

KENEDIX

Retail REIT Corporation

Semi-annual Report for the 5th Period
(From April 1, 2017 to September 30, 2017)



For the 5th fiscal period ended September 30, 2017

Distribution per unit

JPY 6,115

Forecast DPU for the 6th fiscal period

JPY 6,200

Total assets (by acquisition price) /

Number of properties

JPY 204.9_{bn}

51 properties

Number of tenants

542 tenants

Occupancy rate at the end of period

99.6%

contents

I. Overview of KRR

- From the Executive Director
- Key Characteristics
- Pipeline Expansion
- External Growth
- Internal Growth
- Financial Highlights
- ESG Initiatives
- Portfolio List
- Portfolio Map
- Overview of Portfolio
- Close-up KRR Vol.5
 - Ashico Town Ashikaga
- Summary of Investment Unit

II. Asset Management Report

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





Thanks to your support, Kenedix Retail REIT Corporation (“KRR”) has reported its results of operations for the fifth fiscal period (from April 1, 2017 to September 30, 2017).

We became the first J-REIT to focus primarily on neighborhood, community and other shopping centers that cater to the day-to-day needs of local area customers upon our listing in February 2015. Japan is undergoing unprecedented demographic changes that, we believe, are influencing the nature of local retail markets. In particular, the aging of the Japanese population and the increased concentration of populations in urban areas have resulted in shrinkage of retail trade areas for shopping centers. We have also observed an increase in market share of specialty stores as consumer tastes change. Accordingly, we expect continued high demand for such local shopping centers for daily needs because of their convenience. We believe our selective investments in these shopping centers contribute further increase in unitholder’s value.

We acquired 18 shopping centers with acquisition price of 80,843 million yen upon our listing. At the end of the fifth fiscal period, our portfolio, consisted of 51 properties for 204,913 million yen in acquisition price, reaching the AUM target of 200 billion yen within three years after the IPO, ahead of the schedule. We believe that AUM growth contribute to diversification of our portfolio and stability of our earnings base.

In the fifth fiscal period, we acquired eight properties in connection with public offering and Resora Obu Shopping Terrace, an NSC in Greater Nagoya area, in August. We also conducted renewal projects at MONA Shin-Urayasu and Blumer HAT Kobe. For the fifth fiscal period, operating revenue totaled 7,803 million yen, operating income was 3,666 million yen, ordinary income was 3,108 million yen and net income was 3,104 million yen. The distribution to unitholders was 6,115 yen per unit.

We dedicate ourselves to the maximization of unitholder value by continuing implementation of our growth strategy extensively supported from our Sponsor and the Alliance Companies. We respectfully look forward to your continued support.

Akihiro Asano

浅野 晃弘

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

Focus on shopping centers for daily needs

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

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 to 10 km radius (generally 3 to 5 km radius) 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

SM Supermarkets	Retail trade area 3 km radius Stand-alone stores that primarily provide groceries	 <p style="text-align: right; font-size: small;">Life Kameido</p>	NSC Neighborhood Shopping Centers	Retail trade area 3 – 5 km radius Shopping centers with a supermarket as an anchor or core tenant	 <p style="text-align: right; font-size: small;">Blumer Maitamon</p>
---------------------------	---------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------	-------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------

Urban Station-Front Shopping Centers	Shopping centers in the immediate vicinity of an urban public transportation station Retail trade area 3 – 10 km radius	 <p style="text-align: right; font-size: small;">Daikanyama Address Dixsept</p>	CSC Community Shopping Centers	Larger shopping centers than NSC, with a supermarket as an anchor or core tenant Retail trade area 5 – 10 km radius	 <p style="text-align: right; font-size: small;">Fululu Garden Yachiyo</p>	SS Specialty Stores	Specialty stores such as drug stores, convenience stores, health clubs or electronic appliance stores Retail trade area 1 – 10 km radius	 <p style="text-align: right; font-size: small;">Homecenter Kohnan Sunadabashi</p>
---------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------

2 Investment in major metropolitan areas with population concentrations

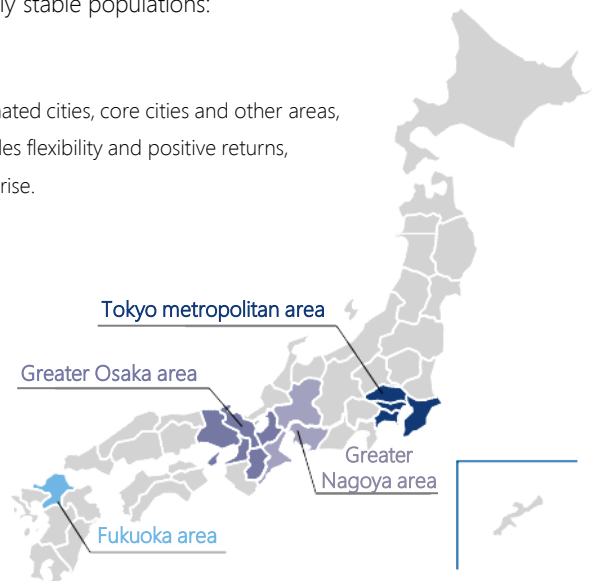
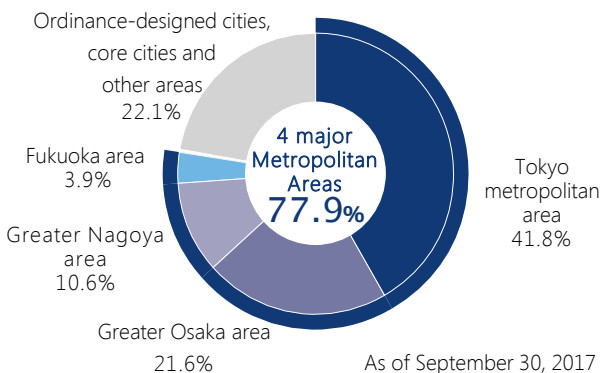
Primary geographic target areas

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

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

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

Location (by acquisition price)

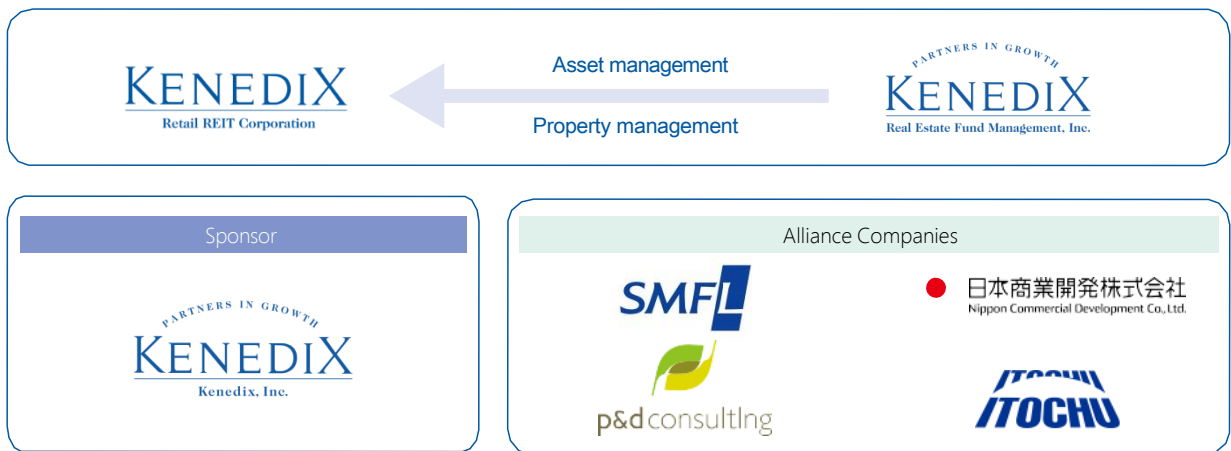


1 Pipeline expansion through collaboration with KRR's Sponsor and Alliance Companies

KRR aims steady external growth through pipelines from its Sponsor and Alliance Companies and pipeline expansion utilizing sourcing capability of the Asset Manager.

▶ Strong support from the Kenedix Group and KRR's Alliance Companies

KRR has strong support from its Sponsor, Kenedix, Inc., as well as Alliance Companies for both internal and external growth. In addition, ITOCHU Corporation became a new Alliance Company in August 2016, which KRR expects will further promote its growth strategies.



2 Preferential access to potential acquisition opportunities

KRR seeks to achieve external growth by selectively acquiring properties managed or developed by the Kenedix Group and taking advantage of preferential negotiation rights for properties owned by Alliance Companies.

Examples of pipelines

Apita Terrace Yokohama Tsunashima
(Note 1)
Location: Yokohama, Kanagawa



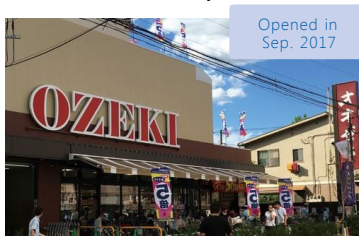
Unicus Urawamisono (Land)
Location: Saitama, Saitama



Across Plaza Urayasu Higashino (Land)
(Note 1)
Location: Urayasu, Chiba



Ozeki Tokiwadai
Location: Itabashi, Tokyo



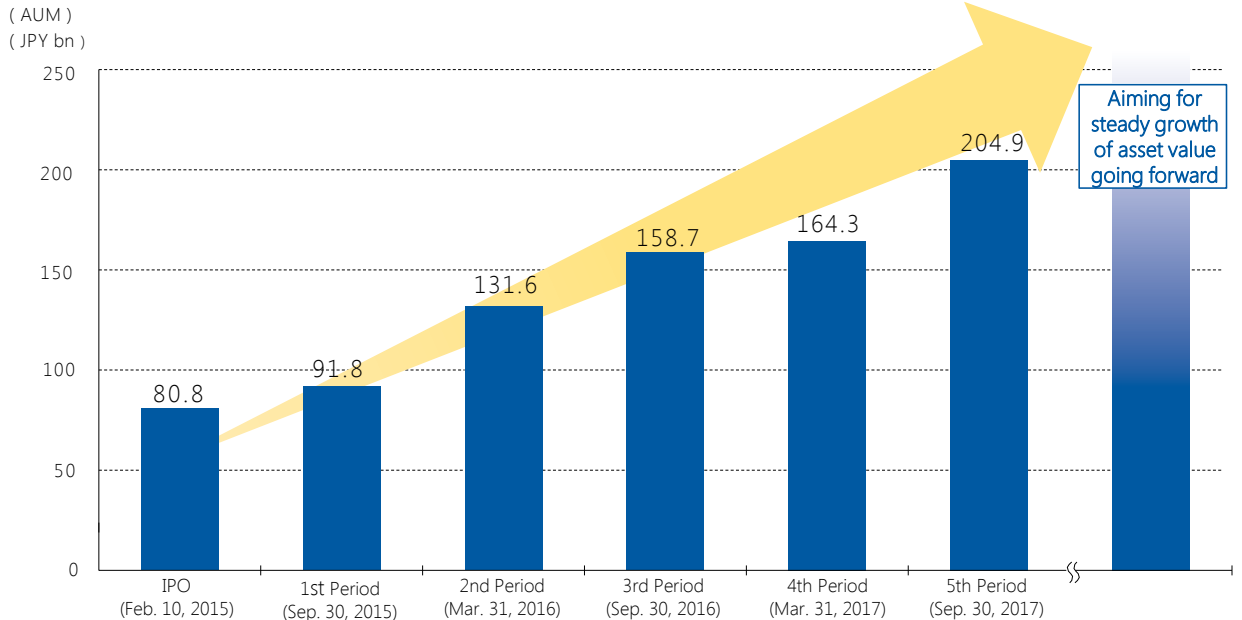
Development Project in Nagoya (Land)
(Note 1)
Location: Nagoya, Aichi



Note 1: The illustrations above are completion images based on design drawings and may differ from the actual buildings after completion.
Note 2: KRR has no plans to acquire these properties and there is no guarantee that KRR can acquire these properties in the future.

1 Steady AUM growth

KRR made steady AUM growth through three follow-on offerings since its IPO. Its AUM expanded from 80.8 billion yen at the time of listing to 204.9 billion yen. KRR achieved its target AUM of 200 billion yen, set at the time of the IPO, ahead of the schedule.



2 Assets acquired in the 5th fiscal period

N-6 Resora Obu Shopping Terrace

An NSC located in an area high population growth

The property houses Yamanaka, a grocery supermarket, which promotes “dominant strategy” in Aichi Prefecture, as its main tenant



Acquisition Price	JPY 7,911 mn
Location	1-98 Hiiragiya-cho, Obu, Aichi
Land area	29,359.74m ²
Gross floor area	24,093.43m ²
Core tenant	Premium Support K.K.
Appraisal NOI	JPY 410 mn
Appraisal NOI yield	5.2%

T-18 Totsuka-Fukaya Shopping Center (Land)

Underlying land of an NSC opened in Mar. 2015 located in an area with population growth

NSC



T-19 Yumemachi Narashinodai Mall

Located in an area with high population growth, housing a competitive supermarket as the anchor tenant

NSC



T-20 Kawamachi Yahagi Mall

A new NSC developed by Kenedix housing tenants with a high level of customer attraction

NSC



T-21 Prime Square Jiyugaoka

Located in the neighborhood of Jiyugaoka along Tokyu Toyoko Line

SS



T-22 Round1 Ichikawa-Onitaka

A-road-side amusement facility located in an area with easy access and high population growth

SS



F-2 Round1 Stadium Hakata-Hanmichibashi

A large-scale flagship store for Round One that offers a variety of amusement and sporting facilities

SS



F-3 Kurume-Nishi Shopping Center

An NSC located in a residential district near downtown Kurume City and tenants include a grocery supermarket and a drug store, etc.

NSC



R-10 Sun Street Hamakita

Located in an area with high population growth and expected to generate synergies among the tenants that offer services and experiences, with Seiyu as the core tenant

NSC



Active retail property management

Value added "one-stop" asset management and property management services

KRR seeks to enhance tenant relationships and profitability through value-added "one-stop" asset management and property management services and implementation of a retail property management cycle.

Seek internal growth through property management

KRR seeks to improve the profitability and value of its portfolio through strategic acquisitions and improvements in asset management and property management.

