

# KENEDIX

Retail REIT Corporation

Semi-annual Report for the 9th Period  
(From April 1, 2019 to September 30, 2019)



Focused Investment in  
Shopping Centers for Daily Needs

**Kenedix Retail REIT Corporation**

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

# For the 9th fiscal period ended September 30, 2019

Distribution per unit

JPY 6,486

Forecast DPU for the 10th fiscal period

JPY 6,501

Total assets (by acquisition price)

JPY 200.9<sub>b n</sub>

Number of properties

55

Number of tenants

480

Occupancy rate at the end of period

98.9%

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Thanks to your support, Kenedix Retail REIT Corporation (“KRR”) has reported its results of operations for the ninth fiscal period (from April 1, 2019 to September 30, 2019).

We are in the fifth year since 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. In addition, in order to adapt to changing retail environment with the recent penetration of e-commerce where the functions of retail and logistics facilities are getting similar, we have added distribution centers to our investment targets, and acquired the first distribution center in March 2019.

For the ninth fiscal period, operating revenue totaled 8,609 million yen, operating income was 3,879 million yen, ordinary income was 3,288 million yen and net income was 3,287 million yen. The distribution to unitholders was 6,486 yen per unit.

During the ninth fiscal period, we acquired three additional distribution centers. We also continued to review the portfolio and reshuffled assets. Specifically, we decided to dispose of Fululu Garden Yachiyo, which was the largest asset in our portfolio in terms of acquisition price and which was the only asset with a general merchandise store (GMS) in our portfolio. On the other hand, we decided to acquire two shopping centers for daily needs and one retail distribution center. As a result, our portfolio, which started with 18 assets with a total acquisition price of 80,843 million yen at the time of listing, has grown to 55 properties for 200,938 million yen in acquisition price at the end of the ninth period.

Going into the tenth fiscal period, we acquired five additional properties in connection with the fourth public offering. Through these disposition and acquisitions, our portfolio consists 61 properties for 225,000 million yen in acquisition price.

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.



# Focused investment in shopping centers for daily needs, and expansion in the scope of investment to include retail distribution centers

Focusing our investment in shopping centers for daily needs, comprised of competitive specialty stores

Shopping centers for daily needs enjoy a high frequency of customer visits due to their convenience and satisfy the daily needs of customers. By focusing on investment in shopping centers for daily needs, KRR seeks to gain a stable source of income.

Target investment ratio by asset type



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

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

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

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



**Location** Located within residential areas of a metropolitan commuter district

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

**Tenants** Providing primarily daily necessities

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

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

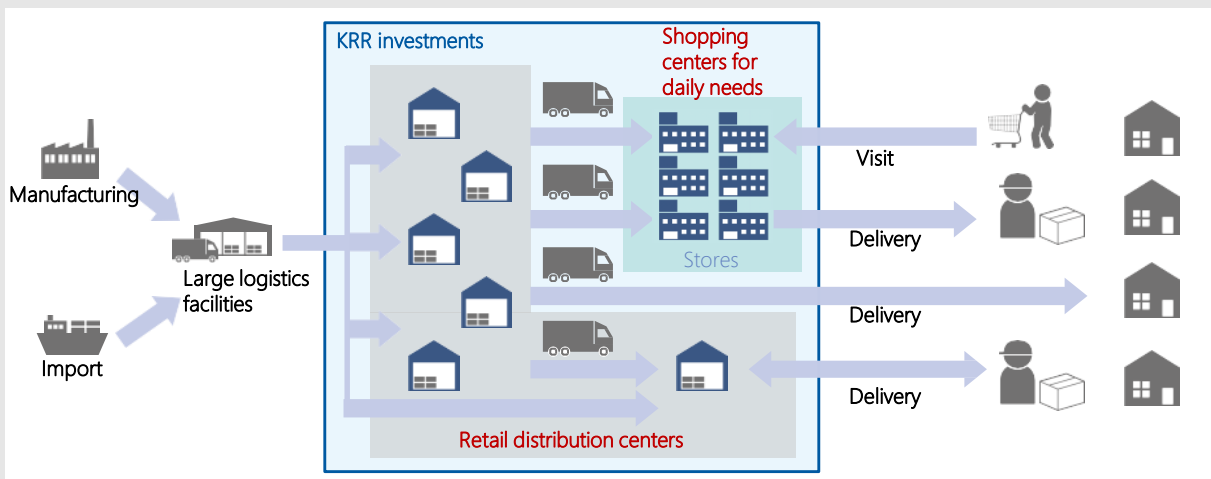
- Flat parking lot to accommodate approx. 480 vehicles
- Constructed a restaurant building on underutilized space

Expanding the scope of investment to include retail distribution centers, adapting to the trend of changing retail environment

KRR expanded its investment target to include logistics facilities, to adapt to changing environment with e-commerce penetration. In logistics sector, KRR targets retail distribution centers near areas of consumption to adapt to the changing flow of goods.

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

Major KRR investments and their positioning in the supply chain



Background of investment in logistics facilities

Changes in retail facilities with the rise of e-commerce

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

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

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

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

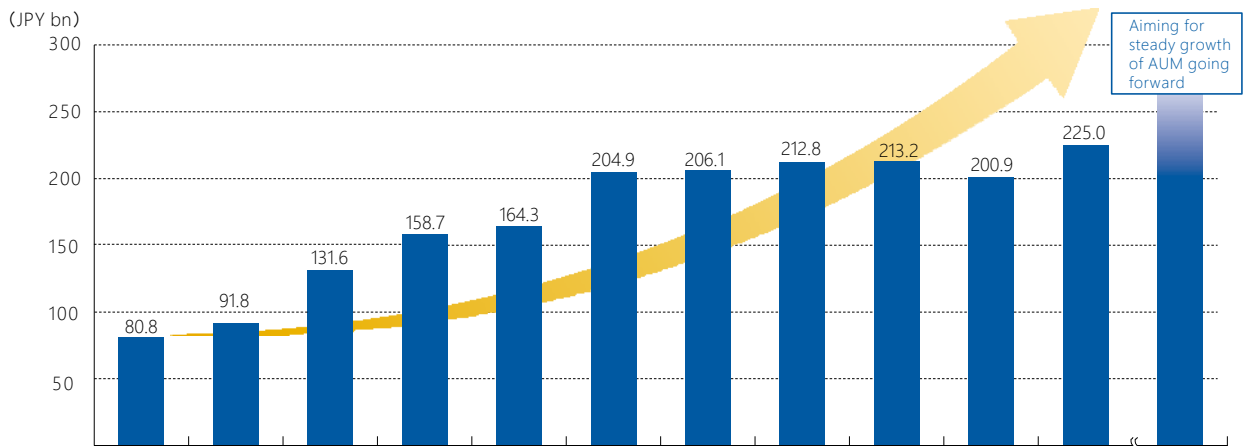


Note: The picture above is an image of completion, and may differ from the actual building after completion. We have not made any specific decision regarding the expansion of the restaurant building, and it may be changed, postponed or cancelled in the future.

# Growth strategies

## 1 Steady AUM growth

Since IPO in 2015, KRR achieved steady growth in AUM through four public offerings. AUM size that was 80.8 billion yen at IPO has expanded 2.8 times to 225 billion yen.



## 2 Assets disposed of in the 9th & 10th fiscal period

### R-7 Solala Plaza (Note)



### T-1 Fululu Garden Yachiyo



### O-8 Welcia Kishiwada Kamori (Land)



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

## 3 Assets acquired in the 9th fiscal period

### O-11 Habikigaoka Shopping Center

An NSC located in a new town undergoing land readjustment in the southeast part of Osaka Prefecture



Location	Habikino, Osaka
Acquisition price	JPY2,000 mn
Appraisal value	JPY2,020 mn
Appraisal NOI yield	5.3%

### L-1 Zama Distribution Center

A distribution center for a major convenience store chain, located in an area with a concentration of logistics facilities



Location	Zama, Kanagawa
Acquisition price	JPY1,400 mn
Appraisal value	JPY1,640 mn
Appraisal NOI yield	6.0%

### L-2 Oppama Distribution Center

A core distribution center for a major convenience store chain, containing facilities for distribution and a processing center for such convenience store chain



Location	Yokosuka, Kanagawa
Acquisition price	JPY1,300 mn
Appraisal value	JPY1,570 mn
Appraisal NOI yield	6.5%

### L-4 Yokohama Kamigo Distribution Center

A distribution center for a home delivery company with a valuable location in a densely populated area



Location	Zama, Kanagawa
Acquisition price	JPY790 mn
Appraisal value	JPY840 mn
Appraisal NOI yield	5.0%

Note 1: "Appraisal value" is as of September 30, 2019.

Note 2: "Appraisal NOI" includes operating revenue related to the restaurant building, and the "Appraisal NOI yield" is calculated taking into account the estimated construction cost of this building.

## 4

## Assets acquired in the 10th fiscal period

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

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

NSC

**T-26** Kalsa Hiratsuka

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

NSC

**T-27** Monenosato Mall

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

NSC

**T-28** Chofu Center Building (Retail wing)

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

NSC

**T-29** Across Plaza Urayasu Higashino (Land)

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

NSC

**N-7** Valor Nakashidami (Land)

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

SM

**L-5** Gyoda Distribution Center

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

L



# 1 Environmental initiatives

## Recognitions and certifications on environment

### Awarded GRESB Green Stars for the fourth consecutive years

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

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



### DBJ Green Building Certification

The following 14 properties have been awarded the DBJ Green Building Certification for their environmental initiatives as of September 2019.

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

T-2 MONA Shin-Urayasu



T-4 Daikanyama Address Dixept



O-1 Blumer Maitamon



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

T-3 Passaggio Nishiarai

O-5 Carino Esaka

T-7 Unicus Yoshikawa

R-1 Roseo Mito

T-20 Kawamachi Yahagi Mall

R-4 Ashico Town Ashikaga

O-4 Blumer HAT Kobe

R-10 Sun Street Hamakita

Properties with high environmental & social awareness (★★)

T-5 Unicus Ina

N-6 Resora Obu Shopping Terrace

T-19 Yumemachi Narashinodai Mall

### Certified properties and floor area ratio

The number of certified properties: 14 (32.6%)

Certified floor area: 340,251.61m<sup>2</sup> (54.5%)

(as of September 30, 2019)

Note: The ratio is the percentage of certified floor area to the gross floor area of properties owned by KRR (623,999.98m<sup>2</sup>, calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties). As of September 30, 2019, KRR owns 43 properties that are eligible for certification, excluding 12 land-only properties.

### Environmental Considerations Rating from Sumitomo Mitsui Banking Corporation

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

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

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



## 2 Initiatives at Unicus Ina

### Solar panel installation

Improve profitability, energy saving effect, BCP effect, and CO2 emission reduction effect



### Cooperation with local communities

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



### Greening of facilities

Awarded Green Award of Saitama Prefecture



### Community-participating events

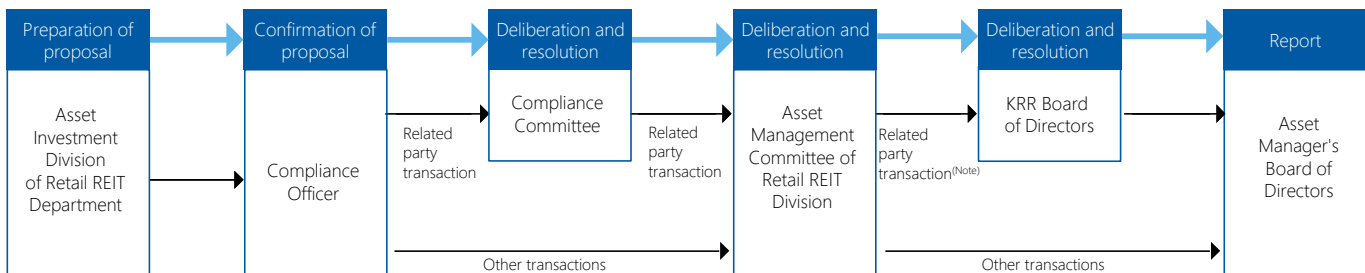
Making efforts to enliven local communities



## 3 Governance structure

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

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



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

### Kenedix Group's business model benefiting from our growth

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

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

Note: The figures are as of the end of November 2019.



N-6 NSC

# Resora Obu Shopping Terrace

One of the largest shopping centers for daily needs in the city of Obu, Aichi

Resora Obu Shopping Terrace is a neighborhood shopping center (NSC) adjacent to 130 condominiums and medical facilities that opened in April 2008. It is located approximately 15 minute walk from Obu Station (two stations to Nagoya Station on the rapid train) on the JR Tokaido Line and the Taketoyo Line in Obu, Aichi Prefecture. For customers visiting by car, the parking lot has been secured for more than 1,000 vehicles.

The city of Obu is an industrial city centered on the automobile industry with the neighboring cities of Nagoya and Kariya, where major companies of the Toyota Group are concentrated. Its population is on an increasing trend.

The tenant structure of this property is composed of tenants that are easily accessible to child-rearing families. Its core tenant is Yamanaka, a grocery supermarket, which operates dominantly mainly in Aichi Prefecture. In addition to stores such as a drugstore, a bookstore, apparel stores, and a 100-yen shop, it also houses service oriented tenants such as a bouldering gym, a health club, an urban childcare center, a toddler class, and an English conversation class.

