
Development Bank of Japan Inc. (Note 6)	-	500,000	-	500,000	0.830	October 31, 2029
The Gunma Bank, Ltd.	-	400,000	-	400,000	0.498	January 31, 2025
The Musashino Bank, Ltd. (Note 6)	-	400,000	-	400,000	0.478	January 31, 2025
Subtotal	78,910,000	8,340,000	-	87,250,000		
Total	¥99,100,000	¥17,290,000	¥12,490,000	¥103,900,000		

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

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

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

Note 8: Borrowings are listed in the current portion of long-term loans payable from the fiscal period under review, listed in long-term loans payable in the previous fiscal period.

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2019:

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date	Use	Remarks		
						(Note 2) (Note 3)					
(in thousands of yen)						(%)					
Short-term loans payable	Sumitomo Mitsui Banking Corporation	¥ 2,750,000	¥ -	¥ -	¥2,750,000	0.466	January 31, 2020	(Note 5)	Unsecured/ Non-guaranteed		
	Sumitomo Mitsui Banking Corporation	-	700,000	-	700,000	0.477	September 30, 2020				
	Sumitomo Mitsui Trust Bank, Limited	-	620,000	-	620,000						
	Subtotal	2,750,000	1,320,000	-	4,070,000						
Current portion of long-term loans payable	Mizuho Bank, Ltd.	710,000	-	710,000	-	0.368	September 30, 2019	(Note 5)	Unsecured/ Non-guaranteed		
	Sumitomo Mitsui Trust Bank, Limited	620,000	-	620,000	-						
	Mizuho Trust & Banking Co., Ltd.	350,000	-	350,000	-						
	Aozora Bank, Ltd.	250,000	-	250,000	-	0.488	August 31, 2019				
	Resona Bank, Limited.	250,000	-	250,000	-						
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	200,000	-	0.488	August 31, 2019				
	Mizuho Bank, Ltd.	300,000	-	300,000	-						
	MUFG Bank, Ltd.	1,270,000	-	1,270,000	-						
	Aozora Bank, Ltd.	640,000	-	640,000	-	0.488	August 31, 2019				
	Resona Bank, Limited	400,000	-	400,000	-						
	Mizuho Bank, Ltd.	360,000	-	360,000	-	0.466	September 30, 2019				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	300,000	-						
	Sumitomo Mitsui Banking Corporation	700,000	-	700,000	-						
	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020				
	MUFG Bank, Ltd.	800,000	-	-	800,000						
	MUFG Bank, Ltd.	800,000	-	-	800,000						
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000						
	Aozora Bank, Ltd.	500,000	-	-	500,000						
	Resona Bank, Limited.	500,000	-	-	500,000						
	The Gunma Bank, Ltd.	400,000	-	-	400,000						
	The Musashino Bank, Ltd.	400,000	-	-	400,000						
	Mizuho Bank, Ltd.	350,000	-	-	350,000						
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000						
MUFG Bank, Ltd.	-	1,270,000	-	1,270,000	0.476			August 31, 2020			
Mizuho Bank, Ltd. (Note 7)	-	660,000	660,000	-	0.475						
Mizuho Trust & Banking Co., Ltd.	-	650,000	-	650,000	0.476						
Sumitomo Mitsui Trust Bank, Limited	-	200,000	-	200,000							
Subtotal	13,350,000	2,780,000	7,010,000	9,120,000							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000			0.865	February 10, 2021	(Note 5)	Unsecured/ Non-guaranteed
	MUFG Bank, Ltd.	700,000	-	-	700,000						
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000						
	Aozora Bank, Ltd.	450,000	-	-	450,000						
	Resona Bank, Limited	450,000	-	-	450,000						
	Mizuho Bank, Ltd.	400,000	-	-	400,000						
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978			February 10, 2022			