Enhance profitability and asset value through building expansions

Enhance tenant satisfaction and reduce cost through effective utilization of capital expenditure

Adopt optimal leasing structures for competitive tenant mix and rental upside

Building expansion leveraging unused portions of floor area

KRR increased profitability and value of its assets through building expansions

Constructed secondhand shop building at Roseo Mito



Constructed restaurant building at Unicus Ina

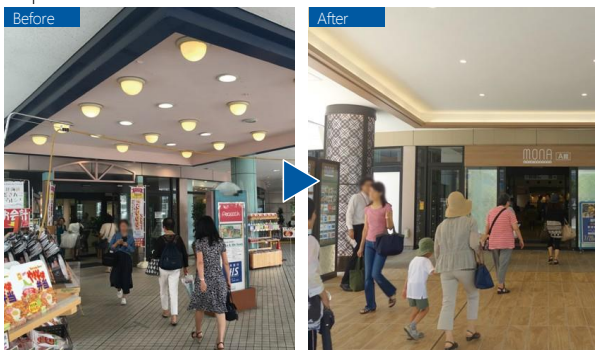


Examples of effective utilization of CAPEX

KRR seeks to use proper and well-timed capital expenditures to reduce costs, increase satisfaction of tenants and increase stability of revenue by making its properties more competitive.

Example 1: MONA Shin-Urayasu (1st phase)

Repair and renovation of outdoor facilities and signboards to improve commercial environment



Example 2: Blumer HAT Kobe

Change in layout and leasing of new tenants to increase rent revenues



Financial Highlights

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

1 Financial highlights (as of September 30, 2017)

LTV 42.6%	Long-term debt ratio / Fixed interest debt ratio 87.1%	Average interest rate 0.96%
Average remaining years to maturity 4.8 years	Number of lenders 11	Japan Credit Rating Agency (JCR) A (positive)

2 Diversifying KRR's lending sources

Issued investment corporation bonds

KRR issued investment corporation bonds on August 31, 2017, leveraging low interest rate environment.

Issue	Maturity	Amount	Annual interest rate
3rd unsecured investment corporation bonds	5 years	JPY 1.0 bn	0.320%
4th unsecured investment corporation bonds	10 years	JPY 2.0 bn	0.700%
Total		JPY 3.0 bn	-

Established commitment lines

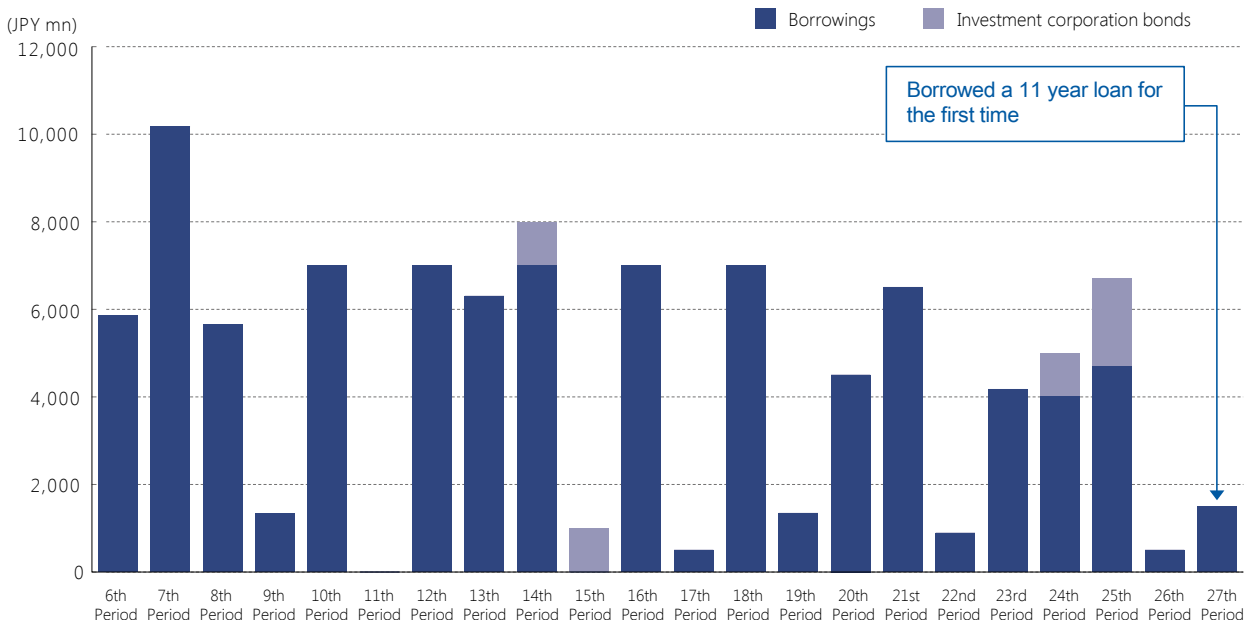
KRR established commitment lines with Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd. in April, 2017. This was the first time that a J-REIT listed after 2012 with "A" long-term credit rating established such commitment lines.

Commitment credit lines JPY 2.0 bn

3 Debt maturity schedule (as of October 3, 2017)

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

Debt outstanding JPY 97,900 mn (excluding interest-bearing tenant leasehold and security deposits)



1 Environmental Initiatives

▶ Installation of LED lighting

KRR promotes installation of LED lighting to reduce replacement costs and to conserve energy. This effort also contributes to mitigate environmental burden by reducing CO2 and waste emissions.

O-4 Blumer HAT Kobe



T-1 Fululu Garden Yachiyo

T-2 MONA Shin-Urayasu

T-3 Passaggio Nishiarai

T-5 Unicus Ina

O-5 Carino Esaka

R-4 Ashico Town Ashikaga

▶ Greening of facilities

Greening of facilities creates energy-saving effects such as mitigation of outdoor temperature, as well as relaxing effects for visitors by providing refreshing spaces.



Blumer Maitamon (Entrance)



MONA Shin-Urayasu (Rooftop)

▶ Installation of delivery boxes

KRR has installed delivery boxes in some of its properties, expecting it will decrease redeliveries, thus leading to low-carbon society. In addition, delivery boxes improve the convenience of the consumers visiting the shopping centers.



Fululu Garden Yachiyo



Kawamachi Yahagi Mall

2 Initiatives to enliven local communities

▶ Encouraging greater community interactions

KRR is making efforts to enliven local communities by holding community-participating events at its properties.



Summer Festival (Unicus Ina)



Kamisato Farmer's Market (Unicus Kamisato)

▶ Collaboration with local communities

KRR agreed with Yoshikawa City to provide part of Unicus Yoshikawa as a temporary shelter in case of a disaster as floods. KRR also agreed with Yachiyo Police Station to provide coupons to the elderly who voluntarily returned their driver's license.



Signing of agreement (Unicus Yoshikawa)



Signing of agreement (Fululu Garden Yachiyo)

3 Recognitions and certifications on environment

▶ DBJ Green Building Certification

Approx. 40% of properties (14 out of 38) have acquired the “DBJ Green Building Certification” for their environmental and social initiatives.

Note : 38 properties, excluding 13 land-only properties from the 51 properties that KRR holds as of September 30, 2017.

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

T-2 MONA Shin-Urayasu

T-1 Fululu Garden Yachiyo



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

T-4 Daikanyama Address Dixsept



O-4 Blumer HAT Kobe

R-1 Roseo Mito

R-4 Ashico Town Ashikaga

Properties with high environmental & social awareness (★★)



T-5 Unicus Ina

T-19 Yumemachi Narashinodai Mall

T-20 Kawamachi Yahagi Mall

O-5 Carino Esaka

R-10 Sun Street Hamakita



T-3 Passaggio Nishiarai

T-7 Unicus Yoshikawa

O-1 Blumer Maitamon

▶ GRESB Real Estate Assessment 2017

KRR has been awarded a “Green Star” in the 2017 GRESB Real Estate Assessment for the second consecutive year, as it received high evaluation on both “implementation and measurement” and “management and policy”. KRR also earned “Three Star GRESB Rating” which is relative indication of the global performance. KFM, the asset manager of KRR, has also joined the GRESB Company & Fund Members.



Portfolio List as of September 30, 2017

Total
acquisition price

JPY204,913_{mn}

Weighted average
occupancy rate

99.6%

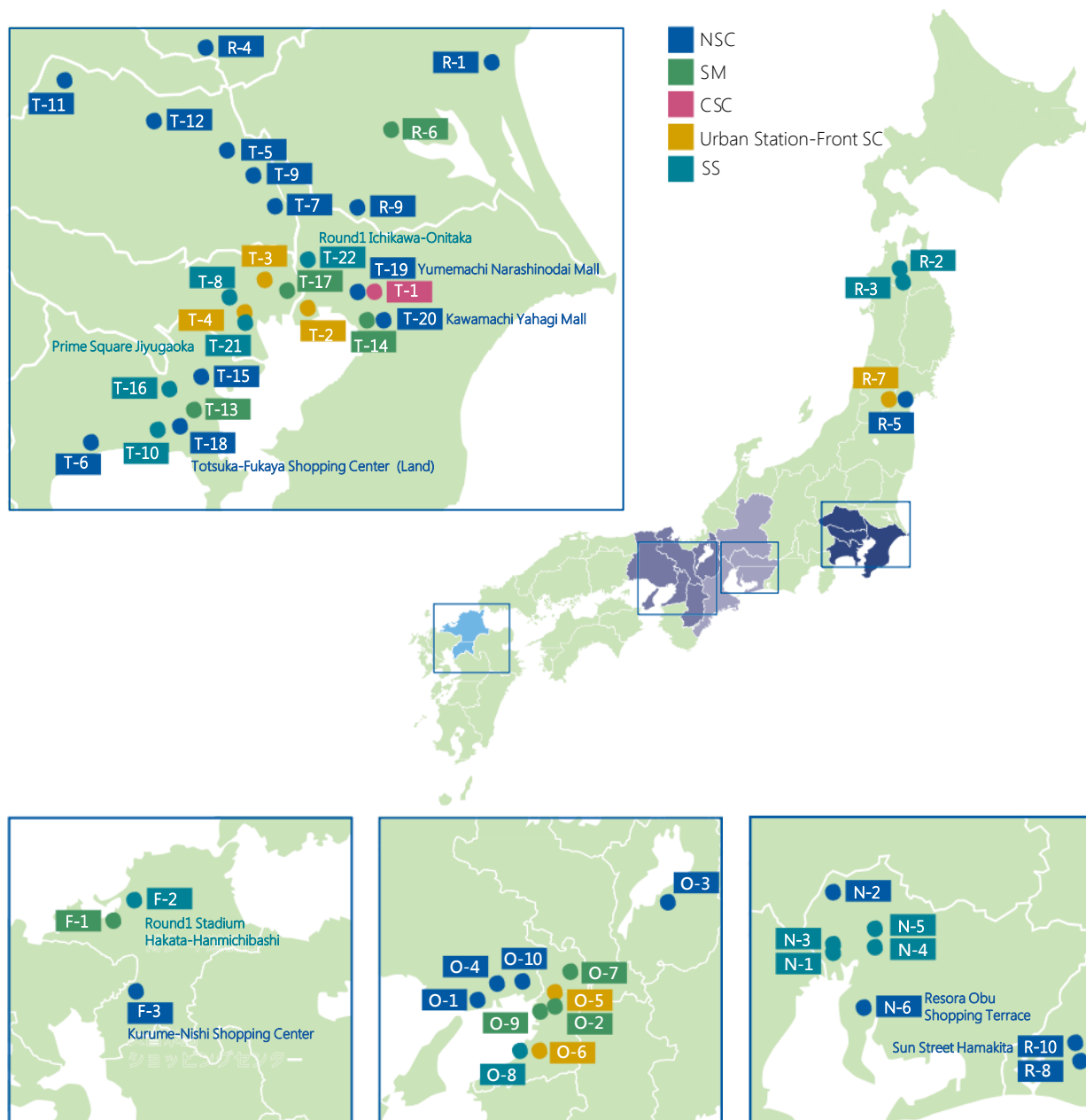
Number of
Tenants

542

■ NSC ■ SM ■ CSC ■ Urban Station-Front SC ■ SS

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) <small>(Note.1)</small>	Number of tenants <small>(Note.2)</small>
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	99.4	48
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	95.9	70
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	99.8	42
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	97.9	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	100.0	11
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-14	Gourmet City Chiba-Chuo	Chiba, Chiba	760	100.0	1
T-15	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	100.0	1
T-16	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	100.0	2
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	98.2	50
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1
O-3	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	2,140	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	98.7	42
O-5	Carino Esaka	Suita, Osaka	6,555	97.8	30
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	100.0	1
O-7	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	100.0	1
O-8	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	487	100.0	1
O-9	Life Nishi-Tengachaya	Osaka, Osaka	1,505	100.0	1
O-10	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	100.0	1
N-1	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	100.0	1
N-3	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	889	100.0	1
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	99.4	43
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	100.0	1
F-2	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	100.0	1
F-3	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	100.0	4
R-1	Roseo Mito	Mito, Ibaraki	10,046	99.7	22

Portfolio Map as of September 30, 2017



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) <small>(Note 1)</small>	Number of tenants <small>(Note 2)</small>
R-2	K's Denki Aomori Honten	Aomori, Aomori	1,469	100.0	1
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	100.0	1
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	100.0	29
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1
R-7	Solala Plaza	Sendai, Miyagi	5,720	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	98.0	51
Total			204,913	99.6	542

Note 1: "Occupancy rate" is as of September 30, 2017.

Note 2: "Number of tenants" indicates the number of end-tenants as of September 30, 2017.

Overview of portfolio (as of September 30, 2017)

T-1 Fululu Garden Yachiyo



T-2 MONA Shin-Urayasu



T-3 Passaggio Nishiarai



T-4 Daikanyama Address Dixsept



T-5 Unicus Ina



T-6 Yorktown Kita-Kaname



T-7 Unicus Yoshikawa



T-8 Sports Club Renaissance Fujimidai



T-9 Super Viva Home Iwatsuki (Land)



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



T-11 Unicus Kamisato (Land)



T-12 Unicus Konosu (Land)



T-13 Inageya Yokohama Minamihonjuku (Land)



T-14 Gourmet City Chiba-Chuo



T-15 Nakamachidai Tokyu Store



T-16 Central Wellness Club Nagatsuta Minamidai



T-17 Life Kameido



O-2 Life Takadono (Land)



O-3 Piago Kahma Home Center Omihachiman



O-7 Hankyu Oasis Hirakatadeguchi



O-4 Blumer HAT Kobe



O-6 COMBOX Komyoike



(Note) Please refer p.4 and p.5 for the properties acquired in the fifth fiscal period.