Since KRR acquired the property in August 2017, part of the bookstore on the first floor was replaced by a children's apparel store in June 2018, and the amusement tenant on the second floor was replaced by a creditworthy tenant, Namco, in July 2019.

In particular, since the opening of Namco Asobi Park as an amusement tenant, the number of families with children visiting the shopping center has increased significantly, and sales at stores handling children's products and restaurants have increased. This has had a positive impact on sales at other stores as well. At the same time, KRR is working to maintain and improve the competitiveness and the value of the shopping center by creating a playroom and resting space in a part of the common area and installing a tatami seating space in the food court.

In terms of managing the shopping center, we are actively working to build stronger ties with local governments and communities by co-hosting disaster prevention events with fire departments using spaces in the shopping center. Examples include cooperating in blood donation activities by the Aichi Red Cross Blood Center, and promoting local products and mascot of Obu in cooperation with local magazines. In terms of energy conservation, we use LEDs for in-house lighting and parking lots. These efforts were highly evaluated, and we received DBJ Green Building Certification as a "property with high environmental and social awareness."

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

Acquisition price	JPY7,911mn
Location	Obu, Aichi
Land area	29,359.74m <sup>2</sup>
Gross floor area	24,093.43m <sup>2</sup>
Core tenant	Premium Support K.K.



# 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, 2019)

LTV <b>44.9%</b>	Long-term debt ratio (Note) <b>96.2%</b>	Fixed interest debt ratio <b>94.2%</b>
Average remaining years to maturity <b>4.6</b> years	Number of lenders <b>12</b>	Average interest rate <b>1.03%</b>

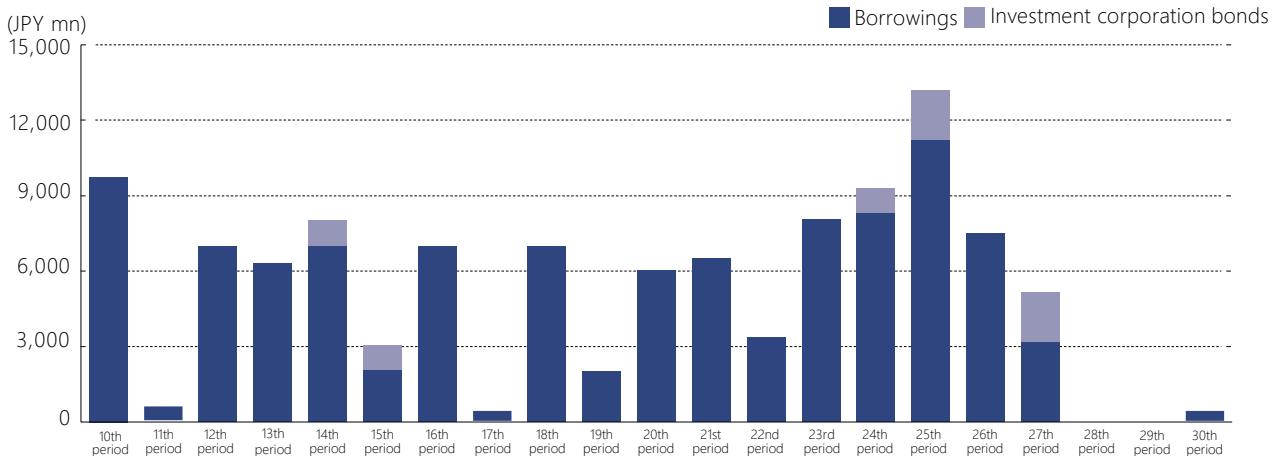
## 2 Credit rating and commitment lines (as of September 30, 2019)

Credit rating (JCR) <b>A+ (Stable)</b>	Commitment credit lines <b>JPY 3.0 bn</b>
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## 3 Debt maturity schedule (as of November 1, 2019)

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

**Debt outstanding JPY 110,900 mn**  
(excluding interest-bearing tenant leasehold and security deposits)



## 4 Inclusion in major indices

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

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

# Portfolio List as of Nov. 1, 2019

Total acquisition price

JPY225,000mn

Weighted average occupancy rate

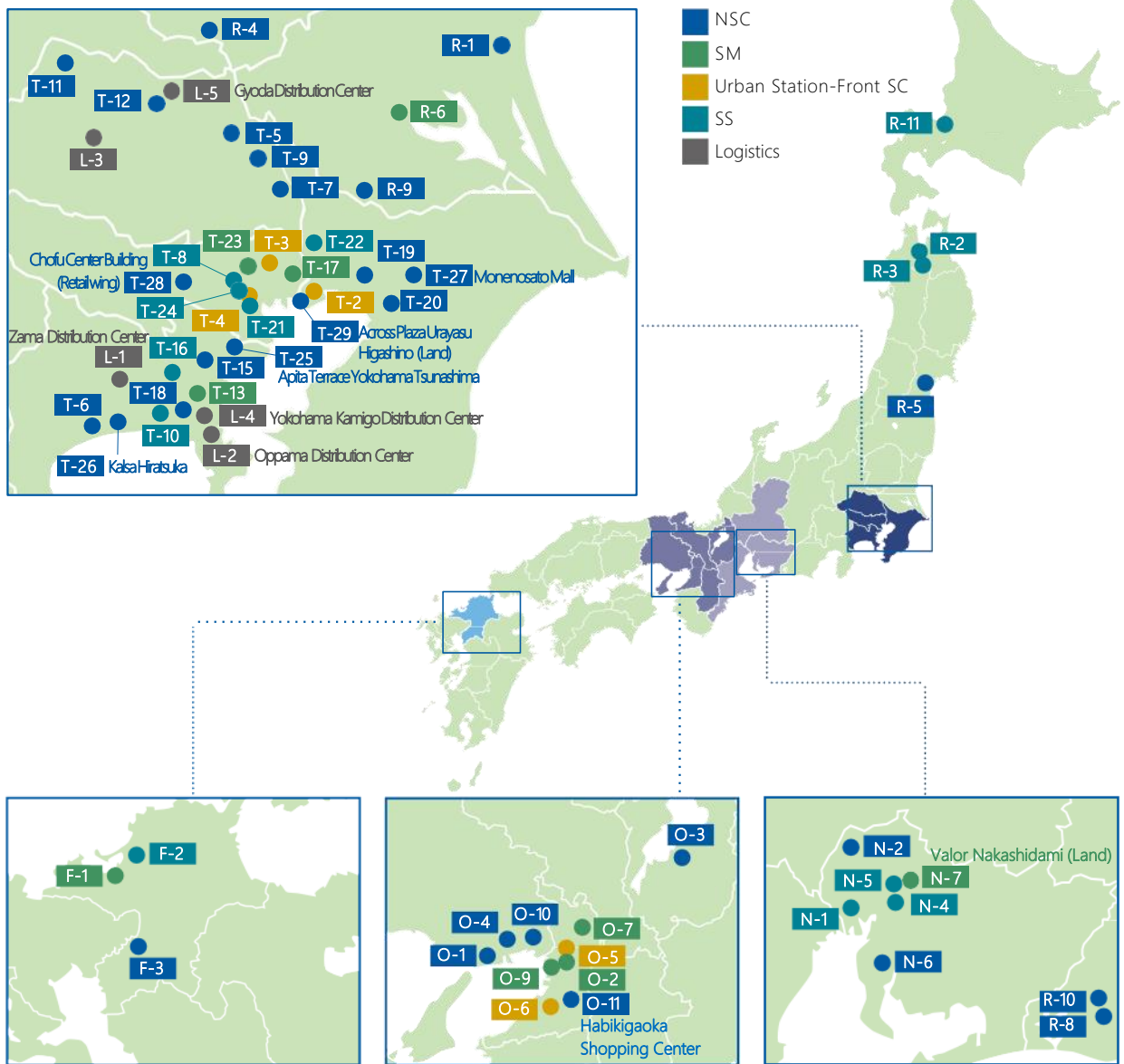
99.0%

Number of Tenants

494

No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) <sup>(Note 1)</sup>	Number of tenants <sup>(Note 2)</sup>
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	100.0	58
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	100.0	42
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	99.1	27
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,470	100.0	1
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	100.0	1
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	99.6	10
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	100.0	1
T-9	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	4,815	100.0	1
T-10	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	3,169	100.0	1
T-11	Unicus Kamisato (Land)	Kodama-gun, Saitama	3,000	100.0	1
T-12	Unicus Konosu (Land)	Konosu, Saitama	1,700	100.0	1
T-13	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	1,442	100.0	1
T-15	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	100.0	1
T-16	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	81.0	1
T-17	Life Kameido	Koto ward, Tokyo	1,450	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	100.0	1
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	99.7	50
O-2	Central Square Takadono (Land)	Osaka, Osaka	2,685	100.0	1
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	2,140	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	84.4	41
O-5	Carino Esaka	Suita, Osaka	6,555	100.0	30
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	100.0	1
O-7	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	100.0	1
O-9	Life Nishi-Tengachaya	Osaka, Osaka	1,505	100.0	1
O-10	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	100.0	1
O-11	Habikigaoka Shopping Center	Habikino, Osaka	2,000	100.0	2
N-1	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	100.0	1
N-4	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	7,140	100.0	1
N-5	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	1,370	100.0	1
N-6	Resora Obu Shopping Terrace	Obu, Aichi	7,911	95.5	39
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	100.0	1
F-2	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	100.0	1
F-3	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	100.0	4
R-1	Roseo Mito	Mito, Ibaraki	10,046	100.0	23
R-2	K's Denki Aomori Honten	Aomori, Aomori	1,469	100.0	1
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	100.0	1
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	95.0	28
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	100.0	2
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	100.0	1
R-8	P-1 Plaza Tenno	Hamamatsu, Shizuoka	4,010	100.0	7
R-9	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	4,111	100.0	1
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	10,746	99.4	50

# Portfolio Map as of Nov. 1, 2019



No.	Name of property	Location (city / ward, prefecture)	Acquisition price (JPY mn)	Occupancy rate (%) (Note 1)	Number of tenants (Note 2)
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	100.0	1
L-1	Zama Distribution Center	Zama, Kanagawa	1,400	100.0	1
L-2	Oppama Distribution Center	Yokosuka, Kanagawa	1,300	100.0	1
L-3	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	3,879	100.0	1
L-4	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	790	100.0	1
Total of assets acquired by the end of the 9th period			200,451	98.9	479
T-25	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	5,899	100.0	1
T-26	Kalsa Hiratsuka	Hiratsuka, Kanagawa	5,980	100.0	3
T-27	Moneosato Mall	Yotsukaido, Chiba	2,410	98.7	5
T-28	Chofu Center Building (Retail wing)	Chofu, Tokyo	2,300	100.0	3
T-29	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	2,248	100.0	1
N-7	Valor Nakashidami (Land)	Nagoya, Aichi	2,551	100.0	1
L-5	Gyoda Distribution Center	Gyoda, Saitama	3,160	100.0	1
Total of assets acquired during the 10th period			24,548	99.9	15
Total			225,000	99.0	494

Note 1: "Occupancy rate" is as of September 30, 2019.

Note 2: "Number of tenants" indicates the number of end-tenants as of September 30, 2019.

Note 3: "Portfolio List" and "Total" do not contain Welcia Kishiwadakamori (Land) disposed of on October 31, 2019.

# Overview of portfolio (as of Nov. 1, 2019)

**T-2** MONA Shin-Urayasu



**T-3** Passaggio Nishiirai



**T-4** Daikanyama  
Address Dixsept



**T-5** Unicus Ina



**T-6** Yorktown KitaKaname



**T-7** Unicus Yoshikawa



**T-8** Sports Club  
Renaissance Fujimidai



**T-9** Super Viva Home  
Iwatsuki (Land)



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



**T-11** Unicus Kamisato (Land)



**T-12** Unicus Konosu (Land)



**T-13** Inageya Yokohama  
Minamihonjuku (Land)



**T-15** Nakamachidai  
Tokyu Store



**T-16** Central Wellness Club  
Nagatsuta Minamidai



**T-17** Life Kameido



**T-18** Totsuka-Fukaya  
Shopping Center (Land)



**T-19** Yumemachi Narashinodai Mall



**T-20** Kawamachi Yahagi Mall



**T-21** Prime Square  
Jiyugaoka



**T-22** Round1  
IchikawaOnitaka



**T-23** Ozeki Tokiwadai



**O-1** Blumer Maitamon



**T-24** Konami Sports  
Club Shibuya



**O-2** Life Takadono (Land)



**O-3** DCM Kahma MEGA  
Don Quijote UNY  
Omihachiman



**O-4** Blumer HAT Kobe



**O-7** Hankyu Oasis  
Hirakatadeguchi



**O-9** Life Nishi-Tengachaya



Note: Please refer p.4-5 for the properties acquired in the ninth and tenth fiscal period.

