

KENEDIX

Retail REIT Corporation



Focused Investment in
Shopping Centers for Daily Needs



Semi-annual Report
for the 15th Period

(From April 1, 2022
to September 30, 2022)



From the Executive Director

I would like to take this opportunity to express my sincere gratitude to our shareholders for your continued support to Kenedix Retail REIT Corporation ("KRR").

Thanks to your support, KRR has reported its results of operations for the 15th fiscal period (from April 1, 2022 to September 30, 2022).

During the 15th fiscal period, shopping centers for daily needs with grocery supermarkets as core tenants have continued to act as vital retail infrastructure providing fundamental functions to maintain day-to-day life of consumers, while the number of COVID-19 cases reached record high in Japan. Therefore, impact of the pandemic remained limited for KRR in the 15th fiscal period.

We have acquired three properties including additional acquisition of an existing asset in the 15th fiscal period. In addition, we conducted the 6th public offering at the beginning of the 16th fiscal period (from October 1, 2022 to March 31, 2023) and acquired two properties. As a result, KRR's portfolio totaled 269,219 million yen for 70 properties as of October 31, 2022.

There are clear signs of resumption in the economy as the number of COVID-19 cases decreases. However, the business environment remains uncertain due to the inflation in Japan including soaring utility charges, global inflation and rising interest rates, and geopolitical risks overseas. Due to the impact of soaring utility charges, we expect a decrease in DPU forecast in the 16th and 17th fiscal periods. We dedicate ourselves to promote the operation of retail and logistics facilities in order to respond to the confidence and expectations of investors even under the current environment.

We respectfully look forward to your continued support.

Moyuru Watanabe

渡辺 萌

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



Highlights of the 15th fiscal period ended September 30, 2022

Distributions per unit

JPY 6,484

Forecast DPU

for the 16th fiscal period

JPY 6,360

Forecast DPU

for the 17th fiscal period

JPY 6,240

Total assets (by acquisition price) /
Number of properties

JPY 253.6bn / 68

Number of tenants

524

Occupancy rate

at the end of period ^(Note)

99.3%

Note: As Kitera Plaza Aobadai is under conversion, its occupancy rate is 0% as of September 30, 2022. However, if we exclude this property, the occupancy rate is 99.6%.



R-10 NSC Sun Street Hamakita

An NSC serving diverse customer needs, located in a residential area in central Hamamatsu with growing population

Sun Street Hamakita is a large neighborhood shopping center (NSC) located in Hamakita in central Hamamatsu with growing population and opened in 2007. The property is facing National Route 152 and Prefectural Route 391, providing easy access to the property from the north, south, east and west. The center can accommodate approximately 2,000 cars and is conveniently located not only for neighboring consumers, but also for people in a wide catchment area including workers at the large car manufacturer's plant located in the neighborhood.

The property consists of a mall building which houses core tenants of the center, Seiyu, the grocery supermarket chain, and Home Center Valor. Other tenants include a leading movie theater, a food court and specialty stores (such as a clothing retailer and a dollar shop), and a separate building houses a car dealership, an automotive parts store and an internet cafe. The center can appeal to a wide range of customers, including child-rearing families due to its traits such as coziness and synergies generated among service-oriented tenants including the movie theater, a relaxation spa and an arcade game center, which are resilient to e-commerce.

The renovation in 2019 has also improved its comfortableness and convenience significantly. We removed a smoking space in the food court, installing nursing rooms and created a space for events and rests in a passage in front of a book shop facing an atrium.

Regarding SDGs initiatives, we installed recycled soaps in restrooms of the property in 2021, hosted ten SDGs educational events for children and held an exhibition/workshop to create environment-friendly Christmas trees using timbers of

local Tenryu cedar trees.

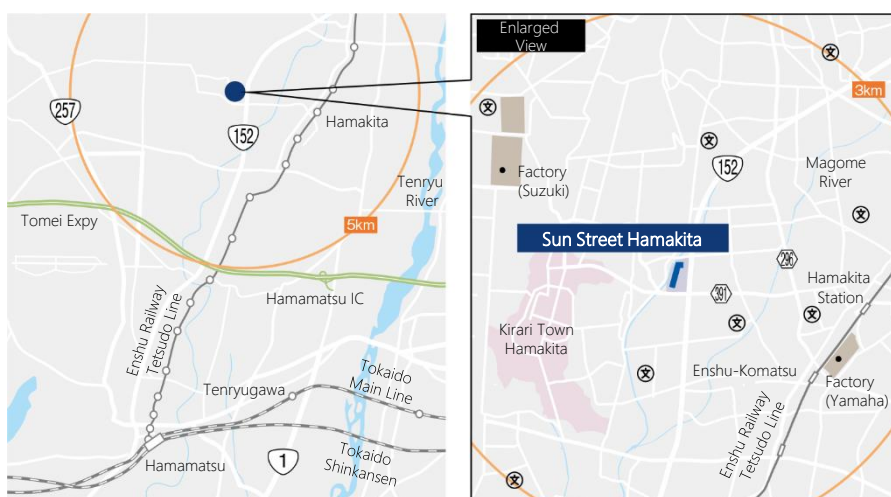
Regarding environmental certification, we have received DBJ Green Building Certification for the property (rating: three-star) as a property with excellent environmental and social awareness in June 2022, in recognition of our efforts to conserve energy and resources, such as utilization of LED lightings.