O-1 Blumer Maitamon



O-10 Million Town Tsukaguchi (Land)



N-4 Homecenter Kohnan Sunadabashi



R-2 K's Denki Aomori Honten



R-6 Kasumi Technopark Sakura



R-8 P-1 Plaza Tenno



N-1 Kahma Home Center Nakagawa Tomita (Land)



R-3 Super Sports Xebio Aomori-Chuo



R-7 Solala Plaza



R-9 Seiyu Rakuichi Moriya (Land)



O-5 Carino Esaka



N-2 Valor Ichinomiya-Nishi



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



R-4 Ashico Town Ashikaga



R-1 Roseo Mito



O-8 Welcia Kishiwadakamori (Land)



O-9 Life Nishi-Tengachaya



N-3 K's Denki Nakagawa Tomita (Land)



F-1 Sunny Noma



R-5 Yorktown Shinden-Higashi





R-4 NSC Neighborhood Shopping Center

Ashico Town Ashikaga

NSC in Ashikaga City with a Reopened Cinema Complex

Ashico Town Ashikaga is a neighborhood shopping center that started operating in September 2007 at the former site of a Sanyo Electric factory in Ashikaga, Tochigi Prefecture. The shopping center is about two kilometers east of Ashikaga Station on the JR Ryomo Line. It faces Prefecture Road 40, a major transportation corridor in the Ashikaga region, and is about three kilometers south of the Ashikaga Interchange on the Kita-Kanto Expressway. In addition, the shopping center has approximately 2,000 parking spaces to provide easy access by car.

At Ashico Town Ashikaga, several retail buildings as well as a cinema building surround a spacious flat parking area. There is a well-balanced composition of tenants including stores for groceries, home and garden products, electronic appliances, sporting goods and casual apparel as well as a fitness center. Many tenants are stores that are well known nationwide in Japan.

Ashico Town Ashikaga underwent a major renovation in 2014. In addition, United Cinemas Ashico Town Ashikaga began operating in March 2016, after KRR's acquisition in October 2015. The return of a cinema to Ashikaga ^(Note) makes this neighborhood shopping center a place not only to purchase items but also to enjoy a variety of experiences. The greater appeal of this shopping center due to the cinema complex has resulted in an expanded trade area, increasing visitors from the nearby cities of Sano and Ota. Since the cinema opened, the shopping center has been posting monthly sales that are about 4% higher than in the previous year. Furthermore, the increase in visitors since the cinema opened has had a favorable influence on leasing operations. Ashico Town Ashikaga has added a family restaurant, a mobile phone store and a dental clinic and currently has no vacancies.

To maintain close ties with the community, Ashico Town Ashikaga has many activities involving the public sector and local organizations. For example, the rooftop parking area is open to the public for the annual fireworks viewing and the shopping center hosts exercise (walking) seminars held by the health promotion division of the Ashikaga municipal government. The shopping center has started Kids Festivals and other events with the participation of local residents, such as performances by marching bands and *yosakoi* dance groups from 2017. In recognition of these activities, Ashico Town Ashikaga was awarded DBJ (Development Bank of Japan) Green Building Certification (three-star rank) in June 2016 as a property with excellent environment and social awareness.

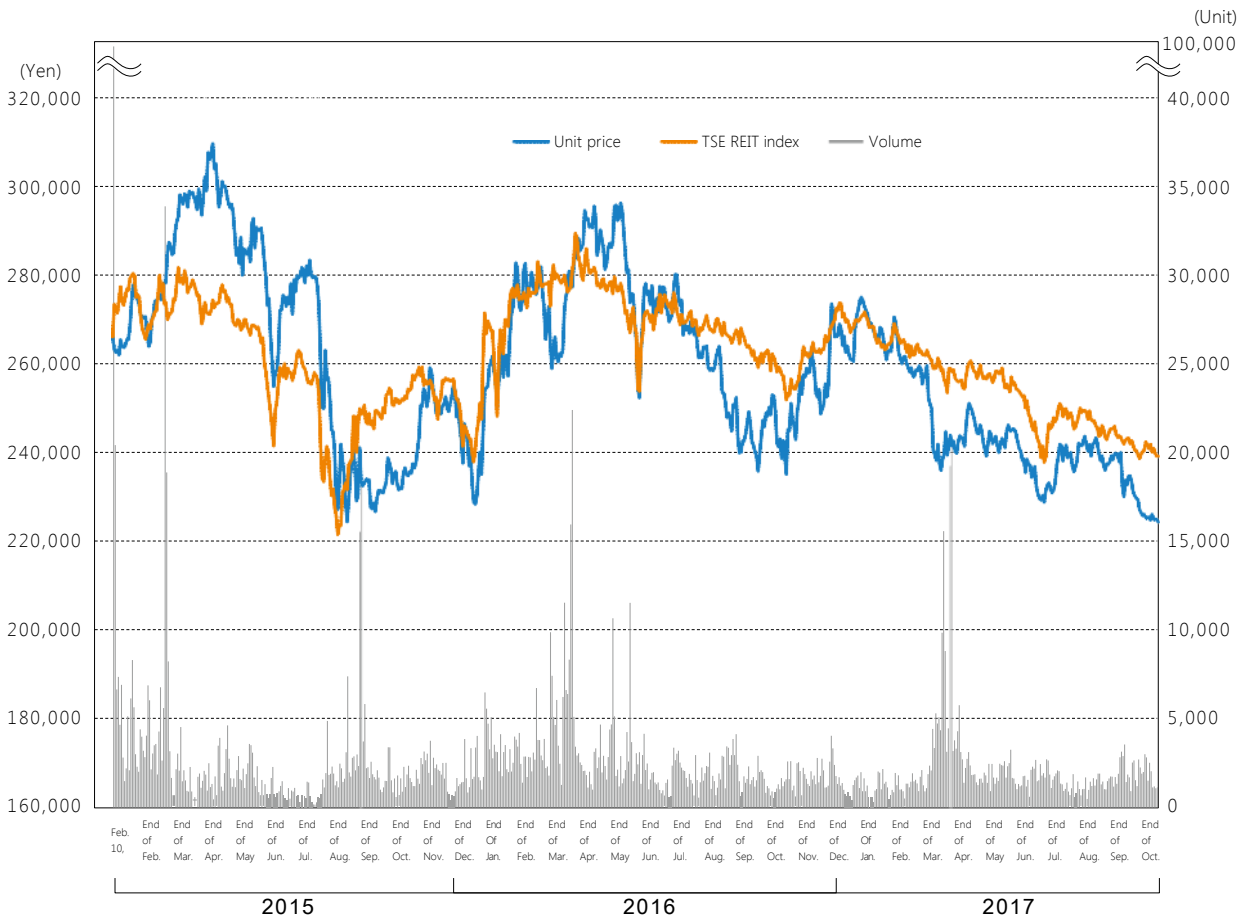
A variety of activities will continue to be implemented in order to make Ashico Town Ashikaga more attractive as the area's leading neighborhood shopping center and the site of the city's only cinema complex.

Note: The city of Ashikaga aims to become "a city of movie and video production activities," but had no movie theater for a seven-year period starting in 2009. Due to the strong request from residents for a theater, United Cinemas Ashico Town Ashikaga began operating with eight screens and 1,285 seats in March 2016. In September 2016, a comprehensive partnership agreement was concluded by the city of Ashikaga, United Cinemas Co., Ltd., and P&D Consulting Co., Ltd., the property manager of Ashico Town Ashikaga. The agreement has three main components: (1) achieve the city's movie and video production vision; (2) increase interest in movies in the Ashikaga region; and (3) use Ashico Town Ashikaga and its cinema complex to enliven local communities in the Ashikaga region.



Acquisition price	JPY 4,180 mn
Location	Ashikaga, Tochigi
Land area	101,808.44m ²
Gross floor area	26,430.26m ²
Core tenant	Cainz Corporation

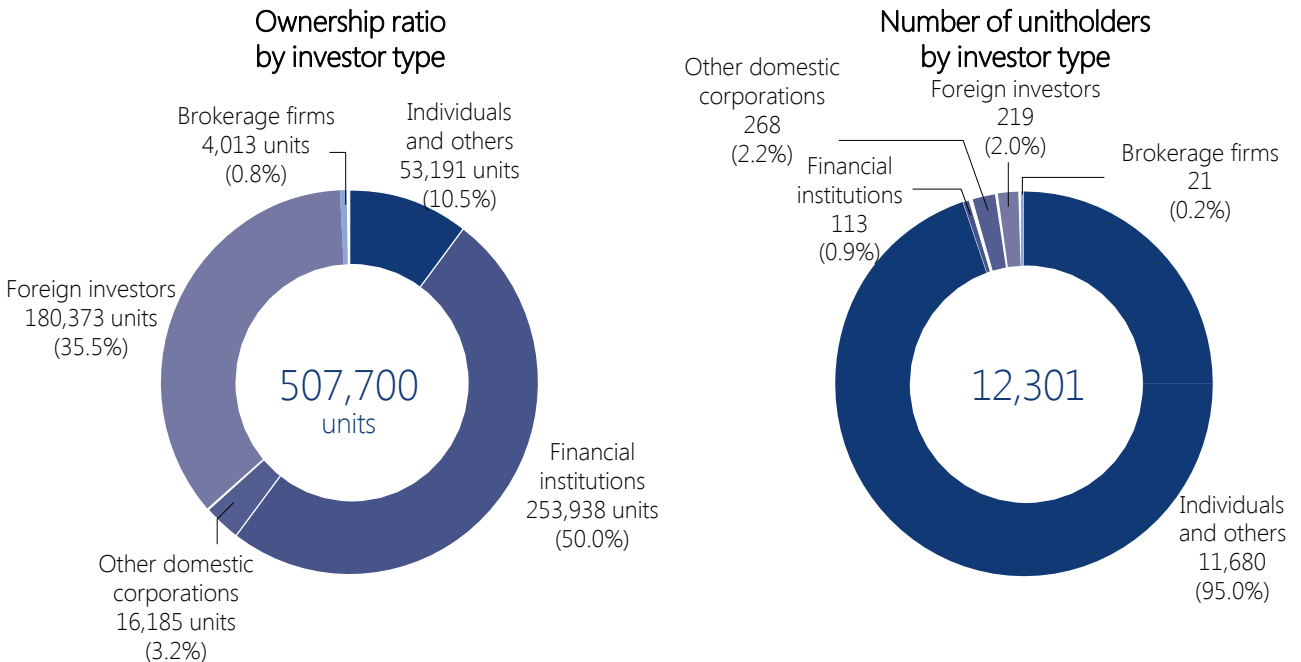
Unit Price and trading volume



Note: TSE REIT Index is adjusted to KRR's closing unit price of JPY 266,100 as of February 10, 2015.

General breakdown of unitholders

As of September 30, 2017



II. ASSET MANAGEMENT REPORT

Overview of Asset Management

(1) Trends in Key Indicators

Fiscal period		First fiscal period (From October 3, 2014 to September 30, 2015)	Second fiscal period (From October 1, 2015 to March 31, 2016)	Third fiscal period (From April 1, 2016 to September 30, 2016)	Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)
Operating revenues	Millions of yen	5,103	5,541	6,374	6,430	7,803
Of which, property-related revenues	Millions of yen	5,103	5,541	6,374	6,427	7,797
Property-related expenses	Millions of yen	2,639	2,715	3,400	3,409	4,137
Of which, property-related expenses	Millions of yen	2,246	2,235	2,860	2,817	3,468
Operating income	Millions of yen	2,463	2,826	2,973	3,021	3,666
Ordinary income	Millions of yen	1,939	2,428	2,519	2,556	3,108
Net income	Millions of yen	1,933	2,427	2,518	2,552	3,104
Total assets	Millions of yen	108,382	150,009	179,360	185,037	229,628
[Period-on-period changes]	%	(-)	(+38.4)	(+19.6)	(+3.2)	(+24.1)
Total net assets	Millions of yen	59,790	80,034	96,739	96,823	116,516
[Period-on-period changes]	%	(-)	(+33.9)	(+20.9)	(+0.1)	(+20.3)
Unitholders' capital ^(Note 2)	Millions of yen	57,857	77,606	94,256	94,256	113,399
Number of investment units issued and outstanding	Units	260,750	355,250	422,450	422,450	507,700
Net assets per unit	Yen	229,301	225,291	228,996	229,195	229,498
Distributions	Millions of yen	1,933	2,432	2,523	2,553	3,104
Distributions per unit	Yen	7,414	6,846	5,974	6,044	6,115
Of which, distributions of earnings	Yen	7,414	6,834	5,888	6,044	6,115
Of which, distributions in excess of retained earnings	Yen	-	12	86	-	-
Ordinary income to total assets ^(Note 3)		2.0	1.9	1.5	1.4	1.5
[Annualized] ^(Note 4)	%	(3.1)	(3.7)	(3.1)	(2.8)	(3.0)
Return on net assets ^(Note 5)		3.3	3.5	2.8	2.6	2.9
[Annualized] ^(Note 4)	%	(5.2)	(6.9)	(5.7)	(5.3)	(5.8)
Net assets to total assets ^(Note 6)		55.2	53.4	53.9	52.3	50.7
[Period-on-period changes]	%	(-)	(-1.8)	(+0.6)	(-1.6)	(-1.6)
Operating days	Days	363	183	183	182	183
Payout ratio ^(Note 7)	%	100.0	100.0	98.8	100.0	100.0
Number of properties		19	33	40	42	51
Leasable area	m ²	306,225.83	609,026.59	674,491.03	719,906.77	865,226.20
Number of tenants ^(Note 8)		321	389	405	409	542
Occupancy ratio	%	99.6	99.6	99.7	99.6	99.6
Depreciation expense	Millions of yen	560	565	714	721	885
Capital expenditures	Millions of yen	133	530	264	276	367
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	3,417	3,871	4,228	4,331	5,214
FFO (Funds from operation) ^(Note 10)	Millions of yen	2,548	3,058	3,315	3,358	4,093
FFO per unit ^(Note 11)	Yen	9,772	8,609	7,847	7,949	8,062

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
Total assets at the beginning of the first fiscal period is the total assets on February 10, 2015, when the actual operation began.

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

Net assets at the beginning of the first fiscal period is the net assets on February 10, 2015, when the actual operation began.

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 100.2% for the fiscal period ended March 31, 2016 and 100.2% for the fiscal period ended September 30, 2016.

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

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

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

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

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

(2) Status of Asset Management

(Overview of the Fiscal Period ended September 30, 2017)

i) Transition of KRR

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (“J-REIT”) Market of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the fiscal period ended September 30, 2017 was 507,700 units.

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

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

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

ii) Investment Environment

There were signs of a moderate economic rebound in Japan with recoveries in employment and income environment. Real GDP growth (second preliminary estimate) in the second quarter of 2017 was positive 2.5% on an annualized basis, indicating positive figures for five consecutive quarters. However, uncertainty in economy remains due to the policies of the new U.S. administration, a rise in protectionism, geopolitical risk, etc.