O-5 Carino Esaka



O-6 COMBOX Komyoike



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



F-1 Sunny Noma



F-2 Round1 Stadium  
Hakata-Hanmichibashi



R-5 Yorktown  
ShindenHigashi



R-1 Roseo Mito



R-10 Sun Street Hamakita



N-4 Homecenter Kohnan Sunadabashi



F-3 Kurume-Nishi Shopping  
Center



R-6 Kasumi Technopark  
Sakura



O-10 Million Town  
Tsukaguchi (Land)



N-1 DCM Kahma  
Nakagawa Tomita (Land)



N-2 Valor Ichinomiya-Nishi



N-6 Resora Obu Shopping Terrace



R-2 K's Denki Aomori  
Honten



R-8 P-1 Plaza Tenno



R-3 Super Sports Xebio  
Aomori-Chuo



R-9 Seiyu Rakuichi Moriya  
(Land)



R-4 Ashico Town Ashikaga



R-11 Costco Wholesale  
Sapporo Warehouse

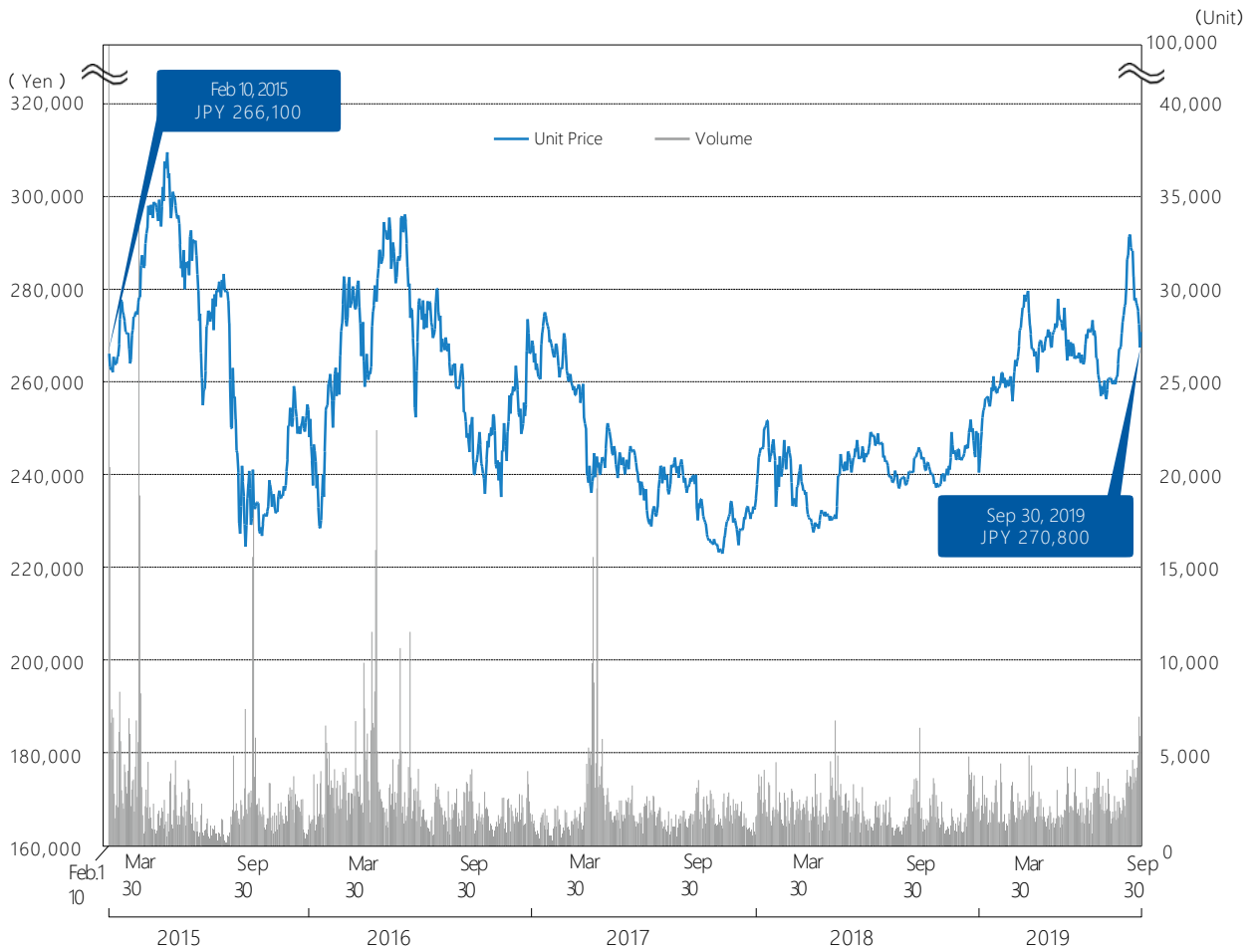


L-3 Musashi Ranzan Distribution Center



# Summary of Investment Unit

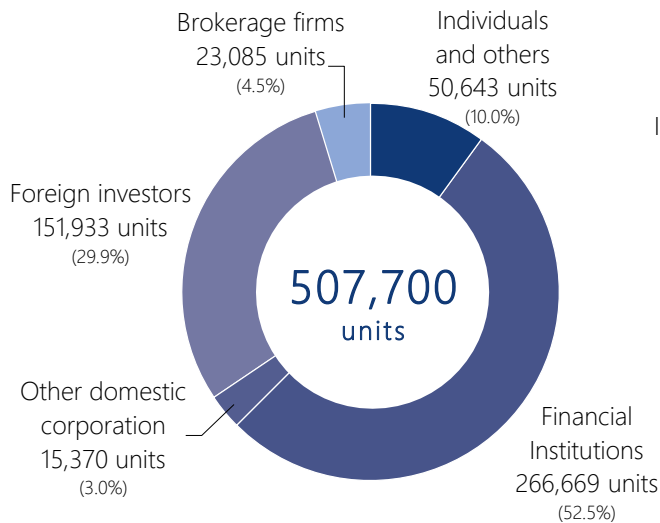
## Unit Price and trading volume



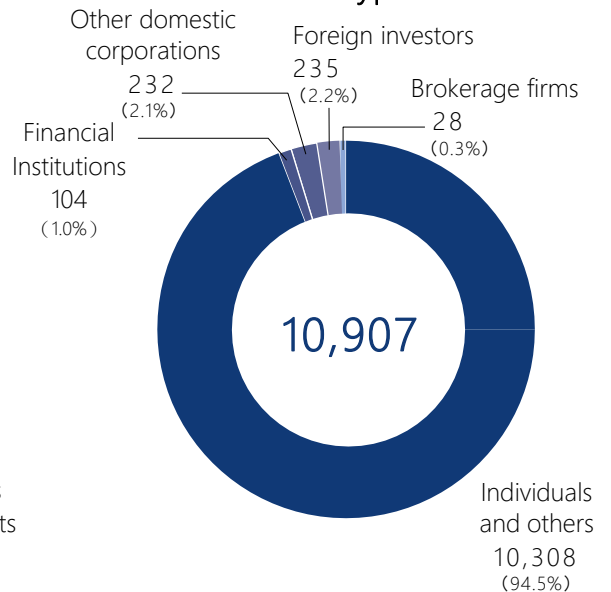
## General breakdown of unitholders

As of September 30, 2019

### Ownership ratio by investor type



### Number of unitholders by investor type





## II. ASSET MANAGEMENT REPORT

### Overview of Asset Management

#### (1) Trends in Key Indicators

Fiscal period		Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)	Ninth fiscal period (From April 1, 2019 to September 30, 2019)
Operating revenues	Millions of yen	7,803	8,126	8,577	8,415	8,609
Of which, property-related revenues	Millions of yen	7,797	8,126	8,364	8,197	8,367
Property-related expenses	Millions of yen	4,137	4,358	4,760	4,530	4,729
Of which, property-related expenses	Millions of yen	3,468	3,609	3,984	3,733	3,891
Operating income	Millions of yen	3,666	3,768	3,816	3,884	3,879
Ordinary income	Millions of yen	3,108	3,179	3,201	3,284	3,288
Net income	Millions of yen	3,104	3,175	3,197	3,283	3,287
Total assets	Millions of yen	229,628	231,107	238,490	237,845	236,253
[Period-on-period changes]	%	(+24.1)	(+0.6)	(+3.2)	(-0.3)	(-0.7)
Total net assets	Millions of yen	116,516	116,585	116,729	116,505	116,386
[Period-on-period changes]	%	(+20.3)	(+0.1)	(+0.1)	(-0.2)	(-0.1)
Unitholders' capital <sup>(Note 2)</sup>	Millions of yen	113,399	113,399	113,399	113,399	113,399
Number of investment units issued and outstanding	Units	507,700	507,700	507,700	507,700	507,700
Net assets per unit	Yen	229,498	229,633	229,918	229,477	229,242
Distributions	Millions of yen	3,104	3,175	3,198	3,288	3,292
Distributions per unit	Yen	6,115	6,255	6,299	6,477	6,486
Of which, distributions of earnings	Yen	6,115	6,255	6,299	6,138	6,242
Of which, distributions in excess of retained earnings	Yen	-	-	-	339	244
Ordinary income to total assets <sup>(Note 3)</sup>	%	1.5	1.4	1.4	1.4	1.4
[Annualized] <sup>(Note 4)</sup>	%	(3.0)	(2.8)	(2.7)	(2.8)	(2.8)
Return on net assets <sup>(Note 5)</sup>	%	2.9	2.7	2.7	2.8	2.8
[Annualized] <sup>(Note 4)</sup>	%	(5.8)	(5.5)	(5.5)	(5.6)	(5.6)
Net assets to total assets <sup>(Note 6)</sup>	%	50.7	50.4	48.9	49.0	49.3
[Period-on-period changes]	%	(-1.6)	(-0.3)	(-1.5)	(+0.0)	(+0.3)
Operating days	Days	183	182	183	182	183
Payout ratio <sup>(Note 7)</sup>	%	100.0	100.0	100.0	94.9	96.4
Number of properties		51	52	53	53	55
Leasable area	m <sup>2</sup>	865,226.20	866,425.22	890,152.09	913,759.61	850,456.06
Number of tenants <sup>(Note 8)</sup>		542	522	520	511	480
Occupancy ratio	%	99.6	99.5	99.4	99.2	98.9
Depreciation expense	Millions of yen	885	925	971	990	1,019
Capital expenditures	Millions of yen	367	263	806	500	791
Rental NOI (Net operating income) <sup>(Note 9)</sup>	Millions of yen	5,214	5,441	5,352	5,454	5,494
FFO (Funds from operation) <sup>(Note 10)</sup>	Millions of yen	4,093	4,194	4,028	4,105	4,093
FFO per unit <sup>(Note 11)</sup>	Yen	8,062	8,260	7,935	8,085	8,063

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

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

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

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

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

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

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

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

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, 2019)**

#### **i) Transition of KRR**

KRR was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On October 30, 2014, KRR was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 97). KRR was listed on the Real Estate Investment Trust Securities (“J-REIT”) Market of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) (Securities code: 3453) on February 10, 2015. Subsequently, KRR raised funds through public offerings, including an international offering. As a result, the number of investment units issued at the end of the fiscal period ended September 30, 2019 was 507,700 units.

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

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

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

#### **ii) Investment Environment**

During the fiscal year under review, the Japanese economy continued to recover moderately with the continued improvement in corporate earnings and an increase in capital investment, as well as a recovery in consumer spending backed by continued improvements in the employment and income environment, although exports and some production activities were weak due to the overseas economic trends such as slowdown in the Chinese economy.

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

Under these conditions, the real estate sales market continued to show an upward trend due to active investment demand by domestic and overseas investors. The real estate leasing market also remained robust, making the J-REIT market bullish, with the TSE REIT Index reaching its 12-year high, as the J-REIT defensiveness was evaluated amid unstable equity markets.

### iii) Management Performance

#### (A) Acquisition of Assets

KRR acquired four assets (Zama Distribution Center with acquisition price (Note 1) of 1,400 million yen, Oppama Distribution Center with acquisition price of 1,300 million yen, Yokohama Kamigo Distribution Center with acquisition price of 790 million yen and Habikigaoka Shopping Center with acquisition price of 2,000 million yen), and disposed two assets (Solala Plaza (51% quasi co-ownership interests) with sale price (Note 2) of 3,049 million yen (acquisition price (Note 3) was 2,917 million yen) and Fululu Garden Yachiyo with sale price of 15,200 million yen (acquisition price was 14,848 million yen)).

As a result, the portfolio at the end of the period under review (September 30, 2019) consists 55 properties with the total acquisition price of 200,938 million yen.

- Note 1: "Acquisition price" represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (acquisition expenses, property tax, city planning tax, consumption tax, etc.) required in the acquisition of the asset.  
Note 2: "Sale price" represents the amount specified in the purchase and sale agreement for the trust beneficiary interests, exclusive of the various expenses (sale expenses, property tax, etc.) required in the sale of the asset.  
Note 3: The acquisition price of Solala Plaza as a whole was 5,720 million yen, and 3,049 million yen represents 51% quasi co-ownership interests.

#### (B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (September 30, 2019). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property and distribution centers management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction.

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

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 98.9%. Furthermore, the portfolio is diversified in terms of tenants as there are 480 end-tenants (Note 2) in KRR's retail properties and distribution centers.

- Note 1: "Upside potential" represents feasibility of rental income or cash flow growth.  
Note 2: The number of end-tenants is the sum of the number of end-tenants in a pass-through type master lease and the number of master lessees in a sublease type master lease.