In order to enliven local communities, we held Hamakita Summer Festival in August 2022, a community-participating event, with the support and cooperation of Hamakita-ku, Hamakita Chamber of Commerce and Industry and local elementary schools. The event was held as a substitute for a local firework event suspended in response to the COVID-19 pandemic. In addition, we have held events called "Panstreet Hamakita" where products of popular bakery shops in Shizuoka are sold and the events has attracted many customers since 2018.

In addition to the 90% quasi-co-ownership interest of the property we acquired in 2017, we acquired the remaining 10% quasi-co-ownership interest in April 2022, making it a sole ownership in the property.









Going forward, we will continue to focus on the operation of the neighborhood shopping center, which is closely linked to local communities, and will work to promote further environmental and social considerations in the operation of center.

Acquisition price	JPY 11,946 mn
Location	Hamamatsu, Shizuoka
Land area	96,832.21m ²
Gross floor area	60,088.91m ²
Core tenant	Seiyu Co., Ltd.



1 Promoting ESG initiatives

KRR promotes ESG initiatives for the purpose of enhancing unitholder value in the medium- to long-term




Major ESG initiatives			
E (Environment)	Awarded GRESB Rating in the 2022 GRESB Real Estate  Awarded 4 Star Rating for fourth consecutive year	Disclosed analysis on climate change in line with TCFD recommendation  TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Medium- to long-term targets for GHG emission reduction By FY2030: 40% reduction (vs. FY2015) By 2050: Achieve carbon neutral
S (Social)	Collaboration with local communities 	Hosting SDGs enlightening event for children 	Decision to introduce investment unit ownership program 
G (Governance)	Unitholder value-linked management fee structure 	Same boat investment by Kenedix, Inc. 	Kenedix Group's strong commitment 

Sustainability Office and Sustainability Committee covering REITs managed by KFM	Sustainability Office	Sustainability Committee
	<ul style="list-style-type: none"> ✓ Dealing with matters relating to sustainability and ESG in KFM ✓ Published the first Sustainability Report of KFM, introducing ESG initiatives of its managing REITs 	<ul style="list-style-type: none"> ✓ Chaired by the President of KFM, for the purpose of enhancing approaches to sustainability and ESG

2 Environment

The number of certified properties and certified floor area (as of Oct. 31, 2022)

The number of certified properties	Total certified floor area	Ratio (based on gross floor area)
21 properties	585,988.22m ²	65.0% (Target: 70%+)

Certification for CASBEE For Real Estate	DBJ Green Building Certification
 <p>12 certified properties</p> <p>S rank ★★★★★</p> <ul style="list-style-type: none"> Apita Terrace Yokohama Tsunashima Homecenter Kohnan Sunadabashi Resora Obu Shopping Terrace Kitera Town Chofu Unicus Yoshikawa Kalsa Hiratsuka Blumer Maitamon COMBOX Komyoike Yumemachi Narashinodai Mall <p>A rank ★★★★★</p> <ul style="list-style-type: none"> Musashi Ranzan Distribution Center Costco Wholesale Sapporo Warehouse Carino Esaka 	 <p>8 certified properties</p> <p>★★★</p> <ul style="list-style-type: none"> MONA Shin-Urayasu Unicus Ina Kawamachi Yahagi Mall Ashico Town Ashikaga Passaggio Nishiarai Blumer HAT Kobe Roseo Mito Sun Street Hamakita
Certification for Building-Housing Energy-efficiency Labeling System (BELS)	 <p>2 certified properties</p> <p>★★★★★</p> <ul style="list-style-type: none"> Apita Terrace Yokohama Tsunashima <p>★★</p> <ul style="list-style-type: none"> iias Kasugai

Solar panel installation

Unicus Ina
 Kawamachi Yahagi Mall
 Apita Terrace Yokohama Tsunashima
 Monenosato Mall
 Yumemachi Narashinodai Mall
 Tenri Distribution Center
 (as of Oct. 31, 2022)