As for Japan’s retail market, disparities among the retail market are seen as general merchandize stores (“GMS”) are reported to be struggling, but supermarkets and drugstores are performing relatively well.

Looking at the financial environment, the Nikkei Stock Average is bullish with recoveries in corporate earnings, while Dow Jones Industrial Average hits all-time highs in the U.S. On the other hand, the market remained unstable due to global market events such as the policies of the new U.S. administration and geopolitical risks. In terms of interest rates, there are concerns that interest rates in Japan may rise due to the Federal Reserve rate hike in the U.S., while “Quantitative and Qualitative Monetary Easing with Yield Curve Control” including the negative interest rate policy by the Bank of Japan is keeping the interest rates in Japan low. Under these conditions, the J-REIT market and rise in real estate market, equity finance by J-REITs in the half year from April to September of 2017 decreased from previous year. The amount of real estate purchased by J-REITs in the above mentioned period decreased from the previous year as well.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired and started the operations of the following trust beneficiary interests in real estate (six properties acquired on April 19, 2017 with acquisition price of 18,821 million yen, one property acquired on April 27, 2017 with acquisition price of 10,746 million yen, one property acquired on May 18, 2017 with acquisition price of 3,097 million yen and one property acquired on August 1, 2017 with acquisition price of 7,911 million yen). As a result, the portfolio at the end of the fiscal period under review (September 30, 2017) consists 51 properties with the total acquisition price of 204,913 million yen.

Property number	Property type (Note 1)	Property name	Location (City/ward, prefecture)	Acquisition price (million yen) (Note 2)	Acquisition date
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	April 19, 2017
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	April 19, 2017
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	May 18, 2017
T-21	SS	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	April 19, 2017
T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	April 19, 2017
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	7,911	August 1, 2017
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	April 19, 2017
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	April 19, 2017
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	10,746	April 27, 2017
Total				40,575	

Note 1: Properties are categorized into the following five types of shopping centers for daily needs: NSC (Neighborhood Shopping Centers), SM (Supermarkets), CSC (Community Shopping Centers), Urban Station-Front SC (Urban Station-Front Shopping Centers) and SS (Specialty Stores). Features of the categories are described below.

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

Note 2: "Acquisition price" represents the purchase price of each trust beneficiary interest specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen).

(B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (September 30, 2017). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property management that better reflects the needs of KRR's 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 fiscal period under review, the portfolio as a whole performed well with an overall occupancy ratio of 99.6%. Furthermore, the portfolio is diversified in terms of tenants as there are 542 end-tenants^(Note 2) in KRR's retail properties.

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 leasees 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 to achieve stable medium to long-term returns and consistent growth of assets under management.

(Equity Finance)

In the fiscal period under review, KRR sold a total 81,250 newly issued units offered in Japan and overseas on April 18, 2017, and raised 18,244 million yen to acquire a portion of properties. In addition, 4,000 units were issued through third-party allotment on May 17, 2017, raising 898 million yen that was used to prepay borrowing for acquisition of properties. Due to these activities, unitholders' capital increased to 113,399 million yen as of September 30, 2017.

(Debt Finance)

During the fiscal period under review, KRR borrowed 24,200 million yen for the acquisition of properties and 11,070 million yen for refinancing. On the other hand, KRR prepaid 4,000 million yen using the proceeds from the issuance of investment corporation bonds and cash on hand. Consequently, borrowings totaled 92,900 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 97,900 million yen at the end of the fiscal period under review (September 30, 2017).

As for borrowings, KRR seeks to spread out repayment dates and lengthen borrowing periods. On the other hand, KRR partially borrowed short-term loans from the point of flexibility under the financing strategy, also controlling financing cost. KRR may use swaps to fix the interest payments to hedge against the risk of a rise in interest rates.

(Investment Corporation Bonds)

To diversify financing methods, KRR issued investment corporation bonds as follows. Investment corporation bonds at the end of the fiscal period under review (September 30, 2017) totaled 5,000 million yen. The total amount raised was used for partial prepayment of borrowings with drawdown date of August 1, 2017.

Bonds	Issuance date	Balance as of September 30, 2017 (million yen)	Interest rate (%)	Maturity date	Redemption method	Remarks
3rd Series Unsecured Investment Corporation Bonds	August 31, 2017	1,000	0.320	August 31, 2022	Full on maturity	(Note)
4th Series Unsecured Investment Corporation Bonds	August 31, 2017	2,000	0.700	August 31, 2027		

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

As a result, the average remaining years to maturity is 4.8 years, the weighted average interest rate is 0.96%, the long-term debt ratio^(Note 1) is 87.1% and the LTV ratio^(Note 2) is 42.6%.

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

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

(Credit Ratings)

The status of the credit ratings as of September 30, 2017 is as follows.

Credit rating agency	Details of the ratings	
	Long-term issuer rating	A (Outlook: Positive)
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 September 29, 2016. Details are as follows.

Planned issue amount	100,000,000,000 yen
Planned issuance period	October 7, 2016 to October 6, 2018
Use of funds	Acquisition funds for specified assets (as defined in Article 2, Paragraph 1 of the Investment Trust Law), repayment funds for borrowings, repayment funds for investment corporation bonds (including short-term investment corporation bonds), refund funds for lease and guarantee deposits, funds to pay for repairs and maintenance, working capital, etc.

KRR issued the 1st Series Unsecured Investment Corporation Bonds (1,000 million yen) and the 2nd Series Unsecured Investment Corporation Bonds (1,000 million yen) on October 31, 2016, and the 3rd Series Unsecured Investment Corporation Bonds (1,000 million yen) and the 4th Series Unsecured Investment Corporation Bonds (2,000 million yen) on August 31, 2017, based on this shelf registration statement.

iv) Results of Operations

For this period, revenue was 7,803 million yen, operating income was 3,666 million yen, ordinary income was 3,108 million yen and net income was 3,104 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 3,104,585,500 yen which is almost equivalent to the earnings for the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments). Consequently, the distribution per unit was 6,115 yen.

(3) Changes in Investment Units Issued and Outstanding

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

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

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

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

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

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

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

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

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

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

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

(Changes in Unit Price at Tokyo Stock Exchange)

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

Fiscal period For the fiscal period ended	First fiscal period September 30, 2015	Second fiscal period March 31, 2016	Third fiscal period September 30, 2016	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017
Highest	JPY 309,500	JPY 282,700	JPY 296,100	JPY 275,000	JPY 251,100
Lowest	JPY 224,500	JPY 226,800	JPY 240,000	JPY 235,200	JPY 228,900

(4) Distributions

In accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution of 3,104,585,500 yen, which is almost equivalent to the earnings for the fiscal period. Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

Consequently, the distribution per unit for the fiscal period was 6,115 yen.

(in thousands of yen)

Fiscal period For the fiscal period ended	First fiscal period September 30, 2015	Second fiscal period March 31, 2016	Third fiscal period September 30, 2016	Fourth fiscal period March 31, 2017	Fifth fiscal period September 30, 2017
Unappropriated retained earnings	1,933,270	2,427,985	2,518,802	2,584,343	3,104,740
Retained earnings carried forward	70	206	31,417	216	155
Total distributions	1,933,200	2,432,041	2,523,716	2,553,287	3,104,585
[Distributions per unit]	[7,414 yen]	[6,846 yen]	[5,974 yen]	[6,044 yen]	[6,115 yen]
Of which, distributions of earnings	1,933,200	2,427,778	2,487,385	2,553,287	3,104,585
[Distributions of earnings per unit]	[7,414 yen]	[6,834 yen]	[5,888 yen]	[6,044 yen]	[6,115 yen]
Of which, distributions in excess of retained earnings	—	4,263	36,330	—	—
[Distributions in excess of retained earnings per unit]	[—]	[12 yen]	[86 yen]	[—]	[—]
Total distributions in excess of earnings for the allowance for temporary adjustment	—	4,263	36,330	—	—
[Distributions per unit]	[—]	[12 yen]	[86 yen]	[—]	[—]
Total distributions in excess of earnings from the unitholders' capital for tax purposes	—	—	—	—	—
[Distributions per unit]	[—]	[—]	[—]	[—]	[—]

(5) Management Policy and Issues to be Addressed

Outlook for Asset Management

The Japanese economy is expected to continue to recover at a moderate pace. However, we should pay attention to uncertainties about the overseas economy and politics regarding the direction of U.S. financial policies, the policies of the new U.S. administration, etc. We also need to pay attention to changes in domestic economic environment, such as fluctuation of yen due to a rise in protectionism, effects of “Quantitative and Qualitative Monetary Easing with Yield Curve Control” including the negative interest rate policy and concerns over geopolitical risks.

As for Japan’s retail sector environment, disparities among the retail market are seen as general merchandize stores (GMS) are reported to be struggling, but supermarkets and drugstores are performing well, and KRR anticipates that this trend to continue.

In the real estate trading market, we anticipate the high level of transaction volume to continue because of the low interest rate environment under the Bank of Japan’s monetary easing measures. However, investors should 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. In addition, investors should also keep in mind that equity finance and the amount of property acquisition by J-REIT in the half year from April to September of 2017 have decreased from the previous year as J-REIT market remained sluggish.

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

(A) Investment Strategy for New Properties and Disposition Policy

KRR receives a variety of support from many sources in order to achieve steady growth of KRR’s assets and increase the value of KRR’s assets. One source is the Kenedix Group, including Kenedix, Inc., the parent company of KFM ^(Note). KRR also receives support from KRR’s Alliance Companies: Sumitomo Mitsui Finance and Leasing Co., Ltd., Nippon Commercial Development Co., Ltd., P&D Consulting Co., Ltd., and ITOCHU Corporation. KRR is 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, KRR makes 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, KRR invests in retail properties that have competitive advantages, and prospects for stable cash flow and asset value growth. KRR also invests in land ownership interests underlying retail properties. Regarding land-only properties, KRR makes 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 KRR’s portfolio. KRR 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 KRR is given an opportunity to acquire them in the future.

Regarding disposition of a portfolio property, KRR makes 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 pursue internal growth. Furthermore, this integrated management framework facilitates activities to enliven local communities where KRR’s properties are located, enabling KRR 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 KRR’s in-house property management services
- Pursuit of internal growth through management of retail properties
- Directing investments and management policies to enliven local communities in the medium to long-term

“One-stop” asset management and property management services

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

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

KFM provides property management services for all of KRR’s properties 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 KRR’s 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 retail 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.

(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 wide range of information to investors and other related parties and to announce information as soon and as accurately as possible. 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 (<http://www.krr-reit.com/en/>).

(E) Conflicts of Interest

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

(6) Important Subsequent Events

Not applicable.

(Reference Material)**Disposition of Assets**

KRR has contracted a purchase and sale agreement ^(Note 1) on November 14, 2017 to dispose the following asset.

Property number	Property type	Property name	Location	Buyer	Anticipated sale price (million yen) (Note 2)	Scheduled date of sale
N-3	SS	K's Denki Nakagawa Tomita(Land)	Nagoya, Aichi	Nippon Commercial Development Co., Ltd.	1,128	April 27, 2018

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

Profile of KRR

(1) Status of Unitholders' Capital

Fiscal period	First fiscal period (From October 3, 2014 to September 30, 2015)	Second fiscal period (From October 1, 2015 to March 31, 2016)	Third fiscal period (From April 1, 2016 to September 30, 2016)	Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)
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	260,750 units	355,250 units	422,450 units	422,450 units	507,700 units
Unitholders' capital	57,857 million yen	77,606 million yen	94,256 million yen	94,256 million yen	113,399 million yen
Number of unitholders	8,954	10,876	10,618	10,072	12,301

(2) Matters Concerning Investment Units

The following is a list of major unitholders as of September 30, 2017.

Name	Location	Number of units held (Units)	Ratio (%) (Note)
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11, Harumi, Chuo-ku, Tokyo	73,162	14.41
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	72,492	14.27
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	Office Tower Z, Harumi Island Triton Square, 1-8-12 Harumi, Chuo-ku, Tokyo	24,305	4.78
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	21,021	4.14
THE BANK OF NEW YORK MELLON SA/NV 10	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	17,015	3.35
JP MORGAN CHASE BANK 385628	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	16,318	3.21
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	10,453	2.05
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	8,621	1.69
STATE STREET BANK AND TRUST COMPANY 505223	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	8,251	1.62
SIX SIS LTD.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	7,589	1.49
Total		259,227	51.05

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 September 30, 2017

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director	Akihiro Asano	Director & COO, Head of Retail REIT Department, KFM	1,500
Supervisory Director (Note 1)	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
	Mai Ishiwatari	Partner, Shiroyama-Tower Law Office Director, Cocone Corporation Representative Director, Cocone Education Corporation	1,500
Independent Auditor (Note 2)	Ernst & Young ShinNihon LLC	—	30,900

Note 1: Although supervisory directors are concurrently officers in corporations other than the ones stated above, there are no conflicts of interest between KRR and any other corporations, including those stated above.

Note 2: Compensation for the Accounting Auditor includes payments for writing a comfort letter for the issuance of new investment units and investment corporation bonds.

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

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

(4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of September 30, 2017 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.

Status on Investment Properties

(1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Fourth fiscal period as of March 31, 2017		Fifth fiscal period as of September 30, 2017	
			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	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan area	71,122	38.4	86,655	37.7
		Greater Osaka area	45,000	24.3	44,945	19.6
		Greater Nagoya area	13,971	7.6	22,162	9.7
		Fukuoka area	1,485	0.8	8,133	3.5
		Ordinance-designated cities, core cities and other areas	35,200	19.0	45,874	20.0
	Other retail properties	—	—	—	—	
Total of trust beneficiary interests in real estate			166,782	90.1	207,771	90.5
Investment securities ^(Note 4)			101	0.1	2	0.0
Bank deposits and other assets			18,153	9.8	21,854	9.5
Total assets			185,037	100.0	229,628	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 September 30, 2017 (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.

Note 4: "Investment securities" is the silent partnership equity interest of JRP8 GK.

(2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of March 31, 2017.