#### (C) Financing

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

#### (Debt Finance)

During the fiscal period under review, KRR borrowed 7,010 million yen for refinancing. Consequently, borrowings totaled 99,100 million yen and interest-bearing debt including investment corporation bonds (excluding interest-bearing tenant leasehold and security deposits) totaled 106,100 million yen at the end of the fiscal period under review (September 30, 2019).

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

As a result, the average maturity of debt is 4.6 years, the weighted average interest rate is 1.03%, the long-term debt ratio (Note 1) is 96.2% and the LTV ratio (Note 2) is 44.9%.

- 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, 2019 is as follows.

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

#### (Shelf Registration)

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

Planned issue amount	100,000,000,000 yen
Planned issuance period	October 9, 2018 to October 8, 2020

Use of funds	Acquisition funds for specified assets (as defined in Article 2, Paragraph 1 of the Investment Trust Law), repayment funds for borrowings, repayment funds for investment corporation bonds (including short-term investment corporation bonds), refund funds for lease and guarantee deposits, funds to pay for repairs and maintenance, working capital, etc.
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#### iv) Results of Operations

For this period, revenue was 8,609 million yen, operating income was 3,879 million yen, ordinary income was 3,288 million yen and net income was 3,287 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 3,169,063,400 yen which is almost equivalent to the earnings for the fiscal period. The distribution per unit (excluding excess of earnings) was 6,242 yen, Cash distributions are paid in accordance with Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957, including subsequent amendments).

Furthermore, in accordance with the policy for “Distribution of Money in Excess of Profits” as stated in the KRR Articles of Incorporation, KRR made a distribution in excess of earnings for the 123,878,800 yen allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No.47 of 2006, including subsequent amendments.)) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) and the item deduced from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 244 yen.

Consequently, the distribution per unit was 6,486 yen (of which the distribution in excess of earnings per unit was 244 yen).

### (3) Changes in Investment Units Issued and Outstanding

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

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

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

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

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

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

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

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

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

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

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

### (Changes in Unit Price at Tokyo Stock Exchange)

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

Fiscal period For the fiscal period ended	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018	Eighth fiscal period March 31, 2019	Ninth fiscal period September 30, 2019
Highest	JPY 251,100	JPY 251,700	JPY 249,200	JPY 279,600	JPY 291,800
Lowest	JPY 228,900	JPY 223,000	JPY 227,600	JPY 237,200	JPY 256,300

#### (4) Distributions

The distribution of earnings for the third period is 6,138 yen per unit. In order to maintain KRR's favorable tax treatment, which is available to J-REITs under Article 67-15 of the Special Taxation Measures Act, KRR intends to distribute most of KRR's retained earnings.

Furthermore, KRR made a distribution in excess of earnings for the allowance for temporary adjustment for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights and the item deducted from net asset in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 339 yen.

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

(in thousands of yen)

Fiscal period For the fiscal period ended	Fifth fiscal period September 30, 2017	Sixth fiscal period March 31, 2018	Seventh fiscal period September 30, 2018	Eighth fiscal period March 31, 2019	Ninth fiscal period September 30, 2019
Unappropriated retained earnings	3,104,740	3,175,962	3,198,151	3,283,881	3,455,496
Retained earnings carried forward	155	299	149	167,619	286,433
Total distributions	3,104,585	3,175,663	3,198,002	3,288,372	3,292,942
[Distributions per unit]	[6,115 yen]	[6,255 yen]	[6,299 yen]	[6,477 yen]	[6,486 yen]
Of which, distributions of earnings	3,104,585	3,175,663	3,198,002	3,116,262	3,169,063
[Distributions of earnings per unit]	[6,115 yen]	[6,255 yen]	[6,299 yen]	[6,138 yen]	[6,242 yen]
Of which, distributions in excess of retained earnings	—	—	—	172,110	123,878
[Distributions in excess of retained earnings per unit]	[—]	[—]	[—]	[339 yen]	[244 yen]
Total distributions in excess of earnings for the allowance for temporary adjustment	—	—	—	172,110	123,878
[Distributions per unit]	[—]	[—]	[—]	[339 yen]	[244 yen]
Total distributions in excess of earnings from the unitholders' capital for tax purposes	—	—	—	—	—
[Distributions per unit]	[—]	[—]	[—]	[—]	[—]

## **(5) Management Policy and Issues to be Addressed**

### **Outlook for Asset Management**

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

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

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

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

### **(A) Investment Strategy for New Properties and Disposition Policy**

We receive a variety of support from many sources in order to achieve the steady growth of our assets and increase the value of our assets. One source is the Kenedix Group (Note 1), including Kenedix, Inc., the parent company of KFM. We also receive support from our Alliance Companies: Sumitomo Mitsui Finance and Leasing Co., Ltd., SMFL MIRAI Partners Co., Ltd. (Note 2), Nippon Commercial Development Co., Ltd., P&D Consulting Co., Ltd., and ITOCHU Corporation. We are implementing a growth strategy that takes full advantage of the external growth opportunities created by the large and diverse acquisition pipeline made possible by the support of these companies.

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

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

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

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

### **(B) Management Strategy for Existing Properties**

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

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

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

#### "One-stop" asset management and property management services

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

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

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

#### Pursuit of internal growth through management of retail properties

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

##### i. Effectively utilize capital expenditure

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

##### ii. Optimize tenant mix

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

##### iii. Realize growth in asset value by pursuing property expansions

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

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

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

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

#### Implementing distribution center management

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

#### **(C) Financing**

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

#### **(D) Disclosure of Information**

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

#### **(E) Conflicts of Interest**

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



## (6) Important Subsequent Events

KRR passed resolutions at the Board of Directors Meeting held on October 8, 2019 and October 16, 2019, to issue new investment units to fund the acquisition of specified assets. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on October 23, 2019 and November 14, 2019, respectively. KRR plans to use the net proceeds through third-party allotment to fund part of the acquisition of specified assets or repayment of borrowings in the future.

As a result, unitholders' capital totaled 121,183,494,770 yen and total number of investment units issued and outstanding increased to 536,177 as of November 14, 2019.

### Issuance of new investment units through public offerings

Total number of units issued:	27,300 units
Issue price (offer price):	282,847 yen per unit
Total amount of issue price (total offer price):	7,721,723,100 yen
Paid-in amount (issue amount):	273,360 yen per unit
Total paid-in amount (total issue amount):	7,462,728,000 yen
Payment date:	October 23, 2019

### Issuance of new investment units through third-party allotment

Total number of units issued:	1,177 units
Paid-in amount (issue amount):	273,360 yen per unit
Total paid-in amount (total issue amount):	321,744,720 yen
Payment date:	November 14, 2019
Allottee:	SMBC Nikko Securities Inc.

## (Reference Material)

### i) Acquisition of Assets

KRR acquired following assets.

Property number	Property type (Note 1)	Property name	Location	Seller	Acquisition price (million yen) (Note 3)	Appraisal value (million yen) (Note 4)	Acquisition date
T-25	NSC	Apita Terrace Yokohama Tsunashima (51% quasi co-ownership interests)	Yokohama, Kanagawa	GK IK Investment Four (Note 5)	5,899	6,220	November 1, 2019
T-26	NSC	Kalsa Hiratsuka	Hiratsuka, Kanagawa	SMFL MIRAI Partners Co., Ltd.	5,980	6,010	November 1, 2019
T-27	NSC	Monenosato Mall	Yotsukaido, Chiba	Undisclosed (Note 2)	2,410	2,510	October 24, 2019
T-28	NSC	Chofu Center Building (Retail wing)	Chofu, Tokyo	Undisclosed (Note 2)	2,300	2,440	October 24, 2019
T-29	NSC	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	SMFL MIRAI Partners Co., Ltd.	2,248	2,300	October 24, 2019
N-7	SM	Valor Nakashidami (Land)	Moriyama-ku, Nagoya, Aichi	SMFL MIRAI Partners Co., Ltd.	2,551	2,560	November 1, 2019
L-5	L	Gyoda Distribution Center	Gyoda, Saitama	GK KRF 77	3,160	3,350	October 1, 2019

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

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

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

Note 4: Appraisal values are as of September 1, 2019.

Note 5: Seller holds 49% of quasi co-ownership interests of trust beneficiary right in the property.

### ii) Disposition of Assets

KRR disposed of the following asset.

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

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

**iii) Financing**

KRR borrowed 2,740 million yen (Series 29) on October 31, 2019 for the repayment of the borrowings. Furthermore, KRR borrowed 4,800 million yen (Series 30) on November 1, 2019 for the acquisition of assets.

## Profile of KRR

### (1) Status of Unitholders' Capital

Fiscal period	Fifth fiscal period (From April 1, 2017 to September 30, 2017)	Sixth fiscal period (From October 1, 2017 to March 31, 2018)	Seventh fiscal period (From April 1, 2018 to September 30, 2018)	Eighth fiscal period (From October 1, 2018 to March 31, 2019)	Ninth fiscal period (From April 1, 2019 to September 30, 2019)
Total number of authorized investment units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	507,700 units	507,700 units	507,700 units	507,700 units	507,700 units
Unitholders' capital	113,399 million yen	113,399 million yen	113,399 million yen	113,399 million yen	113,399 million yen
Number of unitholders	12,301	12,545	12,261	10,931	10,907

### (2) Matters Concerning Investment Units

The following is a list of major unitholders as of September 30, 2019.

Name	Location	Number of units held (Units)	Ratio (%) (Note)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	74,410	14.65
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	1-8-11, Harumi, Chuo-ku, Tokyo	51,984	10.23
JP MORGAN BANK LUXEMBURG S.A.384500	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	24,140	4.75
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	21,649	4.26
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	Office Tower Z, Harumi Island Triton Square, 1-8-12 Harumi, Chuo-ku, Tokyo	16,462	3.24
MIZUHO TRUST & BANKING CO., LTD.	1-2-1, Yaesu, Chuo-ku, Tokyo	13,621	2.68
AOZORA BANK, LTD.	6-1-1 Kojimachi, Chiyoda-ku, Tokyo	11,439	2.25
BNYM AS AGT/CLTS 10 PERCENT	2-7-1 Marunouchi, Chiyoda-ku, Tokyo Standing proxy: The Bank of Tokyo Mitsubishi UFJ, Ltd.	10,985	2.16
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,841	1.74
STATE STREET BANK WEST CLIENT- TREATY 505234	Shinagawa Intercity Tower A 2-15-1, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	7,507	1.47
Total		241,038	47.47

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, 2019

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

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

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

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

### (4) Asset Manager, the Custodian and Administrators

Asset manager, the custodian and administrators as of September 30, 2019 are as follows.

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

## Status on Investment Properties

### (1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Eighth fiscal period as of March 31, 2019		Ninth fiscal period as of September 30, 2019	
			Total amount held (Millions of yen) (Note 2)	Ratio (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Ratio (%) (Note 3)
Trust beneficiary interest in real estate	Shopping centers for daily needs	Tokyo metropolitan area	90,678	38.1	75,604	32.0
		Greater Osaka area	44,662	18.8	46,914	19.9
		Greater Nagoya area	21,068	8.9	21,005	8.9
		Fukuoka area	8,011	3.4	7,972	3.4
		Ordinance-designated cities, core cities and other areas	46,890	19.7	44,101	18.7
	Other retail properties	—	—	—	—	
	Distribution centers	Tokyo metropolitan area	3,945	1.7	4,740	2.0
Total of trust beneficiary interests in real estate			215,255	90.5	200,338	84.8
Real estate	Distribution centers	Tokyo metropolitan area	—	—	2,830	1.2
Total of real estate			—	—	2,830	1.2
Bank deposits and other assets			22,589	9.5	33,084	14.0
Total assets			237,845	100.0	236,253	100.0

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

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

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

## (2) Major Assets Owned

The following are major assets owned (the ten largest properties by book value) by KRR as of September 30, 2019.

Property number	Property name	Book value (in millions)	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio to total rental revenue (%) (Note 4)	Primary use
O-4	Blumer HAT Kobe	11,394	23,775.88	23,613.51	99.3	5.6	Retail
R-10	Sun Street Hamakita	10,648	49,023.34 (Note 5)	48,678.40 (Note 5)	99.3	6.4	Retail
R-1	Roseo Mito	9,848	48,296.15	48,062.15	99.5	4.7	Retail
T-2	MONA Shin-Urayasu	8,782	9,953.98	9,832.41	98.8	6.3	Retail
O-1	Blumer Maitamon	8,305	30,290.55	30,187.39	99.7	5.8	Retail
N-6	Resora Obu Shopping Terrace	8,173	19,909.33	17,189.91	86.3	3.9	Retail
N-4	Homecenter Kohnan Sunadabashi	7,009	20,329.07	20,329.07	100.0	— (Note 7)	Retail
O-5	Carino Esaka	6,676	7,540.58	7,540.58	100.0	3.7	Retail
O-6	COMBOX Komyoike	6,305	25,530.44 (Note 6)	25,530.44	100.0	2.8	Retail
T-3	Passaggio Nishiarai	5,745	10,528.25	10,528.25	100.0	3.8	Retail
Total		83,047	244,851.81	239,833.78	98.0	— (Note 7)	

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

Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of September 30, 2019. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of September 30, 2019 is shown. As for sublease type master leases, the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of September 30, 2019, rounded to the nearest tenth.