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Aozora Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000	0.978	February 10, 2022		
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Resona Bank, Limited	400,000	-	-	400,000	0.975	March 31, 2023		
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
MUFG Bank, Ltd.	450,000	-	-	450,000				
Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
The Musashino Bank, Ltd.	150,000	-	-	150,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.110	March 31, 2024		
Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000	1.110	March 31, 2024		
Resona Bank, Limited	500,000	-	-	500,000				
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
MUFG Bank, Ltd.	400,000	-	-	400,000				
Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		
Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
Resona Bank, Limited	500,000	-	-	500,000	1.002			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
Aozora Bank, Ltd.	500,000	-	-	500,000	0.485	April 27, 2021		
MUFG Bank, Ltd.	400,000	-	-	400,000				

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000	0.485	April 27, 2021		
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.400			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553			
Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000	0.772	October 31, 2024		
Aozora Bank, Ltd.	400,000	-	-	400,000				
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696			
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027	(Note 5)	Unsecured/ Non-guaranteed
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930			
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029	September 29, 2027		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022		
Mizuho Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026		
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999	May 31, 2027		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.900			
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999	May 31, 2027		
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999			
Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025		
Sumitomo Mitsui Trust Bank, Limited	700,000	-	-	700,000	0.726			
Resona Bank, Limited	500,000	-	-	500,000	0.676			
Aozora Bank, Ltd.	500,000	-	-	500,000	0.726	March 31, 2026		
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.726		(Note 5)	Unsecured/ Non-guaranteed
The Musashino Bank, Ltd.	400,000	-	-	400,000	0.676			
Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.910	March 31, 2028		
MUFG Bank, Ltd.	1,300,000	-	-	1,300,000	0.860			
Resona Bank, Limited.	-	650,000	-	650,000	0.460	August 31, 2024		
Aozora Bank, Ltd.	-	890,000	-	890,000	0.585	August 31, 2026		
Mizuho Bank, Ltd.	-	1,370,000	-	1,370,000	0.718	March 31, 2028		
Subtotal	83,000,000	2,910,000	-	85,910,000				
Total	¥99,100,000	¥7,010,000	¥7,010,000	¥99,100,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥ 13,300,000	¥ 9,050,000	¥ 7,500,000	¥ 8,990,000	¥ 47,070,000

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

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

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

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

Note 6: Loans payable at a fixed rate.

Note 7: Prepayment was made on September 30, 2019.

23. INVESTMENT CORPORATION BONDS

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

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

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

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

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

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

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

Outstanding investment corporation bonds as of September 30, 2019 are as follows.

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

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

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

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

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

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

24. DISTRIBUTIONS

	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
I. Retained earnings at the end of period	¥3,784,993,657	¥3,455,496,659
II. Distributions in excess of earnings	¥5,361,770	¥123,878,800
Of which, allowance for temporary difference adjustments	¥5,361,770	¥123,878,800
III. Incorporation into unitholders' capital	¥74,317,226	-
Of which, reversal of allowance for temporary difference adjustments	¥74,317,226	-
IV. Total distributions	¥3,503,916,695	¥3,292,942,200
Distributions per unit	¥6,535	¥6,486
Of which, distributions of earnings	¥3,498,554,925	¥3,169,063,400
Of which, distributions of earnings per unit	¥6,525	¥6,242
Of which, allowance for temporary difference adjustments	¥5,361,770	¥123,878,800
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	¥10	¥244
V. Retained earnings brought forward to the next period	¥212,121,506	¥286,433,259

Method of calculating distribution amount	From October 1, 2019 to March 31, 2020	From April 1, 2019 to September 30, 2019
	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,498,554,925 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act after deduction of reversal of allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations).</p> <p>Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥5,361,770 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.</p>	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,169,063,400 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act.</p> <p>Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥123,878,800 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.</p>

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

1. Reasons, related assets and allowance

(in thousands of yen)

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

2. Reasons, related assets and reversal of allowance

(in thousands of yen)

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

3. Method of reversal

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

9th Fiscal Period (From April 1, 2019 to September 30, 2019)

1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥5,251
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	¥118,627

2. Method of reversal

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



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