Property number	Property name	Book value (in millions)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio to total rental revenue (%) (Note 4)	Primary use
T-1	Fululu Garden Yachiyo	14,909	77,057.56	75,629.94	99.4	9.4	Retail
O-4	Blumer HAT Kobe	11,509	23,775.88	23,475.76	98.7	6.3	Retail
R-10	Sun Street Hamakita	10,835	49,023.34 (Note 5)	48,023.37 (Note 5)	98.0	5.9	Retail
R-1	Roseo Mito	9,984	48,296.15	48,161.79	99.7	4.9	Retail
T-2	MONA Shin-Urayasu	8,523	9,592.65	9,201.92	95.9	6.2	Retail
O-1	Blumer Maitamon	8,367	30,290.55	29,752.83	98.2	6.5	Retail
N-6	Resora Obu Shopping Terrace	8,242	19,990.40	19,878.29	99.4	1.4	Retail
N-4	Homecenter Kohnan Sunadabashi	7,126	20,329.07	20,329.07	100.0	— (Note 6)	Retail
O-5	Carino Esaka	6,649	7,540.58	7,371.52	97.8	3.9	Retail
O-6	COMBOX Komyoike	6,403	25,530.44	25,530.44	100.0	2.9	Retail
Total		92,553	311,426.62	308,354.93	99.0	— (Note 6)	

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

Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of September 30, 2017. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases (the master lease in which rent received by the lessor is in principle the same amount as the rent received by the master lessee from end-tenants), the leased area based on the lease agreements between the master lessee and the end-tenants as of September 30, 2017 is shown. As for sublease type master leases (the master lease in which a fixed amount of rent is received from the master lessee.), the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of September 30, 2017, 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: 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, 2017.

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
T	T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	14,909	15,200
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,523	8,820
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,852	6,370
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,420	5,940
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,401	4,850
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,961	4,310
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,607	3,840
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,546	2,750
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,400
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,530
	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	1,770
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,430
	T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Trust beneficiary interest in real estate	761	807
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,452	3,820
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,787	1,910
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,467	1,520
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,300
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,456	3,520
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,130	3,260
	T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,905	2,840
	T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,908	1,970
O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,367	9,340
	O-2	SM	Life Takadono (Land) (Note 4)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,040
	O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,137	2,430
	O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,509	11,600
	O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,649	6,910
	O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,403	6,840
	O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,317	1,330
	O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488
	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,563	1,650
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,870

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,630
	N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,143	2,320
	N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	995
	N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,126	7,310
	N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,430
	N-6	NSC	Resora Obu Shopping Terrace	Obu Aichi	Trust beneficiary interest in real estate	8,242	7,990
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,471	1,560
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	5,079	5,290
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,582	1,630
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,984	11,300
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,474	1,580
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	893	947
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,351	5,060
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,315	3,330
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	851	876
	R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	Trust beneficiary interest in real estate	5,675	5,960
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,171	4,340
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,220
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,835	11,160
Total						207,771	218,633

Note 1: "T", "O", "N", "F" and "R" hereinafter refers to Tokyo metropolitan area, the Greater Osaka area, the Greater Nagoya area, the Fukuoka area and Ordinance-designated cities, core cities and other areas, respectively.

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

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

Note 4: KRR changed the property name as follows.

Property number	New name	Previous name	Effective date
O-2	Life Takadono (Land)	Central Square Takadono (Land)	September 27, 2017

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	Fourth fiscal period as of March 31, 2017				Fifth fiscal period as of September 30, 2017			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
T	T-1	CSC	Fululu Garden Yachiyo	48	98.2	744	11.6	48	99.4	733	9.4
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(70)	95.7	506	7.9	1(70)	95.9	483	6.2
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(41)	98.1	309	4.8	1(42)	99.8	305	3.9
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(26)	9	28	4.0	1(2)	97.9	268	3.4
	T-5	NSC	Unicus Ina	1	100.0	138	2.2	1	100.0	139	1.8
	T-6	NSC	Yorktown Kita-Kaname	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-7	NSC	Unicus Yoshikawa	1(11)	100.0	133	2.1	1(11)	100.0	132	1.7
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-9	NSC	Super Viva Home Iwatsuki (Land)	1	100.0			1	100.0		
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	1	100.0			1	100.0		
	T-11	NSC	Unicus Kamisato (Land)	1	100.0	72	1.1	1	100.0	72	0.9
	T-12	NSC	Unicus Konosu (Land)	1	100.0	41	0.6	1	100.0	41	0.5
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-14	SM	Gourmet City Chiba-Chuo	1	100.0			1	100.0		
	T-15	NSC	Nakamachidai Tokyu Store	1	100.0			1	100.0		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	2	100.0	59	0.9	2	100.0	59	0.8
	T-17	SM	Life Kameido	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	—	—	—	—	2	100.0	— (Note 3)	— (Note 3)
	T-19	NSC	Yumemachi Narashinodai Mall	—	—	—	—	1(14)	100.0	128	1.6
	T-20	NSC	Kawamachi Yahagi Mall	—	—	—	—	1(12)	100.0	88	1.1
	T-21	SS	Prime Square Jiyugaoka	—	—	—	—	2	100.0	— (Note 3)	— (Note 3)
	T-22	SS	Round1 Ichikawa-Onitaka	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
O	O-1	NSC	Blumer Maitamon	50	99.2	480	7.5	50	98.2	509	6.5
	O-2	SM	Central Square Takadono (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-3	NSC	Piago Kahma Home Center Omihachiman	2	100.0			2	100.0		
	O-4	NSC	Blumer HAT Kobe	1(41)	99.1	482	7.5	1(42)	98.7	489	6.3
	O-5	Urban Station-Front SC	Carino Esaka	1(30)	97.8	289	4.5	1(30)	97.8	305	3.9
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	226	3.5	1	100.0	226	2.9
	O-7	SM	Hankyu Oasis Hirakatadeguchi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-8	SS	Welcia Kishiwadakamori (Land)	1	100.0			1	100.0		
	O-9	SM	Life Nishi-Tengachaya	1	100.0	44	0.7	1	100.0	44	0.6
	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
N	N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)

Area	Property number	Property type	Property name	Fourth fiscal period as of March 31, 2017				Fifth fiscal period as of September 30, 2017			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
N	N-2	NSC	Valor Ichinomiya-Nishi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-3	SS	K's Denki Nakagawa Tomita (Land)	1	100.0						
	N-4	SS	Homecenter Kohnan Sunadabashi	1	100.0						
	N-5	SS	K's Denki Shin-Moriyama (Land)	1	100.0						
	N-6	NSC	Resora Obu Shopping Terrace	—	—	—	—	1(43)	99.4	113	1.4
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	—	—
	F-3	NSC	Kurume-Nishi Shopping Center	—	—	—	—	4	100.0	46	0.6
R	R-1	NSC	Roseo Mito	1(22)	99.7	375	5.8	1(22)	99.7	379	4.9
	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						
	R-4	NSC	Ashico Town Ashikaga	1(29)	100.0	270	4.2	1(29)	100.0	288	3.7
	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						
	R-7	Urban Station-Front SC	Solala Plaza	1	100.0						
	R-8	NSC	P-1 Plaza Tenno	7	100.0	136	2.1	7	100.0	136	1.7
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-10	NSC	Sun Street Hamakita	—	—	—	—	1(51)	98.0	458	5.9
Total				409	99.6	6,427	100.0	542	99.6	7,797	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, 2017. 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.

[Overview of Investment Securities]

The following summarizes the investment securities owned by KRR as of September 30, 2017.

Asset name	Type of asset	Amount (units)	Book value (in millions)		Evaluation value (in millions) ^(Note 1)		Evaluation profits/losses (in millions)	Remarks
			Unit price	Price	Unit Price	Price		
Silent partnership equity interest of JRP8 GK ^(Note 2)	Silent partnership equity interest	—	—	2	—	2	—	—
Total		—	—	2	—	2	—	—

Note 1: "Evaluation value" indicates the book value.

Note 2: Asset under management is the trust beneficiary interest in real estate of "Yumemachi Narashinodai Mall". KRR acquired the trust beneficiary interest on April 19, 2017.

(4) Specified Transaction

As of March 31, 2017, 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	61,840	57,990	22
Total	—	61,840	57,990	22

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 sixth fiscal period ending March 31, 2018. 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-21	Prime Sqyare Jiyugaoka	Meguro-ku, Tokyo	Interior repair	From October 2017 to March 2018	70	—	—
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Rooftop parking waterproof	From July 2017 to December 2017	54	—	—
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Power generator renewal	From October 2017 to March 2018	51	—	—
O-1	Blumer Maitamon	Kobe, Hyogo	LED installation to common area	From October 2017 to March 2018	46	—	—
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Exterior wall repair	From September 2017 to November 2017	33	—	—

(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 367 million yen. There were also expenditures of 189 million yen that were recorded as repair expenses. In total KRR spent 556 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
T-2	MONA Shin-Urayasu	Urayasu, Chiba	First phase of renewal	From March 2017 to July 2017	134
O-4	Blumer HAT Kobe	Kobe, Hyogo	103rd block renewal	From March 2017 to June 2017	61
O-5	Carino Esaka	Suita, Osaka	Central monitoring panel renewal	From December 2016 to January 2017	27
O-5	Carino Esaka	Suita, Osaka	Escalator renewal	From May 2017 to June 2017	21
O-4	Blumer HAT Kobe	Kobe, Hyogo	Installation of shutters for 103rd block	From March 2017 to April 2017	12
Others					109
Total					367

(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)	
	Fourth fiscal period (From October 1, 2016 to March 31, 2017)	Fifth fiscal period (From April 1, 2017 to September 30, 2017)
Asset management fees ^(Note)	488,477	549,721
Asset custody fees	7,549	7,776
Administrative service fees	23,972	25,791
Directors' compensation	4,500	4,500
Other operating expenses	67,039	81,132
Total	591,538	668,921

Note: The amount of asset management fees capitalized in addition to the amount above are 55,810 thousand yen for the fourth fiscal period and 405,750 thousand yen for the fifth fiscal period.

(2) Status of Borrowings

Borrowings on a financial institution basis as of September 30, 2017 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	4,140,000	-	4,140,000	-	0.480	April 21, 2017	(Note 4)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	360,000	-	360,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	-	1,070,000	-				
	Sumitomo Mitsui Banking Corporation	3,900,000	-	-	3,900,000	0.430	February 10, 2018		
	Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	250,000	-	-	250,000				
	Aozora Bank, Ltd.	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000				
	Mizuho Bank, Ltd.	-	300,000	-	300,000				
	Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,070,000	-	1,070,000	0.430	April 21, 2018		
	Aozora Bank, Ltd.	-	640,000	-	640,000				
	Resona Bank, Ltd.	-	400,000	-	400,000				
	Mizuho Bank, Ltd.	-	360,000	-	360,000				
	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000				
	Mitsubishi UFJ Trust and Banking Corporation	-	200,000	-	200,000				
	Sumitomo Mitsui Banking Corporation (Note 6)	-	1,000,000	1,000,000	-				
Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	-	8,500,000	8,500,000	-					
Sub Total	11,470,000	16,270,000	15,070,000	12,670,000					
Current Portion of Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,300,000	-	-	2,300,000	0.545	February 10, 2018	(Note 4)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Sub Total	3,850,000	-	-	3,850,000				
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020	(Note 4)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	The 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	0.865	February 10, 2021		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, 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				

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Long-Term Loans Payable	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	0.925	February 10, 2021	(Note 4)	Unsecured/ Non-guaranteed
	Development Bank of Japan Inc. (Note 5)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mitsubishi UFJ Trust and Banking Corporation	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	550,000	-	-	550,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	The Musashino Bank, Ltd.	250,000	-	-	250,000				
	Mitsubishi UFJ Trust and Banking Corporation	450,000	-	-	450,000				
	Resona Bank, Ltd.	200,000	-	-	200,000	0.987	March 31, 2023		
	The Musashino Bank, Ltd.	150,000	-	-	150,000	1.110	March 31, 2024		
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	The Bank of Tokyo-Mitsubishi UFJ, 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	1.243	April 16, 2025		
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.368	September 30, 2019		
	Development Bank of Japan Inc. (Note 5)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gunma Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.550	September 30, 2021		
	Development Bank of Japan Inc. (Note 5)	2,000,000	-	-	2,000,000	1.049	January 31, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 5)	1,000,000	-	-	1,000,000	1.049			
Resona Bank, Ltd.	500,000	-	-	500,000	1.002				
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.485	January 31, 2027			
Aozora Bank, Ltd.	-	500,000	-	500,000					
Mitsubishi UFJ Trust and Banking Corporation	-	400,000	-	400,000					
Sumitomo Mitsui Trust Bank, Ltd.	-	300,000	-	300,000					
Resona Bank, Ltd.	-	300,000	-	300,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	600,000	-	600,000					
Development Bank of Japan Inc. (Note 5)	-	500,000	-	500,000	0.400	April 27, 2021			
Mizuho Bank, Ltd. (Note 5)	-	400,000	-	400,000	0.553				
Mizuho Trust & Banking Co., Ltd. (Note 5)	-	200,000	-	200,000	0.553				
					0.553				

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.772	October 31, 2024	(Note 4)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Ltd.	-	400,000	-	400,000				
	Aozora Bank, Ltd.	-	400,000	-	400,000				
	Resona Bank, Ltd.	-	300,000	-	300,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	600,000	-	600,000	0.696	October 31, 2024		
	Mizuho Bank, Ltd. (Note 5)	-	600,000	-	600,000	0.815			
	Development Bank of Japan Inc. (Note 5)	-	500,000	-	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	-	200,000	-	200,000	0.814			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	500,000	-	500,000	0.903	October 31, 2026		
	Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	1.033	May 18, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000				
	Resona Bank, Ltd.	-	400,000	-	400,000				
	Development Bank of Japan Inc. (Note 5)	-	500,000	-	500,000				
	Mizuho Bank, Ltd. (Note 5)	-	500,000	-	500,000	1.049	May 18, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 5)	-	300,000	-	300,000	1.050			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	500,000	-	500,000	0.670	September 29, 2023		
	Sumitomo Mitsui Trust Bank, Ltd.	-	1,500,000	-	1,500,000	0.918	September 30, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	500,000	-	500,000	0.930	September 29, 2027		
	Mizuho Bank, Ltd. (Note 5)	-	1,500,000	-	1,500,000	1.029			
	Sumitomo Mitsui Trust Bank, Ltd.	-	1,500,000	-	1,500,000	1.100			
	Sub Total	57,380,000	19,000,000	-	76,380,000				
	Total	72,700,000	35,270,000	15,070,000	92,900,000				

Note 1: All debts except for the following Note 6 are borrowings at a floating rate.

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

Note 3: All the repayment methods of debt financing except for the following Note 7 and Note 8 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: Partial prepayment was made on May 31, 2017.

Note 7: Prepayment of 3,000,000 thousand yen and 5,500,000 thousand yen was made on August 31, 2017 and September 29, 2017, respectively.