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

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

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

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

### (3) Overview of the Portfolio

[Overview of Assets Owned]

The following summarizes the real estate or the real estate properties in trust owned by KRR as of September 30, 2019.

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	
T	T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,742	9,820	
	T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,745	6,840	
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,377	6,140	
	T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,406	5,120	
	T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,921	4,350	
	T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,548	3,850	
	T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,486	2,750	
	T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,580	
	T-10	SS	K's Denki Shonan- Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,490	
	T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,050	
	T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,780	
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,410	
	T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,372	3,810	
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,756	1,820	
	T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,487	1,520	
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,320	
	T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,403	3,510	
	T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,103	3,220	
	T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,997	2,830	
	T-22	SS	Round1 Ichikawa- Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,865	1,970	
	T-23	SM	Ozeki Tokiwadai	Itabashi ward, Tokyo	Trust beneficiary interest in real estate	1,277	1,350	
	T-24	SS	Konami Sports Club Shibuya	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	3,549	3,410	
	O	O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,414	9,660
		O-2	SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,150
O-3		NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,113	2,550	
O-4		NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,357	11,500	
O-5		Urban Station- Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,825	7,190	
O-6		Urban Station- Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,272	6,580	
O-7		SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,304	1,330	
O-8		SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488	

Area (Note 1)	Property number	Property type	Property name	Location (City/ward, prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)
O	O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,544	1,690
	O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,980
	O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	Trust beneficiary interest in real estate	2,084	2,020
N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,700
	N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,127	2,360
	N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	6,968	7,300
	N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,440
	N-6	NSC	Resora Obu Shopping Terrace	Obu Aichi	Trust beneficiary interest in real estate	8,165	7,060
F	F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,418	1,630
	F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	4,993	5,720
	F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,560	1,800
R	R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,801	11,800
	R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,448	1,580
	R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	874	939
	R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,324	5,030
	R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,264	3,340
	R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	841	877
	R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,146	4,350
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,240
	R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,752 (Note 4)	11,160 (Note 4)
	R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	Trust beneficiary interest in real estate	4,326	4,410
	T	L-1	L	Zama Distribution Center	Zama, Kanagawa	Real estate	1,467
L-22		L	Oppama Distribution Center	Yokosuka, Kanagawa	Real estate	1,362	1,570
L-3		L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	Trust beneficiary interest in real estate	3,907 (Note 4)	4,000 (Note 4)
L-4		L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	Trust beneficiary interest in real estate	832	840
Total						203,168	217,864

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

We categorize shopping centers for daily needs as follows.

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

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

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

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



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

[Earnings Performance for the Individual Properties]

Area	Property number	Property type	Property name	Eighth fiscal period As of March 31, 2019				Ninth fiscal period as of September 30, 2019					
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)		
T	T-1	CSC	Fululu Garden Yachiyo	38	96.6	699	8.5	—	—	678	8.1		
	T-2	Urban Station-Front SC	MONA Shin-Urayasu	1(57)	98.8	514	6.3	1(58)	100.0	526	6.3		
	T-3	Urban Station-Front SC	Passaggio Nishiarai	1(41)	98.6	301	3.7	1(42)	100.0	318	3.8		
	T-4	Urban Station-Front SC	Daikanyama Address Dixsept	1(25)	97.2	267	3.3	1(27)	99.1	270	3.2		
	T-5	NSC	Unicus Ina	1	100.0	139	1.7	1	100.0	140	1.7		
	T-6	NSC	Yorktown Kita-Kaname	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)		
	T-7	NSC	Unicus Yoshikawa	1(10)	99.6	132	1.6	1(10)	99.6	132	1.6		
	T-8	SS	Sports Club Renaissance Fujimidai	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)		
	T-9	NSC	Super Viva Home Iwatsuki (Land)	1	100.0			1	100.0				
	T-10	SS	K's Denki Shonan-Fujisawa (Land)	1	100.0			1	100.0				
	T-11	NSC	Unicus Kamisato (Land)	1	100.0	75	0.9	1	100.0	75	0.9		
	T-12	NSC	Unicus Konosu (Land)	1	100.0	43	0.5	1	100.0	43	0.5		
	T-13	SM	Inageya Yokohama Minamihonjuku (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)		
	T-14	SM	Gourmet City Chiba-Chuo (Note 4)	—	—			—	—				
	T-15	NSC	Nakamachidai Tokyu Store	1	100.0			1	100.0	— (Note 3)	— (Note 3)		
	T-16	SS	Central Wellness Club Nagatsuta Minamidai	1	81.0			1	81.0				
	T-17	SM	Life Kameido	1	100.0			1	100.0				
	T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	2	100.0			2	100.0				
	T-19	NSC	Yumemachi Narashinodai Mall	1(14)	100.0			142	1.7	1(14)	100.0	145	1.7
	T-20	NSC	Kawamachi Yahagi Mall	1(12)	100.0			116	1.4	1(12)	100.0	117	1.4
	T-21	SS	Prime Square Jiyugaoka	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)		
	T-22	SS	Round1 Ichikawa-Onitaka	1	100.0			1	100.0				
	T-23	SM	Ozeki Tokiwadai	1	100.0			1	100.0				
	T-24	SS	Konami Sports Club Shibuya	1	100.0			1	100.0				
O	O-1	NSC	Blumer Maitamon	50	99.7	475	5.8	50	99.7	494	5.9		
	O-2	SM	Life Takadono (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)		
	O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	2	100.0			2	100.0				
	O-4	NSC	Blumer HAT Kobe	1(41)	99.3	455	5.6	1(41)	84.4	469	5.6		
	O-5	Urban Station-Front SC	Carino Esaka	1(30)	100.0	302	3.7	1(30)	100.0	312	3.7		
	O-6	Urban Station-Front SC	COMBOX Komyoike	1	100.0	232	2.8	1	100.0	226	2.7		
	O-7	SM	Hankyu Oasis Hirakatadeguchi	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)		
	O-8	SS	Welcia Kishiwadakamori (Land)	1	100.0			1	100.0				
	O-9	SM	Life Nishi-Tengachaya	1	100.0			44	0.5	1	100.0	44	0.5

Area	Property number	Property type	Property name	Seventh fiscal period as of September 30, 2018				Eighth fiscal period As of March 31, 2019			
				Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)	Number of tenants (Note 1)	Occupancy rate (%)	Rental revenue (millions) (Note 2)	Ratio to total rental revenue (%)
O	O-10	NSC	Million Town Tsukaguchi (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	O-11	NSC	Habikigaoka Shopping Center	—	—	—	—	2	100.0		
N	N-1	SS	DCM Kahma Nakagawa Tomita (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	N-2	NSC	Valor Ichinomiya-Nishi	1	100.0			1	100.0		
	N-4	SS	Homecenter Kohnan Sunadabashi	1	100.0			1	100.0		
	N-5	SS	K's Denki Shin-Moriyama (Land)	1	100.0			1	100.0		
	N-6	NSC	Resora Obu Shopping Terrace	1(38)	86.3			318	3.9		
F	F-1	SM	Sunny Noma	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	F-2	SS	Round1 Stadium Hakata-Hannichibashi	1	100.0			1	100.0		
	F-3	NSC	Kurume-Nishi Shopping Center	4	100.0			52	0.6		
R	R-1	NSC	Roseo Mito	1(21)	99.5	381	4.7	1(23)	100.0	384	4.6
	R-2	SS	K's Denki Aomori Honten	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-3	SS	Super Sports Xebio Aomori-Chuo	1	100.0			1	100.0		
	R-4	NSC	Ashico Town Ashikaga	1(29)	100.0	276	3.4	1(28)	95.0	332	4.0
	R-5	NSC	Yorktown Shinden-Higashi	2	100.0	— (Note 3)	— (Note 3)	2	100.0	— (Note 3)	— (Note 3)
	R-6	SM	Kasumi Technopark Sakura	1	100.0			1	100.0		
	R-7	Urban Station-Front SC	Solala Plaza (Note 5)	1	100.0			—	—		
	R-8	NSC	P-1 Plaza Tenno	1(7)	100.0	138	1.7	1(7)	100.0	138	1.7
	R-9	NSC	Seiyu Rakuichi Moriya (Land)	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
	R-10	NSC	Sun Street Hamakita	1(53)	99.3	526	6.4	1(50)	99.4	547	6.5
	R-11	SS	Costco Wholesale Sapporo Warehouse	1	100.0	— (Note 3)	— (Note 3)	1	100.0	— (Note 3)	— (Note 3)
T	L-1	L	Zama Distribution Center	—	—	—	—	1	100.0	— (Note 3)	— (Note 3)
	L-2	L	Oppama Distribution Center	—	—	—	—	1	100.0		
	L-3	L	Musashi Ranzan Distribution Center	1	100.0	— (Note 3)	— (Note 3)	1	100.0		
	L-4	L	Yokohama Kamigo Distribution Center	—	—	—	—	1	100.0		
Total				520	99.4	8,364	100.0	480	98.9	8,367	100.0

Note 1: Number of tenants is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of September 30, 2019. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. As for the "Total" of "Number of tenants", the number of end-tenants is used for pass-through type master leases and the number of master lessee is used for sublease type master leases.

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

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

Note 4: Fululu Garden Yachiyo was disposed of on September 27, 2019, Gourmet City Chiba Chuo was disposed on March 5, 2019 and Solala Plaza was disposed on December 21, 2018 (49% quasi co-ownership interests) and April 5, 2019 (51% quasi co-ownership interests)..

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

**(4) Specified Transaction**

As of September 30, 2019, the contract amount and fair value of the outstanding transaction under the specified transaction account of KRR are as follows.

	Type	Contract amount (million yen) (Note 1)		Fair value (million yen) (Note 2) (Note 3)
			Due after one year (Note 1)	
OTC	Interest rate swaps: Receive floating / pay fixed	72,820	65,820	-286
Total	—	72,820	65,820	-286

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 <sup>(Note)</sup> for renovations, repairs and other projects that are planned for the Ninth fiscal period ending March 31, 2020. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditure that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Rooftop parking waterproof (OM building)	From October 2019 to March 2020	102	—	—
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Rooftop parking waterproof (YB building)	From November 2019 to March 2020	81	—	—
T-5	Unicus Ina	Kitaadachi-gun, Saitama	Rooftop waterproof	From October, 2019 to March 2020	72	—	—
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	Solar panel installation	From October 2019 to March 2020	41	—	—
T-24	Konami Sports Club Shibuya	Shibuya-ku, Tokyo	Water heater replacement	From October 2019 to March 2020	37	—	—
N-2	Valor Ichinomyanishi	Ichinomiya, Aichi	GHP replacement	From October 2019 to December 2019	31	—	—
T-21	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Exterior wall repair	From October 2019 to March 2020	31	—	—
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	Exterior wall repair	From September 2019 to November 2019	27	—	—

### (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 791 million yen. There were also expenditures of 296 million yen that were recorded as repair expenses. In total KRR spent 1,088 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	Environmental renewal	From June 2019 to September 2019	162 (Note)
O-5	Carino Esaka	Suita, Osaka	Exterior wall repair	From November 2018 to September 2019	146
O-1	Blumer Maitamon	Kobe, Hyogo	Rooftop waterproof	From February 2019 to June 2019	134
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	Rooftop parking waterproof (OM building)	From May 2019 to September 2019	77
O-5	Carino Esaka	Suita, Osaka	Toilet renewal	From April 2019 to July 2019	37
Others					233
Total					791

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

### (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)

	Eighth fiscal period (From October 1, 2018 to March 31, 2019)	Ninth fiscal period (From April 1, 2019 to September 30, 2019)
Asset management fees <sup>(Note)</sup>	661,991	674,397
Asset custody fees	9,722	9,699
Administrative service fees	30,601	30,904
Directors' compensation	4,500	4,500
Other operating expenses	89,835	118,687
Total	796,650	838,188

Note: The amount of asset management fees capitalized in addition to the amount above are 38,793 thousand yen for the eighth fiscal period and 54,900 thousand yen for the ninth fiscal period related the acquisition of properties that entered the book value of real estates and 18,651 thousand yen for the eighth fiscal period and 91,249 thousand yen for the ninth fiscal period related the disposition of properties.

## (2) Status of Borrowings

Borrowings on a financial institution basis as of September 30, 2019 are as follows.

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,750,000	-	2,750,000	-	0.463	February 13, 2019	(Note 4)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.461	January 31, 2020		
	Sub Total	2,750,000	2,750,000	2,750,000	2,750,000				
Current Portion of Long-Term Loans Payable	MUFG Bank, Ltd.	750,000	-	750,000	-	0.534	March 31, 2019	(Note 4)	Unsecured/Unguaranteed
	Aozora Bank, Ltd.	500,000	-	500,000	-				
	Mizuho Bank, Ltd.	400,000	-	400,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	200,000	-				
	Resona Bank, Ltd.	200,000	-	200,000	-				
	The Musashino Bank, Ltd.	150,000	-	150,000	-				
	Sumitomo Mitsui Banking Corporation	1,850,000	-	1,850,000	-	0.545	March 31, 2019		
	MUFG Bank, Ltd.	550,000	-	550,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	500,000	-				
	Resona Bank, Ltd.	300,000	-	300,000	-				
	The Musashino Bank, Ltd.	250,000	-	250,000	-				
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000	0.368	September 30, 2019		
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Aozora Bank, Ltd.	250,000	-	-	250,000				
	Resona Bank, Ltd.	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.488	August 31, 2019		
	Aozora Bank, Ltd.	640,000	-	-	640,000				
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	360,000	-	-	360,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000				
	Sumitomo Mitsui Banking Corporation (Note 6)	2,400,000	-	-	2,400,000	0.751	February 10, 2020		
	MUFG Bank, Ltd.(Note 6)	800,000	-	-	800,000				
	MUFG Bank, Ltd.(Note 6)	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.(Note 6)	550,000	-	-	550,000				
	Aozora Bank, Ltd.(Note 6)	500,000	-	-	500,000				
	Resona Bank, Ltd.(Note 6)	500,000	-	-	500,000				
The Gunma Bank, Ltd.(Note 6)	400,000	-	-	400,000					
The Musashino Bank, Ltd.(Note 6)	400,000	-	-	400,000					
Mizuho Bank, Ltd.(Note 6)	350,000	-	-	350,000					
Mizuho Trust & Banking Co., Ltd.(Note 6)	300,000	-	-	300,000					
Sub Total	19,000,000	-	5,650,000	13,350,000					
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000			0.865	February 10, 2021
	MUFG Bank, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000				
	Development Bank of Japan Inc. (Note 5)	1,600,000	-	-	1,600,000				
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023		
	Resona Bank, Ltd.	400,000	-	-	400,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000					
MUFG Bank, Ltd.	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025			
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000					
Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000					
Mizuho Bank, Ltd.	400,000	-	-	400,000					
Resona Bank, Ltd.	400,000	-	-	400,000					
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000					
MUFG Bank, Ltd.	400,000	-	-	400,000	0.994	March 31, 2023			
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					
Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000					
MUFG Bank, Ltd.	1,000,000	-	-	1,000,000					
Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000					
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023			
Resona Bank, Ltd.	400,000	-	-	400,000					
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000					
MUFG Bank, Ltd.	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000					

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	MUFG Bank, Ltd.	450,000	-	-	450,000	0.987	March 31, 2023	(Note 4)	Unsecured/ Unguaranteed
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024		
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	-	-	650,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.803	September 30, 2024		
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000				
	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		
	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gamma 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	April 27, 2021		
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.485			
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000	0.400			
	MUFG Bank, Ltd. (Note 5)	600,000	-	-	600,000				
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000				
	Mizuho Bank, Ltd. (Note 5)	400,000	-	-	400,000	0.553	April 27, 2021		
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.553			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.772	October 31, 2024		
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	MUFG Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.696	October 31, 2024		
	Mizuho Bank, Ltd. (Note 5)	600,000	-	-	600,000	0.815			
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000	0.814			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	200,000	-	-	200,000	0.814			
	MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.903			
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.033	May 18, 2027		
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	400,000	-	-	400,000	1.050	May 18, 2027		
	Development Bank of Japan Inc. (Note 5)	500,000	-	-	500,000				
	Mizuho Bank, Ltd. (Note 5)	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd. (Note 5)	300,000	-	-	300,000	1.050	September 29, 2023		
	MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.670			
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
	MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.930	September 29, 2027		
	Mizuho Bank, Ltd. (Note 5)	1,500,000	-	-	1,500,000	1.029			
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Note 5)	1,200,000	-	-	1,200,000	1.000	February 10, 2028			
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022			
Mizuho Bank, Ltd.	800,000	-	-	800,000					
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027			
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026			
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028			
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026			
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999	May 31, 2027			
MUFG Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.900				
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999				
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999				
Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025			



Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Long-Term Loans Payable	Sumitomo Mitsui Trust Bank, Ltd.	-	700,000	-	700,000	0.726	March 31, 2026	(Note 4)	Unsecured/ Unguaranteed
	Resona Bank, Ltd.	-	500,000	-	500,000	0.676			
	Aozora Bank, Ltd.	-	500,000	-	500,000	0.726			
	Mizuho Bank, Ltd.	-	400,000	-	400,000	0.726			
	The Musashino Bank, Ltd.	-	400,000	-	400,000	0.676			
	Sumitomo Mitsui Banking Corporation	-	1,850,000	-	1,850,000	0.910	March 31, 2028		
	MUFG Bank, Ltd.	-	1,300,000	-	1,300,000	0.860			
		Sub Total	77,350,000	5,650,000	-	83,000,000			
	Total	99,100,000	8,400,000	8,400,000	99,100,000				

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

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

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

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

Note 5: Borrowings at a fixed rate.

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

**(3) Status of Investment Corporation Bonds**

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

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

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

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

**(4) Status of Short-Term Investment Corporation Bonds**

Not applicable

**(5) Status of Subscription Rights to New Investment Units**

Not applicable

## Acquisition and Disposition

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

Ownership form	Property number	Property name	Acquisition		Disposition			
			Acquisition date	Acquisition price (in millions) (Note 1)	Disposition Date	Disposition price (in millions) (Note 1)	Book value (in millions)	Gain / loss (in millions)
Real estate	L-1	Zama Distribution Center	April 5, 209	1,400	—	—	—	—
Real estate	L-2	Oppama Distribution Center	April 5, 2019	1,300	—	—	—	—
Trust beneficiary interest in real estate	L-4	Yokohama Kamigo Distribution Center	April 11, 2019	790	—	—	—	—
Trust beneficiary interest in real estate	O-11	Habikigaoka Shopping Center	September 27, 2019	2,000	—	—	—	—
Trust beneficiary interest in real estate	R-7	Solala Plaza (51% quasi co-ownership interests)	—	—	April 5, 2019	3,049	2,827 (Note 2)	201
Trust beneficiary interest in real estate	T-1	Fululu Garden Yachiyo	—	—	September 27, 2019	15,200	14,796	40

Note 1: “Acquisition price” and “Disposition price” represent the purchase price of each trust beneficiary interest specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen).

Note 2: Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 51%).

### (2) Acquisition and Disposition of Other Assets

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

### (3) Appraisal Values of Specific Assets

#### i) Real Estate

Acquisition/disposition	Ownership form	Property number	Property name	Acquisition/disposition date	Acquisition/disposition price (in millions) (Note 1)	Appraisal value (in millions) (Note 2)	Appraiser	Evaluation date
Acquisition	Real estate	L-1	Zama Distribution Center	April 5, 2019	1,400	1,640	The Tanizawa Sōgō Appraisal Co., Ltd.	January 1, 2019
		L-2	Oppama Distribution Center	April 5, 2019	1,300	1,580	The Tanizawa Sōgō Appraisal Co., Ltd.	January 1, 2019
	Trust beneficiary interest in real estate	L-4	Yokohama Kamigo Distribution Center	April 11, 2019	790	840	The Tanizawa Sōgō Appraisal Co., Ltd.	February 1, 2019
		O-11	Habikigaoka Shopping Center	September 27, 2019	2,000	2,020	The Tanizawa Sōgō Appraisal Co., Ltd.	September 1, 2019
Disposition	Trust beneficiary interest in real estate	R-7	Solala Plaza	April 5, 2019	2,930	3,039 (Note 3)	Japan Real Estate Institute	September 30, 2018
		T-1	Fululu Garden Yachiyo	September 27, 2019	800	15,000	Daiwa Real Estate Appraisal Co., Ltd.	March 31, 2019

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

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

Acquisition /disposition	Ownership form	Property number	Property name	Acquisition/ disposition date	Acquisition/ disposition price (in millions) (Note 1)	Appraisal value (in millions) (Note 2)	Appraiser	Evaluation date
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Note 3: Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 51%).

**ii) Others**

**(A) Investigator regarding values of certain assets**

BDO Toyo & Co.

**(B) Result and method of investigation**

With regard to transactions and contracts entered by KRR whose values shall be investigated based on the Article 201 of the Act on Investment Trusts and Investment Corporations, BDO Toyo & Co. performs an investigation of transactions. For the fiscal period from April 1, 2019 to September 30, 2019, the transactions subject to such investigation were three interest rate swap transactions, for which KRR received reports from BDO Toyo & Co. For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions. This survey is not a part of the audit for financial statements, and there is no guarantee of fairness of the price and internal management system.

#### (4) Related-Party Transactions

##### i) Transactions

	Transaction price (in million)	
	Purchase	Sale
Total amount	5,490	18,249
Transaction with related-party		
GK KRF80	- (-%)	3,049 (16.7%)
Total	- (-%)	3,049 (16.7%)

##### ii) Amounts of Fees Paid

Not applicable.

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

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

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

## Accounting

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

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

### (2) Change in Calculation of Depreciation

Not applicable

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

Not applicable

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

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

Not applicable

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

Not applicable

### (5) Disclosure of Companies Owning Real Estate Overseas

Not applicable

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

Not applicable

## Others

### (1) Notice

#### i) General Meeting of Unitholders

Not applicable

#### ii) Board of Directors

Not applicable

### (2) Others

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

## 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, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Retail REIT Corporation as of September 30, 2019, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

December 26, 2019  
Tokyo, Japan

## Financial Statements

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

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements



## Kenedix Retail REIT Corporation

### Balance Sheet

As of September 30, 2019

	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits (Notes 9 and 11)	¥18,599,690	¥7,475,785
Cash and deposits in trust (Notes 9 and 11)	12,974,943	13,647,110
Operating accounts receivable	230,017	213,214
Prepaid expenses	137,034	31,307
Other	25,002	9,788
<b>Total current assets</b>	<b>31,966,688</b>	<b>21,377,208</b>
<b>Non-current assets</b>		
Property, plant and equipment (Notes 17 and 20)		
Buildings	692,529	-
Accumulated depreciation	(14,554)	-
Buildings, net	677,974	-
Structures	37,947	-
Accumulated depreciation	(969)	-
Structures, net	36,978	-
Land	2,115,355	-
Buildings in trust	53,995,091	59,140,856
Accumulated depreciation	(5,698,859)	(5,692,853)
Buildings in trust, net (Note 3)	48,296,231	53,448,003
Structures in trust	3,055,215	2,999,320
Accumulated depreciation	(410,820)	(359,296)
Structures in trust, net (Note 3)	2,644,394	2,640,023
Machinery and equipment in trust	220,898	250,568
Accumulated depreciation	(33,189)	(30,701)
Machinery and equipment in trust, net	187,709	219,866
Tools, furniture and fixtures in trust	127,382	93,286
Accumulated depreciation	(29,146)	(31,649)
Tools, furniture and fixtures in trust, net (Note 3)	98,235	61,636
Land in trust (Note 3)	144,794,027	154,566,718
<b>Total property, plant and equipment, net</b>	<b>198,850,906</b>	<b>210,936,249</b>
Intangible assets (Note 20)		
Leasehold right in trust (Note 17)	4,312,783	4,316,761
Other	7,811	6,282
<b>Total intangible assets</b>	<b>4,320,594</b>	<b>4,323,044</b>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	60,256	60,256
Long-term prepaid expenses	825,953	891,506
Long-term deposits	157,110	157,110
Other	2,352	2,194
<b>Total investments and other assets</b>	<b>1,055,672</b>	<b>1,121,066</b>
<b>Total non-current assets</b>	<b>204,227,173</b>	<b>216,380,360</b>
Deferred assets		
Organization costs	55	5,121
Investment corporation bond issuance costs	40,329	44,044
Investment unit issuance costs	19,253	38,506
<b>Total deferred assets</b>	<b>59,638</b>	<b>87,672</b>
<b>Total assets</b>	<b>¥236,253,500</b>	<b>¥237,845,241</b>

See accompanying notes to financial statements.

	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥951,647	¥715,187
Short-term loans payable (Notes 11 and 21)	4,070,000	2,750,000
Current portion of long-term loans payable (Notes 11 and 21)	9,120,000	13,350,000
Accounts payable-other	541,163	476,092
Accrued expenses	24,019	27,020
Income taxes payable	1,108	1,018
Accrued consumption taxes	556,438	183,075
Advances received	1,193,590	1,154,552
Deposits received	71,404	82,992
<b>Total current liabilities</b>	<b>16,529,373</b>	<b>18,739,939</b>
<b>Non-current liabilities</b>		
Investment corporation bonds (Notes 11 and 22)	7,000,000	7,000,000
Long-term loans payable (Notes 11 and 21)	85,910,000	83,000,000
Tenant leasehold and security deposits (Note 11)	128,623	-
Tenant leasehold and security deposits in trust (Notes 3 and 11)	9,958,139	12,376,878
Asset retirement obligations (Note 15)	24,077	23,927
Other	316,840	198,926
<b>Total non-current liabilities</b>	<b>103,337,680</b>	<b>102,599,732</b>
<b>Total liabilities</b>	<b>119,867,054</b>	<b>121,339,671</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	113,399,022	113,399,022
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(181,865)	(9,754)
<b>Total deduction from unitholders' capital</b>	<b>(181,865)</b>	<b>(9,754)</b>
<b>Unitholders' capital, net</b>	<b>113,217,156</b>	<b>113,389,267</b>
<b>Surplus</b>		
Unappropriated retained earnings	3,455,496	3,283,881
<b>Total surplus</b>	<b>3,455,496</b>	<b>3,283,881</b>
<b>Total unitholders' equity</b>	<b>116,672,653</b>	<b>116,673,148</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges (Notes 11 and 12)	(286,206)	(167,579)
<b>Total valuation and translation adjustments</b>	<b>(286,206)</b>	<b>(167,579)</b>
<b>Total net assets (Note 6)</b>	<b>116,386,446</b>	<b>116,505,569</b>
<b>Total liabilities and net assets</b>	<b>¥236,253,500</b>	<b>¥237,845,241</b>

See accompanying notes to financial statements.