(3) Status of Investment Corporation Bonds

Bonds	Issuance date	Balance as of April 1, 2017 (million yen)	Balance as of September 30, 2017 (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	0.320	August 31, 2022		(Note 2)	
4th Series Unsecured Investment Corporation Bonds	August 31, 2017	—	2,000	0.700	August 31, 2027			
Total		2,000	5,000					

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

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

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

(4) Status of Short-Term Investment Corporation Bonds

Not applicable

(5) Status of Subscription Rights to New Investment Units

Not applicable

Acquisition and Disposition

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

Ownership form	Property number	Property name	Acquisition		Disposition			
			Acquisition date	Acquisition price (in millions) <small>(Note)</small>	Disposition Date	Disposition price (in millions) <small>(Note)</small>	Book value (in millions)	Gain / loss (in millions)
Trust beneficiary interest in real estate	T-18	Totsuka-Fukaya Shopping Center (Land)	April 19, 2017	4,170	—	—	—	—
Trust beneficiary interest in real estate	T-19	Yumemachi Narashinodai Mall	April 19, 2017	3,416	—	—	—	—
Trust beneficiary interest in real estate	T-20	Kawamachi Yahagi Mall	May 18, 2017	3,097	—	—	—	—
Trust beneficiary interest in real estate	T-21	Prime Square Jiyugaoka	April 19, 2017	2,820	—	—	—	—
Trust beneficiary interest in real estate	T-22	Round1 Ichikawa-Onitaka	April 19, 2017	1,880	—	—	—	—
Trust beneficiary interest in real estate	N-6	Resora Obu Shopping Terrace	August 1, 2017	7,911	—	—	—	—
Trust beneficiary interest in real estate	F-2	Round1 Stadium Hakata-Hanmichibashi	April 19, 2017	5,020	—	—	—	—
Trust beneficiary interest in real estate	F-3	Kurume-Nishi Shopping Center	April 19, 2017	1,515	—	—	—	—
Trust beneficiary interest in real estate	R-10	Sun Street Hamakita	April 27, 2017	10,746	—	—	—	—
Total				40,575	—	—	—	—

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 date	Acquisition price (in millions) (Note 1)	Appraisal value (in millions) (Note 2)	Appraiser	Evaluation date
Acquisition	Trust beneficiary interest in real estate	T-18	Totsuka-Fukaya Shopping Center (Land)	April 19, 2017	4,170	4,290	Daiwa Real Estate Appraisal Co., Ltd.	Feb.1, 2017
		T-19	Yumemachi Narashinodai Mall	April 19, 2017	3,416	3,520	Daiwa Real Estate Appraisal Co., Ltd.	Feb.1, 2017
		T-20	Kawamachi Yahagi Mall	May 18, 2017	3,097	3,220	Daiwa Real Estate Appraisal Co., Ltd.	Feb. 1, 2017
		T-21	Prime Square Jiyugaoka	April 19, 2017	2,820	2,850	Daiwa Real Estate Appraisal Co., Ltd.	Mar. 1, 2017
		T-22	Round1 Ichikawa-Onitaka	April 19, 2017	1,880	1,970	Daiwa Real Estate Appraisal Co., Ltd.	Feb. 1, 2017
		N-6	Resora Obu Shopping Terrace	August 1, 2017	7,911	7,990	The Tanizawa Sōgō Appraisal Co., Ltd.	Jun. 1, 2017
		F-2	Round1 Stadium Hakata-Hanmichibashi	April 19, 2017	5,020	5,190	Japan Real Estate Institute	Feb. 1, 2017
		F-3	Kurume-Nishi Shopping Center	April 19, 2017	1,515	1,600	Japan Real Estate Institute	Feb. 1, 2017
		R-10	Sun Street Hamakita	April 27, 2017	10,746	10,890	Japan Real Estate Institute	Feb. 1, 2017

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

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

ii) Others

(A) Investigator regarding values of certain assets

BDO Toyo & Co.

(B) Result and method of investigation

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Article 201 of the Act on Investment Trusts and Investment Corporations, BDO Toyo & Co. performs an investigation of transactions. For the fiscal period from April 1, 2017 to September 30, 2017, the transaction subject to such investigation was 15 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 millions)			
	Purchase		Sale	
Total amount	40,575		-	
Transaction with related-party				
JRP8 GK	3,416	(8.4%)	-	(-%)
GK KRF63	3,097	(7.6%)	-	(-%)
JRP9 GK	100,746	(26.5%)	-	(-%)
Total	17,259	(42.5%)	-	(-%)

ii) Amounts of Fees Paid

Not applicable

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

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

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

Accounting

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

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

(2) Change in Calculation of Depreciation

Not applicable

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

Not applicable

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

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

Not applicable

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

Not applicable

(5) Disclosure of Companies Owning Real Estate Overseas

Not applicable

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

Not applicable

Others

(1) Notice

i) General Meeting of Unitholders

Not applicable

ii) Board of Directors

Date	Approved items	Summary
April 11, 2017	Conclusion of an underwriting agreement for new investment units	For the issuance of new investment units, which was approved by the Board of Directors on March 31, 2017, KFM, SMBC Nikko Securities Inc., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mizuho Securities Co., Ltd. and UBS Securities Japan Co., Ltd. signed an underwriting agreement.

(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

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation, which comprise the balance sheet as of September 30, 2017, and the statements of income and retained earnings, changes in net assets, and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Retail REIT Corporation as of September 30, 2017, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

December 25, 2017
Tokyo, Japan

Financial Statements

(4th Fiscal Period: from October 1, 2016 to March 31, 2017)

(5th Fiscal Period: from April 1, 2017 to September 30, 2017)

Independent Auditor's Report

Balance Sheets

Statements of Income and Retained Earnings

Statements of Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

Kenedix Retail REIT Corporation

Balance Sheets

As of September 30, 2017 and March 31, 2017

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥5,265,120	¥5,258,633
Cash and deposits in trust (Notes 9 and 11)	13,908,498	11,575,715
Operating accounts receivable	249,833	182,993
Prepaid expenses	136,375	41,020
Consumption taxes receivable	947,707	-
Other	3,571	2,987
Total current assets	20,511,105	17,061,349
Non-current assets		
Property, plant and equipment (Notes 17 and 20)		
Buildings in trust	54,528,155	42,757,457
Accumulated depreciation	(3,197,167)	(2,377,464)
Buildings in trust, net (Note 3)	51,330,987	40,379,992
Structures in trust	2,797,067	1,822,887
Accumulated depreciation	(196,396)	(145,181)
Structures in trust, net (Note 3)	2,600,670	1,677,705
Machinery and equipment in trust	214,510	203,295
Accumulated depreciation	(16,977)	(11,445)
Machinery and equipment in trust, net	197,533	191,850
Tools, furniture and fixtures in trust	71,172	60,635
Accumulated depreciation	(15,164)	(10,639)
Tools, furniture and fixtures in trust, net (Note 3)	56,007	49,995
Land in trust (Note 3)	149,241,987	123,937,095
Construction in progress in trust	14,291	24,784
Total property, plant and equipment, net	203,441,477	166,261,423
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,328,697	520,598
Other	2,776	2,064
Total intangible assets	4,331,474	522,662
Investments and other assets		
Investment securities	2,790	101,690
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,256	36,035
Long-term prepaid expenses	808,924	648,066
Long-term deposits	157,110	124,960
Other	22,553	23,395
Total investments and other assets	1,061,634	944,147
Total non-current assets	208,834,586	167,728,234
Deferred assets		
Organization costs	20,264	25,331
Investment corporation bond issuance costs	38,307	17,671
Investment unit issuance costs	224,185	204,840
Total deferred assets	282,757	247,843
Total assets	¥229,628,449	¥185,037,427

See accompanying notes to financial statements.

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥574,194	¥516,631
Short-term loans payable (Notes 11 and 21)	12,670,000	11,470,000
Current portion of long-term loans payable (Notes 11 and 21)	3,850,000	3,850,000
Accounts payable-other	339,816	280,035
Accrued expenses	18,164	12,501
Income taxes payable	2,703	3,275
Accrued consumption taxes	41,046	245,842
Advances received	1,104,639	878,241
Deposits received	142,780	124,240
Total current liabilities	18,743,344	17,380,767
Non-current liabilities		
Investment corporation bonds (Notes 11 and 22)	5,000,000	2,000,000
Long-term loans payable (Notes 11 and 21)	76,380,000	57,380,000
Tenant leasehold and security deposits in trust (Notes 3 and 11)	12,933,293	11,397,149
Asset retirement obligations (Note 15)	23,482	23,335
Other	31,767	32,639
Total non-current liabilities	94,368,543	70,833,124
Total liabilities	113,111,887	88,213,892
Net assets		
Unitholders' equity		
Unitholders' capital	113,399,022	94,256,390
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(9,754)	(40,593)
Total deduction from unitholders' capital	(9,754)	(40,593)
Unitholders' capital, net	113,389,267	94,215,796
Surplus		
Unappropriated retained earnings	3,104,740	2,584,343
Total surplus	3,104,740	2,584,343
Total unitholders' equity	116,494,008	96,800,139
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	22,553	23,395
Total valuation and translation adjustments	22,553	23,395
Total net assets (Note 6)	116,516,561	96,823,535
Total liabilities and net assets	¥229,628,449	¥185,037,427

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statements of Income and Retained Earnings

For the period from April 1, 2017 to September 30, 2017 and the period from October 1, 2016 to March 31, 2017

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥6,637,179	¥5,524,740
Other lease business revenue (Note 7)	1,160,494	902,740
Dividend income	5,844	3,131
Total operating revenues	7,803,517	6,430,612
Operating expenses		
Expenses related to rent business (Note 7)	3,468,519	2,817,984
Asset management fees	549,721	488,477
Asset custody fees	7,776	7,549
Administrative service fees	25,791	23,972
Directors' compensation	4,500	4,500
Other operating expenses	81,132	67,039
Total operating expenses	4,137,441	3,409,522
Operating income	3,666,076	3,021,090
Non-operating income		
Interest income	59	52
Interest on refund	-	164
Total non-operating income	59	217
Non-operating expenses		
Interest expenses	369,045	310,372
Interest expenses on investment corporation bonds	5,414	3,337
Financing-related expenses	80,322	67,385
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	1,906	1,404
Amortization of investment unit issuance costs	96,175	76,922
Total non-operating expenses	557,930	464,459
Ordinary income	3,108,205	2,556,848
Income before income taxes	3,108,205	2,556,848
Income taxes		
Current	3,681	3,922
Total income taxes	3,681	3,922
Net income	3,104,524	2,552,926
Retained earnings brought forward	216	31,417
Unappropriated retained earnings	¥3,104,740	¥2,584,343

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statements of Changes in Net Assets

For the period from April 1, 2017 to September 30, 2017 and the period from October 1, 2016 to March 31, 2017

	Unitholders' equity						Total unitholders' equity
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
(in thousands of yen)							
Balance as of September 30, 2016	¥94,256,390	¥(4,263)	¥(4,263)	¥94,252,127	¥2,518,802	¥2,518,802	¥96,770,929
Changes of items during the period							
Dividends from surplus					(2,487,385)	(2,487,385)	(2,487,385)
Distributions in excess of earnings from allowance for temporary difference adjustments		(36,330)	(36,330)	(36,330)			(36,330)
Net income					2,552,926	2,552,926	2,552,926
Net changes of items other than unitholder's equity							
Total changes of items during the period	-	(36,330)	(36,330)	(36,330)	65,540	65,540	29,209
Balance as of March 31, 2017 (Note 8)	¥94,256,390	¥(40,593)	¥(40,593)	¥94,215,796	¥2,584,343	¥2,584,343	¥96,800,139
Changes of items during the period							
Issuance of new investment units	19,142,631			19,142,631			19,142,631
Dividends from surplus					(2,553,287)	(2,553,287)	(2,553,287)
Reversal of allowance for temporary difference adjustments		30,838	30,838	30,838	(30,838)	(30,838)	-
Net income					3,104,524	3,104,524	3,104,524
Net changes of items other than unitholder's equity							
Total changes of items during the period	19,142,631	30,838	30,838	19,173,470	520,397	520,397	19,693,868
Balance as of September 30, 2017 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,104,740	¥3,104,740	¥116,494,008

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
(in thousands of yen)			
Balance as of September 30, 2016	¥(31,166)	¥(31,166)	¥96,739,763
Changes of items during the period			
Dividends from surplus			(2,487,385)
Distributions in excess of earnings from allowance for temporary difference adjustments			(36,330)
Net income			2,552,926
Net changes of items other than unitholder's equity	54,562	54,562	54,562
Total changes of items during the period	54,562	54,562	83,772
Balance as of March 31, 2017 (Note 8)	¥23,395	¥23,395	¥96,823,535
Changes of items during the period			
Issuance of new investment units			19,142,631
Dividends from surplus			(2,553,287)
Reversal of allowance for temporary difference adjustments			-
Net income			3,104,524
Net changes of items other than unitholder's equity	(842)	(842)	(842)
Total changes of items during the period	(842)	(842)	19,693,026
Balance as of September 30, 2017 (Note 8)	¥22,553	¥22,553	¥116,516,561

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statements of Cash Flows

For the period from April 1, 2017 to September 30, 2017 and the period from October 1, 2016 to March 31, 2017

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,108,205	¥2,556,848
Depreciation and amortization	885,529	721,929
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	1,906	1,404
Amortization of investment unit issuance costs	96,175	76,922
Interest income	(59)	(52)
Interest expenses	374,459	313,709
Decrease (increase) in operating accounts receivable	(66,839)	23,405
Decrease (increase) in consumption taxes receivable	(947,707)	477,707
Decrease (increase) in prepaid expenses	(95,354)	71,692
Increase (decrease) in operating accounts payable	119,319	(2,220)
Increase (decrease) in accounts payable-other	59,447	11,825
Increase (decrease) in accrued consumption taxes	(204,795)	245,842
Increase (decrease) in advances received	226,397	18,941
Increase (decrease) in deposits received	18,539	1,571
Decrease (increase) in long-term prepaid expenses	(160,857)	3,889
Decrease (increase) in long-term deposits	(32,150)	-
Other	(7,011)	(6,558)
Subtotal	3,380,270	4,521,894
Interest income received	59	52
Interest expenses paid	(370,062)	(308,315)
Income taxes paid	(4,253)	(1,728)
Net cash provided by (used in) operating activities	3,006,014	4,211,903
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(38,122,784)	(5,994,725)
Purchase of intangible assets	(1,141)	(504)
Purchase of intangible assets in trust	(3,812,078)	-
Purchase of investment securities	-	(101,690)
Proceeds from investment securities	104,744	3,131
Payments for lease and guarantee deposits in trust	(24,220)	-
Repayments of tenant leasehold and security deposits in trust	(603,958)	(317,595)
Proceeds from tenant leasehold and security deposits in trust	2,141,079	193,659
Proceeds from restricted bank deposits in trust	215,676	215,676
Net cash provided by (used in) investing activities	(40,102,682)	(6,002,048)
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	16,270,000	6,500,000
Payments of short-term loans payable	(15,070,000)	(7,100,000)
Proceeds from long-term loans payable	19,000,000	4,000,000
Proceeds from issuance of investment corporation bonds	2,977,457	1,980,924
Proceeds from issuance of investment units	19,027,111	-
Payments of dividends	(2,552,953)	(2,523,176)
Net cash provided by (used in) financing activities	39,651,615	2,857,747
Net increase (decrease) in cash and cash equivalents	2,554,947	1,067,602
Cash and cash equivalents at the beginning of the period	14,296,903	13,229,301
Cash and cash equivalents at the end of the period (Note 9)	¥16,851,851	¥14,296,903

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from April 1, 2017 to September 30, 2017 and the period from October 1, 2016 to March 31, 2017

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 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 international offerings. As a result, the number of investment units issued as of September 30, 2017 was 507,700 units.