## Kenedix Retail REIT Corporation

### Statement of Income and Retained Earnings

For the period from April 1, 2019 to September 30, 2019

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
	(in thousands of yen)	
Operating revenues		
Rent revenue-real estate (Note 7)	¥7,129,860	¥7,068,551
Other lease business revenue (Note 7)	1,237,149	1,128,554
Gain on sales of real estate property (Note 7)	242,514	218,061
<b>Total operating revenues</b>	<b>8,609,524</b>	<b>8,415,167</b>
Operating expenses		
Expenses related to rent business (Note 7)	3,891,696	3,733,705
Asset management fees	674,397	661,991
Asset custody fees	9,699	9,722
Administrative service fees	30,904	30,601
Directors' compensation	4,500	4,500
Other operating expenses	118,687	89,835
<b>Total operating expenses</b>	<b>4,729,884</b>	<b>4,530,355</b>
<b>Operating income</b>	<b>3,879,639</b>	<b>3,884,811</b>
Non-operating income		
Interest income	58	61
Dividends and redemption-prescription	722	1,160
Interest on refund	-	567
<b>Total non-operating income</b>	<b>780</b>	<b>1,789</b>
Non-operating expenses		
Interest expenses	449,454	441,044
Interest expenses on investment corporation bonds	19,538	19,653
Financing-related expenses	94,397	93,482
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	3,714	3,714
Amortization of investment unit issuance costs	19,253	38,906
<b>Total non-operating expenses</b>	<b>591,425</b>	<b>601,840</b>
<b>Ordinary income</b>	<b>3,288,995</b>	<b>3,284,760</b>
<b>Income before income taxes</b>	<b>3,288,995</b>	<b>3,284,760</b>
Income taxes		
Current	1,117	1,027
<b>Total income taxes</b>	<b>1,117</b>	<b>1,027</b>
<b>Net income</b>	<b>3,287,877</b>	<b>3,283,732</b>
Retained earnings brought forward	167,619	149
<b>Unappropriated retained earnings</b>	<b>¥3,455,496</b>	<b>¥3,283,881</b>

See accompanying notes to financial statements.

## Kenedix Retail REIT Corporation

### Statement of Changes in Net Assets

For the period from April 1, 2019 to September 30, 2019

	Unitholders' equity						
	Unitholders' capital				Surplus		
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropri- ated retained earnings	Total surplus	Total unitholders' equity
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
(in thousands of yen)							
Balance as of September 30, 2018	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,198,151	¥3,198,151	¥116,587,418
Changes of items during the period							
Dividends from surplus					(3,198,002)	(3,198,002)	(3,198,002)
Net income					3,283,732	3,283,732	3,283,732
Net changes of items other than unitholders' equity							
<b>Total changes of items during the period</b>	-	-	-	-	85,730	85,730	85,730
Balance as of March 31, 2019 (Note 8)	¥113,399,022	¥ (9,754)	¥ (9,754)	¥113,389,267	¥3,283,881	¥3,283,881	¥116,673,148
Changes of items during the period							
Dividends from surplus					(3,116,262)	(3,116,262)	(3,116,262)
Distributions in excess of earnings from allowance for temporary difference adjustments		(172,110)	(172,110)	(172,110)			(172,110)
Net income					3,287,877	3,287,877	3,287,877
Net changes of items other than unitholders' equity							
<b>Total changes of items during the period</b>	-	(172,110)	(172,110)	(172,110)	171,614	171,614	(495)
Balance as of September 30, 2019 (Note 8)	¥113,399,022	¥ (181,865)	¥ (181,865)	¥113,217,156	¥3,455,496	¥3,455,496	¥116,672,653

	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, 2018	¥142,159	¥142,159	¥116,729,578
Changes of items during the period			
Dividends from surplus			(3,198,002)
Net income			3,283,732
Net changes of items other than unitholders' equity	(309,739)	(309,739)	(309,739)
<b>Total changes of items during the period</b>	(309,739)	(309,739)	(224,009)
Balance as of March 31, 2019 (Note 8)	¥(167,579)	¥(167,579)	¥116,505,569
Changes of items during the period			
Dividends from surplus			(3,116,262)
Distributions in excess of earnings from allowance for temporary difference adjustments			(172,110)
Net income			3,287,877
Net changes of items other than unitholders' equity	(118,627)	(118,627)	(118,627)
<b>Total changes of items during the period</b>	(118,627)	(118,627)	(119,122)
Balance as of September 30, 2019 (Note 8)	¥(286,206)	¥(286,206)	¥116,386,446

See accompanying notes to financial statements.

## Kenedix Retail REIT Corporation

### Statement of Cash Flows

For the period from April 1, 2019 to September 30, 2019

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,288,995	¥3,284,760
Depreciation and amortization	1,020,517	991,733
Amortization of organization costs	5,066	5,038
Amortization of investment corporation bond issuance costs	3,714	3,714
Amortization of investment unit issuance costs	19,253	38,906
Interest income	(58)	(61)
Interest expenses	468,993	460,697
Decrease (increase) in operating accounts receivable	(16,802)	34,449
Decrease (increase) in consumption taxes receivable	-	175,068
Decrease (increase) in prepaid expenses	(105,726)	120,089
Increase (decrease) in operating accounts payable	9,399	(193,175)
Increase (decrease) in accounts payable-other	85,880	67,472
Increase (decrease) in accrued consumption taxes	373,363	130,986
Increase (decrease) in advances received	39,037	(9,048)
Increase (decrease) in deposits received	(11,587)	5,781
Decrease (increase) in long-term prepaid expenses	65,552	(51,043)
Decrease in net property, plant and equipment held in trust due to sale	17,624,357	3,462,719
Other	5,485	(55,494)
<b>Subtotal</b>	<b>22,875,441</b>	<b>8,472,596</b>
Interest income received	58	61
Interest expenses paid	(472,583)	(460,401)
Income taxes paid	(1,027)	(3,443)
<b>Net cash provided by (used in) operating activities</b>	<b>22,401,889</b>	<b>8,008,812</b>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,845,831)	-
Purchase of property, plant and equipment in trust	(3,501,983)	(4,619,028)
Purchase of intangible assets	(2,500)	(2,039)
Proceeds from tenant leasehold and security deposits	128,623	-
Repayments of tenant leasehold and security deposits in trust	(2,824,940)	(582,124)
Proceeds from tenant leasehold and security deposits in trust	384,497	222,061
Proceeds from restricted bank deposits in trust	1,419,737	215,676
<b>Net cash provided by (used in) investing activities</b>	<b>(7,242,397)</b>	<b>(4,765,454)</b>
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,320,000	2,750,000
Decrease in short-term loans payable	-	(2,750,000)
Proceeds from long-term loans payable	5,690,000	5,650,000
Repayments of long-term loans payable	(7,010,000)	(5,650,000)
Dividends paid	(3,288,016)	(3,198,020)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,288,016)</b>	<b>(3,198,020)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,871,475</b>	<b>45,336</b>
Cash and cash equivalents at the beginning of the period	19,448,158	19,402,822
Cash and cash equivalents at the end of the period (Note 9)	¥31,319,634	¥19,448,158

See accompanying notes to financial statements.

# Kenedix Retail REIT Corporation

## Notes to Financial Statements

For the period from April 1, 2019 to September 30, 2019

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Retail REIT Corporation (“KRR”) was established on October 3, 2014, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). On February 10, 2015, KRR was listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (the Tokyo Stock Exchange) (Securities code: 3453). Subsequently, KRR raised funds through public offerings, including international offerings. As a result, the number of investment units issued as of September 30, 2019 was 507,700 units.

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

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

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

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

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

Furthermore, the portfolio was diversified in terms of tenants as there were 511 and 480 end-tenants as of March 31, 2019 and September 30, 2019 in KRR’s properties, respectively.

#### Basis of Presentation

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
Buildings	2-70 years	2-70 years
Structures	8-59 years	8-59 years
Machinery and equipment	2-25 years	2-25 years
Tools, furniture and fixtures	3-15 years	3-15 years

(B) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

(C) Long-term Prepaid Expenses

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

(D) Organization Costs

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

(E) Investment Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

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

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

(H) Revenue Recognition

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

(I) Taxes on Property and Equipment

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

When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥18,448 thousand and ¥20,564 thousand as of March 31, 2019 and September 30, 2019, respectively.

(J) Income Taxes

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

(K) Consumption Taxes

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

(L) Derivative Financial Instruments

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

(M) Cash and Cash Equivalents

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

(N) Presentation of Amounts

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



### 3. COLLATERAL

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

Assets pledged as collateral	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
Buildings in trust	¥652,282	¥2,715,656
Structures in trust	25,193	45,989
Tools, furniture and fixtures in trust	-	2,970
Land in trust	2,709,001	7,811,297
Total	3,386,476	10,575,913

Secured liabilities	As of September 30, 2019	As of March 31, 2019
Tenant leasehold and security deposits in trust	482,562	2,355,246
Total	¥482,562	¥2,355,246

### 4. COMMITMENT LINE CONTRACTS

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

	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
Total amount of commitment line contracts	¥3,000,000	¥2,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥3,000,000	¥2,000,000

### 5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

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

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

#### 2. Method of reversal

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

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

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

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

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

## 6. NET ASSETS

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

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

Rental and other operating revenues and property-related expenses for the periods from April 1, 2019 to September 30, 2019 and from October 1, 2018 to March 31, 2019 consist of the following:

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥5,906,675	¥5,813,708
Rental revenues from limited proprietary rights of land	929,686	929,592
Common area charges	293,498	325,250
Subtotal	7,129,860	7,068,551
Other lease business revenue:		
Parking space rental revenues	196,389	197,311
Utility charge reimbursement	686,217	597,255
Miscellaneous	354,542	333,986
Subtotal	1,237,149	1,128,554
Total rental and other operating revenues	8,367,009	8,197,106
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	812,506	833,594
Utilities	651,605	598,956
Taxes	736,890	690,559
Repairs and maintenance	296,687	200,684
Insurance	12,880	13,078
Trust fees	23,026	22,900
Depreciation	1,019,546	990,872
Others	338,551	383,060
Total property-related expenses	3,891,696	3,733,705
Net operating income from real estate rental business	¥4,475,313	¥4,463,400

Gain on sales of real estate property:

From April 1, 2019 to September 30, 2019

	(in thousands of yen)
Solala Plaza (51% quasi co-ownership interests)	
Revenue from sales of real estate property	¥3,049,800
Cost of real estate property	2,827,727
Other sales expenses	20,455
<b>Gain on sales of real estate property</b>	<b>¥201,616</b>
(in thousands of yen)	
Fululu Garden Yachiyo	
Revenue from sales of real estate property	¥15,200,000
Cost of real estate property	14,796,629
Other sales expenses	362,472
<b>Gain on sales of real estate property</b>	<b>¥40,898</b>

From October 1, 2018 to March 31, 2019

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

## 8. UNITHOLDERS' EQUITY

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

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

## 9. CASH AND CASH EQUIVALENTS

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

	As of September 30, 2019	As of March 31, 2019
(in thousands of yen)		
Cash and deposits	¥18,599,690	¥7,475,785
Cash and deposits in trust	12,974,943	13,647,110
Restricted bank deposits in trust *	(255,000)	(1,674,737)
<b>Cash and cash equivalents</b>	<b>¥31,319,634</b>	<b>¥19,448,158</b>

\*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, 2019 and March 31, 2019 are as follows:

	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	172,798	178,048
Total	¥183,298	¥188,548

(As lessor)

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

	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
Due within 1 year	¥8,850,474	¥8,902,131
Due after 1 year	53,231,922	55,971,359
Total	¥62,082,397	¥64,873,490

## 11. FINANCIAL INSTRUMENTS

### (A). Overview

#### (1) Policy for financial instruments

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

#### (2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds, which are made or issued primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years for loans payable and also have a redemption date of a maximum of 8 years and 7 months for investment corporation bonds as of September 30, 2019, the end of the ninth fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, loans payable with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the loans payable.

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

#### (3) Risk management for financial instruments

##### a. Credit risk

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

##### b. Market risk

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

##### c. Liquidity risk

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

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

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

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

### (B). Estimated Fair Value of Financial Instruments

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

As of September 30, 2019

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

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

As of March 31, 2019

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

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

\*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, 2019	As of March 31, 2019
	(in thousands of yen)	
Tenant leasehold and security deposits (Note)	¥128,623	¥ -
Tenant leasehold and security deposits in trust (Note)	¥9,180,780	¥10,244,667
Total	¥9,309,403	¥10,244,667

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

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

As of September 30, 2019

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

As of March 31, 2019

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

\*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, 2019

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

As of March 31, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Short-term loans payable	¥2,750,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	1,000,000	1,000,000	-	5,000,000
Long-term loans payable	13,350,000	7,000,000	13,300,000	9,050,000	7,500,000	46,150,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	224,712	13,995	89,801
Total	¥16,535,430	¥7,435,430	¥14,735,430	¥10,274,712	¥7,513,995	¥51,239,801

## 12. DERIVATIVE TRANSACTIONS

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

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

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

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

The contract amount and the fair value of interest-rate swap transactions as of March 31, 2019 are shown in the following table.

(1) Transactions not subject to hedge accounting

Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Maturing	after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥32,340,000	¥31,010,000	¥(167,579)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	38,900,000	31,900,000	*	-
Total			¥71,240,000	¥62,910,000	¥(167,579)	

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



### 13. RELATED PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

9th Fiscal Period (April 1, 2019 to September 30, 2019) and 8th Fiscal Period (October 1, 2018 to March 31, 2019): Not applicable

2. Affiliated companies and other

9th Fiscal Period (April 1, 2019 to September 30, 2019) and 8th Fiscal Period (October 1, 2018 to March 31, 2019): Not applicable

3. Fellow subsidiary companies and other

9th Fiscal Period (April 1, 2019 to September 30, 2019) and 8th Fiscal Period (October 1, 2018 to March 31, 2019): Not applicable

4. Directors, major individual unitholders and other

9th Fiscal Period (April 1, 2019 to September 30, 2019) and 8th Fiscal Period (October 1, 2018 to March 31, 2019): Not applicable

### 14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, KRR may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If KRR does not satisfy all of the requirements, the entire taxable income of KRR will be subject to regular corporate income taxes. Since KRR distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥3,292 million and ¥3,288 million for the periods ended September 30, 2019 and March 31, 2019, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on KRR's income was 0.03% for the periods ended September 30, 2019 and March 31, 2019. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of September 30, 2019	As of March 31, 2019
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(31.55)	(31.54)
Others	0.07	0.06
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities:

	As of September 30, 2019	As of March 31, 2019
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 24	¥ 20
Amortization of leasehold right in trust	11,682	10,473
Depreciation	4,205	3,770
Asset retirement obligations	7,574	7,558
Deferred gains or losses on hedges	90,040	52,938
Subtotal deferred tax assets	113,527	74,761
Valuation allowance	(113,527)	(74,761)
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, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
	(in thousands of yen)	
Balance at the beginning of the period	¥23,927	¥23,778
Accretion adjustment	150	149
Balance at the end of the period	¥24,077	¥23,927

## 16. SEGMENT INFORMATION

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

### (A) Segment information

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

### (B) Related information

#### (1) Information about each product and service

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

#### (2) Information about each geographic area

##### (a) Net sales

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

##### (b) Property, plant and equipment

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

#### (3) Information about each major customer

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

## 17. INVESTMENT AND RENTAL PROPERTIES

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

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥215,255,734	¥215,270,828
Changes during the period	(12,087,205)	(15,093)
Balance at the end of the period	203,168,529	215,255,734
Fair value at the end of the period	¥217,936,000	¥229,995,800

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 September 30, 2019, the principal increase was due to the acquisitions of real estate and real estate trust beneficiary interests in 4 properties totaling 5,765,573 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 2 properties totaling 17,624,357 thousand yen and depreciation amounting to 1,019,396 thousand yen and during the fiscal period ended March 31, 2019, the principal increase was due to the acquisitions of real estate trust beneficiary interests in 1 property totaling 3,951,173 thousand yen and the principal decrease was due to the sales of real estate trust beneficiary interests in 2 properties totaling 3,462,719 thousand yen and depreciation amounting to 990,722 thousand yen.

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

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

## 18. PER UNIT INFORMATION

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
Net asset value per unit	¥229,242	¥229,477
Net income per unit	¥6,476	¥6,467

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, 2019 (507,700 units) and during the fiscal period ended March 31, 2019 (507,700 units). Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
Net income (in thousands of yen)	¥3,287,877	¥3,283,732
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,287,877	¥3,283,732
Weighted average number of units during the period (units)	507,700	507,700

## 19. SIGNIFICANT SUBSEQUENT EVENTS

### Issuance of new investment units

KRR passed resolutions at the Board of Directors Meetings held on October 8, 2019 and October 16, 2019, to issue new investment units to fund part of the acquisition of specified assets.

Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on October 23, 2019 and November 14, 2019, respectively. The proceeds from the third-party allotment of new investment units will be retained and used to fund part of the acquisition of specified assets or repayment of borrowings in the future.

As a result, unitholders' capital totaled ¥121,183,494,770 and the total number of investment units issued and outstanding increased to 536,177 as of November 14, 2019.

#### (Issuance of new investment units through public offering)

Total number of units issued	: 27,300 units
Issue price (offer price)	: ¥282,847 per unit
Total amount of issue price (total offer price)	: ¥7,721,723,100
Paid-in amount (issue amount)	: ¥273,360 per unit
Total paid-in amount (total issue amount)	: ¥7,462,728,000
Payment date	: October 23, 2019

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

Total number of units issued	: 1,177 units
Paid-in amount (issue amount)	: ¥273,360 per unit
Total paid-in amount (total issue amount)	: ¥321,744,720
Payment date	: November 14, 2019
Allottee	: SMBC Nikko Securities Inc.

## 20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

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

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

**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, 2019:

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

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

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.400			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553			
Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000	0.772	October 31, 2024		
Aozora Bank, Ltd.	400,000	-	-	400,000				
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696			
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027		
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930			
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029	September 29, 2027		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022		
Mizuho Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026		
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999	May 31, 2027		
Long-term loans payable	MUFG Bank, Ltd. (Note 6)	500,000	-	500,000	0.900			
	Mizuho Bank, Ltd.	500,000	-	500,000	0.999	May 31, 2027	(Note 5)	Unsecured/ Non-guaranteed
	Mizuho Trust & Banking Co., Ltd.	500,000	-	500,000	0.999			



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

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

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

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2019:

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks	
		(in thousands of yen)				(%)				
Short-term loans payable	Sumitomo Mitsui Banking Corporation	¥2,750,000	¥ -	¥2,750,000	¥ -	0.463	February 13, 2019	(Note 5)	Unsecured/ Non-guaranteed	
	Sumitomo Mitsui Banking Corporation	-	2,750,000	-	2,750,000	0.461	January 31, 2020			
	Subtotal	2,750,000	2,750,000	2,750,000	2,750,000					
Current portion of long-term loans payable	MUFG Bank, Ltd.	750,000	-	750,000	-	0.534	March 31, 2019	(Note 5)	Unsecured/ Non-guaranteed	
	Aozora Bank, Ltd.	500,000	-	500,000	-					
	Mizuho Bank, Ltd.	400,000	-	400,000	-					
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	200,000	-					
	Resona Bank, Limited	200,000	-	200,000	-					
	The Musashino Bank, Ltd.	150,000	-	150,000	-					
	Sumitomo Mitsui Banking Corporation	1,850,000	-	1,850,000	-	0.545	March 31, 2019			
	MUFG Bank, Ltd.	550,000	-	550,000	-					
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	500,000	-					
	Resona Bank, Limited	300,000	-	300,000	-					
	The Musashino Bank, Ltd.	250,000	-	250,000	-	0.368	September 30, 2019			
	Mizuho Bank, Ltd.	710,000	-	-	710,000					
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000					
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000					
	Aozora Bank, Ltd.	250,000	-	-	250,000					
	Resona Bank, Limited	250,000	-	-	250,000					
	Sumitomo Mitsui Trust Bank, Limited	200,000	-	-	200,000	0.488	August 31, 2019			
	Mizuho Bank, Ltd.	300,000	-	-	300,000					
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000					
	Aozora Bank, Ltd.	640,000	-	-	640,000					
	Resona Bank, Limited	400,000	-	-	400,000	0.488	August 31, 2019			
	Mizuho Bank, Ltd.	360,000	-	-	360,000					
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000					
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000					
	Sumitomo Mitsui Banking Corporation (Note 7)	2,400,000	-	-	2,400,000					
	MUFG Bank, Ltd. (Note 7)	800,000	-	-	800,000					
	MUFG Bank, Ltd. (Note 7)	800,000	-	-	800,000	0.751	February 10, 2020			
Sumitomo Mitsui Trust Bank, Limited (Note 7)	550,000	-	-	550,000						
Aozora Bank, Ltd. (Note 7)	500,000	-	-	500,000						
Resona Bank, Limited (Note 7)	500,000	-	-	500,000						
The Gunma Bank, Ltd. (Note 7)	400,000	-	-	400,000						
The Musashino Bank, Ltd. (Note 7)	400,000	-	-	400,000						
Mizuho Bank, Ltd. (Note 7)	350,000	-	-	350,000						
Mizuho Trust & Banking Co., Ltd. (Note 7)	300,000	-	-	300,000						
Current portion of long-term										
	Mizuho Trust & Banking Co., Ltd. (Note 7)	300,000	-	-	300,000			0.751	February 10, 2020	(Note 5)

Classification	Lender	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
(in thousands of yen)					(%)				
loans payable	Subtotal	19,000,000	-	5,650,000	13,350,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	MUFG Bank, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.865	February 10, 2021		
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Limited	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
	MUFG Bank, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000	0.978	February 10, 2022		
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000				
Long-term loans payable	Mizuho Bank, Ltd.	400,000	-	-	400,000	0.975	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
	Resona Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Limited	200,000	-	-	200,000	0.987	March 31, 2023		
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000	1.110	March 31, 2024		
	Sumitomo Mitsui Trust Bank, Limited	650,000	-	-	650,000				
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Limited	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
Long-term loans payable	MUFG Bank, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025	(Note 5)	Unsecured/ Non-guaranteed
	The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	September 30, 2021		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Development Bank of Japan Inc. (Note 6)	2,000,000	-	-	2,000,000	1.049			
Mizuho Trust & Banking Co., Ltd. (Note 6)	1,000,000	-	-	1,000,000	1.049	January 31, 2027		
Resona Bank, Limited	500,000	-	-	500,000	1.002			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
Aozora Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd.	400,000	-	-	400,000	0.485	April 27, 2021		
Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000				
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.400			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.553			
Mizuho Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.553	April 27, 2021		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.553			
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000	0.772	October 31, 2024		
Aozora Bank, Ltd.	400,000	-	-	400,000				
Resona Bank, Limited	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.696			
Mizuho Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.815			
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.814	October 31, 2024		
Mizuho Trust & Banking Co., Ltd. (Note 6)	200,000	-	-	200,000	0.814			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.903	October 31, 2026		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.033	May 18, 2027		
Resona Bank, Limited	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023		
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.918	September 30, 2026		
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930	September 29, 2027		
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029			
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	1.035	October 3, 2027		
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028		
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Bank, Ltd.	800,000	-	-	800,000				
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026		
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.900	May 31, 2027		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.999			
Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.999			
Nippon Life Insurance Company	700,000	-	-	700,000	0.913	March 31, 2025		
Sumitomo Mitsui Trust Bank, Limited	-	700,000	-	700,000	0.726			
Resona Bank, Limited	-	500,000	-	500,000	0.676	March 31, 2026		
Aozora Bank, Ltd.	-	500,000	-	500,000	0.726			
Mizuho Bank, Ltd.	-	400,000	-	400,000	0.726			
The Musashino Bank, Ltd.	-	400,000	-	400,000	0.676			
Sumitomo Mitsui Banking Corporation	-	1,850,000	-	1,850,000	0.910	March 31, 2028		
MUFG Bank, Ltd.	-	1,300,000	-	1,300,000	0.860			
Subtotal	77,350,000	56,500,000	-	83,000,000				
Total	¥99,100,000	¥8,400,000	¥8,400,000	¥99,100,000				

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

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

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

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

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

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

Note 6: Loans payable at a fixed rate.

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

## 22. INVESTMENT CORPORATION BONDS

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

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

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, 2019 are as follows.

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

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

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

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

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

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

## 23. DISTRIBUTIONS

	From April 1, 2019 to September 30, 2019	From October 1, 2018 to March 31, 2019
I. Retained earnings at the end of period	¥3,455,496,659	¥3,283,881,662
II. Distributions in excess of earnings	¥123,878,800	¥172,110,300
Of which, allowance for temporary difference adjustments	¥123,878,800	¥172,110,300
III. Total distributions	¥3,292,942,200	¥3,288,372,900
Distributions per unit	¥6,486	¥6,477
Of which, distributions of earnings	¥3,169,063,400	¥3,116,262,600
Of which, distributions of earnings per unit	¥6,242	¥6,138
Of which, allowance for temporary difference adjustments	¥123,878,800	¥172,110,300
Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	¥244	¥339
IV. Retained earnings brought forward to the next period	¥286,433,259	¥167,619,062

Method of calculating distribution amount	In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,169,063,400 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act. Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥123,878,800 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.	In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,116,262,600 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act. Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of ¥172,110,300 for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.
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9th Fiscal Period (From April 1, 2019 to September 30, 2019)

### 1. Reasons, related assets and allowance

(in thousands of yen)

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

### 2. Method of reversal

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

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

1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	¥4,569
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	¥167,541

2. Method of reversal

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



# KENEDIX

Retail REIT Corporation