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

(Note) For 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 trust beneficiary interests in real estate (a property acquired on November 1, 2016 with an acquisition price of 1,370 million yen and a property acquired on January 31, 2017 with an acquisition price of 4,111 million yen). In addition, KRR completed an additional acquisition of a new building through a property expansion within Unicus Ina (acquisition price of 91 million yen) on January 16, 2017. For the period ended March 31, 2017, the portfolio of 42 properties as a whole performed well with an overall occupancy ratio of 99.6% as of March 31, 2017.

KRR acquired trust beneficiary interests in real estate (six properties acquired on April 19, 2017 with an acquisition price of 18,821 million yen, a property acquired on April 27, 2017 with an acquisition price of 10,746 million yen, a property acquired on May 18, 2017 with an acquisition price of 3,097 million yen and a property acquired on August 1, 2017 with an acquisition price of 7,911 million yen). For the period ended September 30, 2017, the portfolio of 51 properties as a whole performed well with an overall occupancy ratio of 99.6% as of September 30, 2017.

Furthermore, the portfolio was diversified in terms of tenants as there were 409 and 542 end-tenants as of March 31, 2017 and September 30, 2017 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) Securities

Other securities without market value are stated using the moving average cost method. Equity investments in a silent partnership are stated, the amount equivalent to the corresponding equity interests including net amount of gain or loss from the silent partnership.

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

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

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
Buildings	2-70 years	2-70 years
Structures	8-59 years	8-59 years
Machinery and equipment	5-25 years	10-25 years
Tools, furniture and fixtures	3-15 years	4-10 years

(C) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

(D) Long-term Prepaid Expenses

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

(E) Organization Costs

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

(F) Investment Unit Issuance Costs

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

(G) Investment Corporation Bond Issuance Costs

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

(H) 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.

(I) 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.

(J) 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 ¥137,530 thousand and ¥21,351 thousand as of September 30, 2017 and March 31, 2017, respectively.

(K) 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.

(L) 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.

(M) 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.

(N) 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.

(O) Presentation of Amounts

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

3. COLLATERAL

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

Assets pledged as collateral	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Buildings in trust	¥2,707,274	¥2,724,085
Structures in trust	50,764	52,355
Tools, furniture and fixtures in trust	2,359	2,661
Land in trust	7,811,297	7,811,297
Total	10,571,696	10,590,399

Secured liabilities	As of September 30, 2017	As of March 31, 2017
Tenant leasehold and security deposits in trust	3,023,268	3,245,943
Total	¥3,023,268	¥3,245,943

4. COMMITMENT LINE CONTRACTS

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

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Total amount of commitment line contracts	¥2,000,000	¥ -
Balance of loans payable outstanding	-	-
Remaining amount	¥2,000,000	¥ -

5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of September 30, 2017

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

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
(in thousands of yen)							
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥9,754	¥9,754	¥ -	¥ -	¥9,754	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	30,838	30,838	-	(30,838)	-	Changes in fair value of derivative transactions
Total		¥40,593	¥40,593	¥ -	¥(30,838)	¥9,754	-

2. Method of reversal

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

The following summarizes allowance for temporary difference adjustments as of March 31, 2017

1. Reasons, related assets, initial amount and allowance

Related assets, etc.	Reason for allowance	Initial amount	Balance at the beginning of the period	Allowance during the period	Reversal during the period	Balance at the end of the period	Reason for reversal
(in thousands of yen)							
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥9,754	¥4,263	¥5,491	¥ -	¥9,754	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	30,838	-	30,838	-	30,838	-
Total		¥40,593	¥4,263	¥36,330	¥ -	¥40,593	-

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 derivative transactions used as hedging instruments, the corresponding amount is scheduled to be reversed.

6. NET ASSETS

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

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

Rental and other operating revenues and property-related expenses for the period from April 1, 2017 to September 30, 2017 and from October 1, 2016 to March 31, 2017 consist of the following:

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥5,361,334	¥4,467,838
Rental revenues from limited proprietary rights of land	938,809	728,620
Common area charges	337,034	328,281
Subtotal	6,637,179	5,524,740
Other lease business revenue:		
Parking space rental revenues	195,782	162,994
Utility charge reimbursement	661,928	455,670
Miscellaneous	302,783	284,075
Subtotal	1,160,494	902,740
Total rental and other operating revenues	7,797,673	6,427,481
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	808,367	691,625
Utilities	650,115	438,881
Taxes	563,716	482,777
Repairs and maintenance	189,071	157,638
Insurance	13,507	12,281
Trust fees	21,137	17,790
Depreciation	885,100	721,606
Others	337,504	295,382
Total property-related expenses	3,468,519	2,817,984
Net operating income from real estate rental business	¥4,329,153	¥3,609,497

8. UNITHOLDERS' EQUITY

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

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	507,700 units	422,450 units

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of September 30, 2017 and March 31, 2017:

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Cash and deposits	¥5,265,120	¥5,258,633
Cash and deposits in trust	13,908,498	11,575,715
Restricted bank deposits in trust *	(2,321,767)	(2,537,444)
Cash and cash equivalents	¥16,851,851	¥14,296,903

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

10. LEASES

(As lessee)

Future minimum lease payments under non-cancelable operating leases as of September 30, 2017 and March 31, 2017 are as follows:

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	193,798	199,048
Total	¥204,298	¥209,548

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of September 30, 2017 and March 31, 2017 are as follows:

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Due within 1 year	¥8,424,336	¥6,112,316
Due after 1 year	63,081,778	49,962,185
Total	¥71,506,114	¥56,074,501

11. FINANCIAL INSTRUMENTS

(A). Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Investment securities represent equity investments in a silent partnership and are exposed to credit risk of the issuer, property value fluctuation risk and interest rate fluctuation risk.

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 11 years for loans payable and also have a redemption date of a maximum of 9 years and 11 months for investment corporation bonds as of September 30, 2017, the end of the fifth 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. Investment securities represent equity investments in a silent partnership and are exposed to credit risk of the issuer. To manage this credit risk, the Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. 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. While investment securities, which are equity investments in a silent partnership, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives and such transactions are conducted based on this policy.

c. Liquidity risk

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

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

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

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

(B). Estimated Fair Value of Financial Instruments

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

As of September 30, 2017

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥5,265,120	¥5,265,120	¥ -
(2) Cash and deposits in trust	13,908,498	13,908,498	-
Total	19,173,618	19,173,618	-
(1) Short-term loans payable	12,670,000	12,670,000	-
(2) Current portion of long-term loans payable	3,850,000	3,837,976	(12,023)
(3) Investment corporation bonds	5,000,000	4,976,700	(23,300)
(4) Long-term loans payable	76,380,000	76,284,508	(95,491)
(5) Tenant leasehold and security deposits in trust	2,887,549	2,886,747	(802)
Total	100,787,549	100,655,932	(131,617)
Derivative transactions	¥22,553	¥22,553	¥ -

As of March 31, 2017

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Cash and deposits	¥5,258,633	¥5,258,633	¥ -
(2) Cash and deposits in trust	11,575,715	11,575,715	-
Total	16,834,348	16,834,348	-
(1) Short-term loans payable	11,470,000	11,470,000	-
(2) Current portion of long-term loans payable	3,850,000	3,847,148	(2,851)
(3) Investment corporation bonds	2,000,000	1,984,200	(15,800)
(4) Long-term loans payable	57,380,000	57,540,509	160,509
(5) Tenant leasehold and security deposits in trust	3,147,555	3,151,660	4,105
Total	77,847,555	77,993,518	145,963
Derivative transactions	¥23,395	¥23,395	¥ -

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

Classification	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Investment securities (Note1)	¥2,790	¥101,690
Tenant leasehold and security deposits in trust (Note2)	10,045,743	8,249,594
Total	¥10,048,533	¥8,351,284

(Note1) Fair values of investment securities are not subject to disclosure of fair value as they have no market price and their fair values are recognized to be extremely difficult to grasp.

(Note2) It is extremely difficult to determine their fair values based on estimated future cash flows because no quoted market price is available and the repayment dates of those deposits are not certain. Therefore, tenant leasehold and security deposits in trust are not included in the above quantitative information.

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

As of September 30, 2017

	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	¥5,265,120	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	13,908,498	-	-	-	-	-
Total	¥19,173,618	¥ -	¥ -	¥ -	¥ -	¥ -

As of March 31, 2017

	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	¥5,258,633	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	11,575,715	-	-	-	-	-
Total	¥16,834,348	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of September 30, 2017

	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	¥12,670,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	-	2,000,000	3,000,000
Long-term loans payable	3,850,000	6,980,000	7,000,000	13,300,000	7,000,000	42,100,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	110,793
Total	¥16,955,430	¥7,415,430	¥7,435,430	¥13,735,430	¥9,435,430	¥45,210,793

As of March 31, 2017

	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	¥11,470,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	-	1,000,000	1,000,000
Long-term loans payable	3,850,000	5,650,000	8,330,000	7,000,000	7,500,000	28,900,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	328,508
Total	¥15,755,430	¥6,085,430	¥8,765,430	¥7,435,430	¥8,935,430	¥30,228,508

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2017 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	¥16,940,000	¥16,940,000	¥22,553	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	41,050,000	*	-
Total			¥61,840,000	¥57,990,000	¥22,553	

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

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2017 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	¥5,840,000	¥5,840,000	¥23,395	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	41,050,000	*	-
Total			¥50,740,000	¥46,890,000	¥23,395	

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

13. RELATED PARTY TRANSACTIONS

1 . Parent Company, major corporate unitholders and other

5th Fiscal Period (April 1, 2017 to September 30, 2017) and 4th Fiscal Period (October 1, 2016 to March 31, 2017): Not applicable

2 . Affiliated companies and other

5th Fiscal Period (April 1, 2017 to September 30, 2017) and 4th Fiscal Period (October 1, 2016 to March 31, 2017): Not applicable

3 . Fellow subsidiary companies and other

5th Fiscal Period (April 1, 2017 to September 30, 2017) and 4th Fiscal Period (October 1, 2016 to March 31, 2017): Not applicable

4 . Directors, major individual unitholders and other

5th Fiscal Period (April 1, 2017 to September 30, 2017) and 4th Fiscal Period (October 1, 2016 to March 31, 2017): Not applicable

14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 35%. 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 ¥3,104 million and ¥2,553 million for the periods ended September 30, 2017 and March 31, 2017, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.12% and 0.15% for the periods ended September 30, 2017 and March 31, 2017, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of September 30, 2017	As of March 31, 2017
Statutory tax rate	34.81%	34.81%
Deductible cash distributions	(34.77)	(34.76)
Others	0.08	0.10
Effective tax rate	0.12%	0.15%

The significant components of deferred tax assets and liabilities:

	As of September 30, 2017	As of March 31, 2017
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 222	¥ 242
Amortization of leasehold right in trust	6,703	5,446
Depreciation	2,412	1,960
Asset retirement obligations	7,418	7,371
Subtotal deferred tax assets	16,756	15,020
Valuation allowance	(16,756)	(15,020)
Total deferred tax assets	¥ -	¥ -

15. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

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

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

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
	(in thousands of yen)	
Balance at the beginning of the period	¥23,335	¥23,190
Accretion adjustment	146	145
Balance at the end of the period	¥23,482	¥23,335

16. SEGMENT INFORMATION

Segment information for the period ended from April 1, 2017 to September 30, 2017 and October 1, 2016 to March 31, 2017 is as follows:

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

17. INVESTMENT AND RENTAL PROPERTIES

KRR owns retail properties for rental purposes mainly in the four major metropolitan areas and other regional areas of Japan.

The book value and fair value concerning the above real estate for rental purposes are as follows.

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥166,782,022	¥161,443,421
Changes during the period	40,989,196	5,338,600
Balance at the end of the period	207,771,218	166,782,022
Fair value at the end of the period	¥218,766,000	¥175,276,000

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, 2017, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 2 properties totaling 5,711,745 thousand yen and additional acquisition of real estate trust beneficiary interest amounting to 94,633 thousand yen and the principal decrease was due to depreciation amounting to 721,460 thousand yen and during the fiscal period ended September 30, 2017, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 9 properties totaling 41,517,461 thousand yen and the principal decrease was due to depreciation amounting to 884,953 thousand yen.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers. In addition, the fair value of K's Denki Nakagawa Tomita (Land) as of September 30, 2017, which will be sold on April 27, 2018, is based on the sales price (1,128,000 thousand yen) under the trust beneficiary interest sales contracts entered into on November 14, 2017.

The profit or loss for the period ended September 30, 2017 and March 31, 2017 concerning investment and rental properties is included in Note "7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES."

18. PER UNIT INFORMATION

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
Net asset value per unit	¥229,498	¥229,195
Net income per unit	¥6,219	¥6,043

Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the fiscal period ended September 30, 2017 (499,147 units) and during the fiscal period ended March 31, 2017 (422,450 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
Net income (in thousands of yen)	¥3,104,524	¥2,552,926
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,104,524	¥2,552,926
Weighted average number of units during the period (units)	499,147	422,450

19. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following as of September 30, 2017:

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Depreciation		Net balance at the end of the period	Remarks	
					Accumulated depreciation	Depreciation for the period			
(in thousands of yen)									
Buildings in trust	¥42,757,457	¥11,770,697	¥ -	¥54,528,155	¥3,197,167	¥819,702	¥51,330,987	*	
Structures in trust	1,822,887	974,180	-	2,797,067	196,396	51,214	2,600,670		
Machinery and equipment in trust	203,295	11,215	-	214,510	16,977	5,532	197,533		
Tools, furniture and fixtures in trust	60,635	10,536	-	71,172	15,164	4,525	56,007		
Land in trust	123,937,095	25,304,891	-	149,241,987	-	-	149,241,987	*	
Construction in progress in trust	24,784	3,275	13,768	14,291	-	-	14,291		
Subtotal	168,806,155	38,074,797	13,768	206,867,184	3,425,706	880,975	203,441,477		
Total	168,806,155	38,074,797	13,768	206,867,184	3,425,706	880,975	203,441,477		
Intangible assets	Leasehold right in trust	537,838	3,812,078	-	4,349,916	21,219	3,978	4,328,697	*
	Other	3,314	1,141	-	4,455	1,679	429	2,776	
Total		¥541,153	¥3,813,219	¥ -	¥4,354,372	¥22,898	¥4,408	¥4,331,474	

*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 consists of the following as of March 31, 2017:

Type of asset	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Depreciation		Net balance at the end of the period	Remarks	
					Accumulated depreciation	Depreciation for the period			
(in thousands of yen)									
Construction in progress	¥35,243	¥ -	¥35,243	¥ -	¥ -	¥ -	¥ -		
Subtotal	35,243	-	35,243	-	-	-	-		
Buildings in trust	42,409,745	347,711	-	42,757,457	2,377,464	670,371	40,379,992		
Structures in trust	1,808,630	14,256	-	1,822,887	145,181	38,309	1,677,705		
Machinery and equipment in trust	203,295	-	-	203,295	11,445	4,862	191,850		
Tools, furniture and fixtures in trust	51,813	8,822	-	60,635	10,639	3,938	49,995		
Land in trust	118,225,350	5,711,745	-	123,937,095	-	-	123,937,095	*	
Construction in progress in trust	12,015	18,167	5,398	24,784	-	-	24,784		
Subtotal	162,710,850	6,100,703	5,398	168,806,155	2,544,731	717,482	166,261,423		
Total	162,746,093	6,100,703	40,642	168,806,155	2,544,731	717,482	166,261,423		
Intangible assets	Leasehold right in trust	537,838	-	537,838	17,240	3,978	520,598		
	Other	2,809	504	3,314	1,249	323	2,064		
Total		¥540,648	¥504	¥ -	¥541,153	¥18,490	¥4,301	¥522,662	

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

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2017:

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note2) (Note3)	Payment due date (Note4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	¥4,140,000	¥ -	¥4,140,000	¥ -	0.480	April 21, 2017		
Mizuho Bank, Ltd.	360,000	-	360,000	-				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	-	1,070,000	-	0.480	April 21, 2017		
Sumitomo Mitsui Banking Corporation	3,900,000	-	-	3,900,000	0.480	October 3, 2017		
Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000	-	-	450,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.430	February 10, 2018		
Resona Bank, Ltd.	250,000	-	-	250,000				
Aozora Bank, Ltd.	250,000	-	-	250,000				
Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.430	April 19, 2018	(Note5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	-	300,000	-	300,000				
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,070,000	-	1,070,000				
Aozora Bank, Ltd.	-	640,000	-	640,000				
Resona Bank, Ltd.	-	400,000	-	400,000	0.430	April 21, 2018		
Mizuho Bank, Ltd.	-	360,000	-	360,000				
Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000				
Mitsubishi UFJ Trust and Banking Corporation	-	200,000	-	200,000				
Sumitomo Mitsui Banking Corporation (Note 7)	-	1,000,000	1,000,000	-	0.430	April 27, 2018		
Sumitomo Mitsui Trust Bank, Ltd. (Note 8)	-	8,500,000	8,500,000	-	0.430	July 31, 2018		
Subtotal	11,470,000	16,270,000	15,070,000	12,670,000				
Sumitomo Mitsui Banking Corporation	2,300,000	-	-	2,300,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000	0.545	February 10, 2018	(Note5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
Subtotal	3,850,000	-	-	3,850,000				

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 (Note2) (Note3)	Payment due date (Note4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000	0.751	February 10, 2020		
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				
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	-	-	700,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.865	February 10, 2021		
Aozora Bank, Ltd.	450,000	-	-	450,000				
Resona Bank, Limited	450,000	-	-	450,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000			(Note5)	Unsecured/ Non-guaranteed
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000	0.978	February 10, 2022		
Aozora Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
Development Bank of Japan Inc. (Note6)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
Development Bank of Japan Inc. (Note6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	-	-	750,000				
Aozora Bank, Ltd.	500,000	-	-	500,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.534	March 31, 2019		
Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000				
Resona Bank, Limited	200,000	-	-	200,000				
The Musashino Bank, Ltd.	150,000	-	-	150,000				

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate	Payment due date (Note4)	Use	Remarks		
						(Note2) (Note3)					
					(in thousands of yen)	(%)					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023	(Note5)	Unsecured/ Non-guaranteed		
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000						
	Mizuho Bank, Ltd.	400,000	-	-	400,000						
	Resona Bank, Limited	400,000	-	-	400,000						
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000						
	Mitsubishi UFJ Trust and Banking Corporation	400,000	-	-	400,000						
	Development Bank of Japan Inc. (Note6)	1,500,000	-	-	1,500,000					0.994	March 31, 2023
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000					0.545	March 31, 2019
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	550,000	-	-	550,000						
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000						
	Resona Bank, Ltd.	300,000	-	-	300,000						
	The Musashino Bank, Ltd.	250,000	-	-	250,000						
	Mitsubishi UFJ Trust and Banking Corporation	450,000	-	-	450,000	0.987	March 31, 2023				
	Resona Bank, Ltd.	200,000	-	-	200,000						
	The Musashino Bank, Ltd.	150,000	-	-	150,000						
	Development Bank of Japan Inc. (Note6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000						
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000						
	Mizuho Bank, Ltd.	710,000	-	-	710,000			0.368	September 30, 2019		
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000						
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024				
	Development Bank of Japan Inc. (Note6)	890,000	-	-	890,000	0.760	September 30, 2024				
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025				
The Gunma Bank, Ltd. (Note6)	500,000	-	-	500,000	0.550	September 30, 2021					
Development Bank of Japan Inc. (Note6)	2,000,000	-	-	2,000,000	1.049	January 31, 2027					
Mizuho Trust & Banking Co., Ltd. (Note6)	1,000,000	-	-	1,000,000	1.049						
Resona Bank, Ltd.	500,000	-	-	500,000	1.002						

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note2) (Note3)	Payment due date (Note4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000				
Aozora Bank, Ltd.	-	500,000	-	500,000				
Mitsubishi UFJ Trust and Banking Corporation	-	400,000	-	400,000	0.485	April 27, 2021		
Sumitomo Mitsui Trust Bank, Ltd.	-	300,000	-	300,000				
Resona Bank, Ltd.	-	300,000	-	300,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)	-	600,000	-	600,000	0.400			
Development Bank of Japan Inc. (Note 6)	-	500,000	-	500,000	0.553	April 27, 2021		
Mizuho Bank, Ltd. (Note 6)	-	400,000	-	400,000	0.553			
Mizuho Trust & Banking Co., Ltd. (Note 6)	-	200,000	-	200,000	0.553			
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000				
Sumitomo Mitsui Trust Bank, Ltd.	-	400,000	-	400,000	0.772	October 31, 2024		
Aozora Bank, Ltd.	-	400,000	-	400,000				
Resona Bank, Ltd.	-	300,000	-	300,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)	-	600,000	-	600,000	0.696			
Mizuho Bank, Ltd. (Note 6)	-	600,000	-	600,000	0.815	October 31, 2024	(Note5)	Unsecured/ Non-guaranteed
Development Bank of Japan Inc. (Note 6)	-	500,000	-	500,000	0.814			
Mizuho Trust & Banking Co., Ltd. (Note 6)	-	200,000	-	200,000	0.814			
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)	-	500,000	-	500,000	0.903	October 31, 2026		
Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000				
Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000	1.033	May 18, 2027		
Resona Bank, Ltd.	-	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			
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)	-	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		
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)	-	500,000	-	500,000	0.930	September 29, 2027		
Mizuho Bank, Ltd. (Note 6)	-	1,500,000	-	1,500,000	1.029			
Sumitomo Mitsui Trust Bank, Ltd.	-	1,500,000	-	1,500,000	1.100	September 29, 2028		
Subtotal	57,380,000	19,000,000	-	76,380,000				
Total	¥72,700,000	¥35,270,000	¥15,070,000	¥92,900,000				

Note1: Annual repayments of long-term loans payable (except for current portion of long-term loans payable) scheduled after the balance sheet date are as follows:

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥6,980,000	¥7,000,000	¥13,300,000	¥7,000,000	¥42,100,000

Note2: All debts except for the following Note6 are loans payable at a floating rate.

Note3: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to 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.

Note4: All the repayment methods of debt financing except for the following Note7 and Note8 are lump-sum repayments on the due date.

Note5: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note6: Loans payable at a fixed rate.

Note7: Prepayment was made on May 31, 2017.

Note8: Prepayment of 3,000,000 thousand yen and 5,500,000 thousand yen was made on August 31, 2017 and September 29, 2017, respectively.

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2017:

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 (Note4)	Use	Remarks
						(Note2) (Note3) (%)			
(in thousands of yen)									
Short-term loans payable	Sumitomo Mitsui Banking Corporation	¥2,050,000	¥ -	¥2,050,000	¥ -	0.530	October 2, 2016		
	Sumitomo Mitsui Banking Corporation	2,450,000	-	2,450,000	-	0.530	October 2, 2016		
	Sumitomo Mitsui Banking Corporation	450,000	-	450,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000	-	450,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-	0.480	February 10, 2017		
	Resona Bank, Ltd.	250,000	-	250,000	-				
	Aozora Bank, Ltd.	250,000	-	250,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	200,000	-				
	Sumitomo Mitsui Banking Corporation	4,140,000	-	-	4,140,000	0.480	April 21, 2017		
	Mizuho Bank, Ltd.	360,000	-	-	360,000			(Note5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	-	-	1,070,000	0.480	April 21, 2017		
	Sumitomo Mitsui Banking Corporation (Note7)	-	4,500,000	600,000	3,900,000	0.480	October 3, 2017		
	Sumitomo Mitsui Banking Corporation	-	450,000	-	450,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	450,000	-	450,000				
	Mizuho Bank, Ltd.	-	400,000	-	400,000	0.430	February 10, 2018		
	Resona Bank, Ltd.	-	250,000	-	250,000				
Aozora Bank, Ltd.	-	250,000	-	250,000					
Sumitomo Mitsui Trust Bank, Ltd.	-	200,000	-	200,000					
Subtotal	12,070,000	6,500,000	7,100,000	11,470,000					
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation (Note8)	2,300,000	-	-	2,300,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note8)	800,000	-	-	800,000	0.545	February 10, 2018	(Note5)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd. (Note8)	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd. (Note8)	350,000	-	-	350,000				
	Subtotal	3,850,000	-	-	3,850,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000	0.751	February 10, 2020	(Note5)	Unsecured/ Non-guaranteed
	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					

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 (Note2) (Note3)	Payment due date (Note4)	Use	Remarks
		(in thousands of yen)				(%)			
Long-term loans payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021	(Note5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, 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		
	The Bank of Tokyo-Mitsubishi UFJ, 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				
	Resona Bank, Limited	300,000	-	-	300,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note6)	1,500,000	-	-	1,500,000				
	Development Bank of Japan Inc. (Note6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000				
	Resona Bank, Limited	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
Mitsubishi UFJ Trust and Banking Corporation	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023			
Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	550,000	-	-	550,000					
Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000					
Resona Bank, Ltd.	300,000	-	-	300,000					
The Musashino Bank, Ltd.	250,000	-	-	250,000					

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 (Note4)	Use	Remarks
						(Note2) (Note3)			
(in thousands of yen)						(%)			
Long-term loans payable	Mitsubishi UFJ Trust and Banking Corporation	450,000	-	-	450,000	0.987	March 31, 2023	(Note5)	Unsecured/ Non-guaranteed
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024		
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	The Bank of Tokyo-Mitsubishi UFJ, 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				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000	1.243	April 16, 2025		
	Mizuho Bank, Ltd.	710,000	-	-	710,000	0.368	September 30, 2019		
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note6)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gunma Bank, Ltd. (Note6)	-	500,000	-	500,000	0.550	September 30, 2021		
	Development Bank of Japan Inc. (Note6)	-	2,000,000	-	2,000,000	1.049			
Mizuho Trust & Banking Co., Ltd. (Note6)	-	1,000,000	-	1,000,000	1.049	January 31, 2027			
Resona Bank, Ltd.	-	500,000	-	500,000	1.002				
Subtotal	53,380,000	4,000,000	-	57,380,000					
Total	¥69,300,000	¥10,500,000	¥7,100,000	¥72,700,000					

Note1: Annual repayments of long-term loans payable (except for current portion of long-term loans payable) scheduled after the balance sheet date are as follows:

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands yen)				
Long-term loans payable	¥5,650,000	¥8,330,000	¥7,000,000	¥7,500,000	¥28,900,000

Note2: All debts except for the following Note6 are loans payable at a floating rate.

Note3: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to 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.

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

Note5: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note6: Loans payable at a fixed rate.

Note7: Partial prepayment of 600,000 thousand yen was made on October 31, 2016.

Note8: Loans payable listed in the current portion of long-term loans payable were listed in long-term loans payable in the previous fiscal period.

22. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of September 30, 2017 are as follows.

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

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

Outstanding Investment corporation bonds as of March 31, 2017 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	0.200	October 29, 2021	(Note2)	Unsecured
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016		-		-	1,000,000	0.600	October 30, 2026		
Total		¥	-	¥	-	¥2,000,000				

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: 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

23. DISTRIBUTIONS

	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
I. Retained earnings at the end of period	¥3,104,740,879	¥2,584,343,087
II. Incorporation into unitholders' capital	-	¥30,838,850
Of which, reversal of allowance for temporary difference adjustments	-	¥30,838,850
III. Total distributions	¥3,104,585,500	¥2,553,287,800
Distributions per unit	¥6,115	¥6,044
IV. Retained earnings brought forward to the next period	¥155,379	¥216,437

Method of calculating distribution amount	From April 1, 2017 to September 30, 2017	From October 1, 2016 to March 31, 2017
	<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 ¥3,104,585,500 which is almost the entire amount of retained earnings as the distributions of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the fifth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</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 ¥2,553,287,800 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>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the fourth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>

Additional Information for Allowance for Temporary Difference Adjustments

5th Fiscal Period (From April 1, 2017 to September 30, 2017)

Not applicable

4th Fiscal Period (From October 1, 2016 to March 31, 2017)

1. 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	¥30,838

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 derivative transactions used as the hedging instruments, the corresponding amount is scheduled to be reversed.

KENEDIX

Retail REIT Corporation