Monenosato Mall

LED lighting installation

56 of 58 properties (excl. land-only properties) installed LED entirely or partially (as of Oct. 31, 2022)



MONA Shin-Urayasu

3 Social

Contribution to community

Collaboration with local communities

- ✓ Entering into agreements, allowing the property to be used as a temporary shelter at emergency



Ashico Town Ashikaga

Hosting used clothing collecting event

- ✓ Hosting an event organized by BRING, a project aimed at recycling used clothing



Blumer Maitamon

SDGs educational events for children

- ✓ Holding an event featuring essence of SDGs



Sun Street Hamakita

Bicycle sharing

- ✓ Providing a portion of the properties in order to provide services to users of facilities and residents in the vicinity, and to reduce environmental impact



MONA Shin-Urayasu

Supporting Japan for UNHCR

- ✓ Providing common areas of our retail properties for their fund-raising campaign
- ✓ In 2021, the campaign locations were provided at the following 6 properties

Property name
Passaggio Nishiarai
Blumer Maitamon
Blumer HAT Kobe
Carino Esaka
COMBOX Komyoike
Resora Obu Shopping Terrace



Passaggio Nishiarai

Efforts for employees

Introduction of investment unit ownership program

- ✓ In August 2022, Kenedix, Inc. decided to introduce an investment unit ownership program for employees of KFM and its specified related corporations, including Kenedix, Inc.
- ✓ The introduction of investment unit ownership program aims to facilitate their wealth building as well as to enhance unitholder value over the medium- to long-term by promoting further alignment of interests with KRR's unitholders

Engagement survey

- ✓ A survey to promote mutual understanding and affinity between the company and employees
- ✓ Regular surveys will enable a qualitative understanding of the relationship between company and employees, and will be used in the drafting of internal initiatives to improve the organization

4 Governance

The Kenedix Group's strong commitment to J-REITs

The Kenedix Group's J-REIT assets (as of Jun. 30, 2022) constitute about a half of their AUM

Sound growth of the J-REITs is in line with their interests

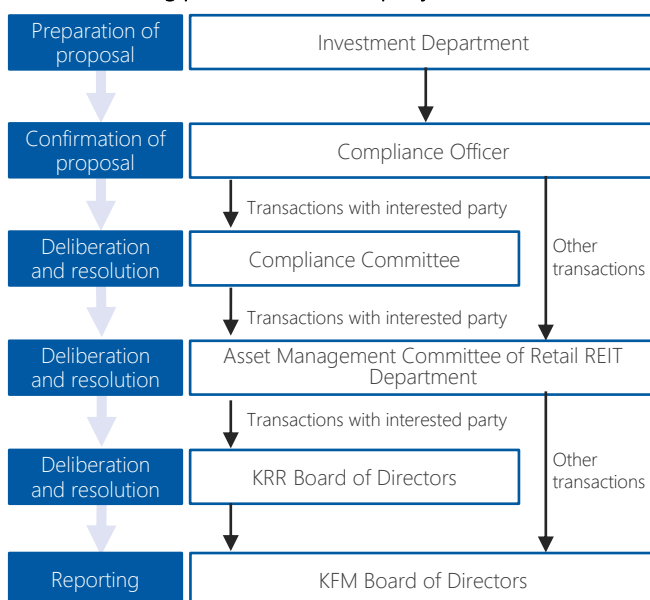


Investment in KRR by Kenedix, Inc.

(As of Oct. 31, 2022)

Number of investment units owned	Ownership of total investment units issued
16,950 units	2.8%

Decision-making process for related-party transactions



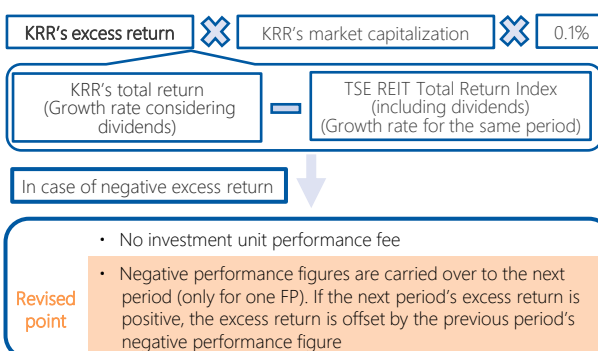
Unitholder value-linked management fee structure

KRR has introduced a fee structure providing incentives to enhance unitholder value

Fee structure providing incentives to enhance unitholder value	
Asset management fee	I Total assets at the end of the previous FP x 0.27% (annual rate)
	II Net income x DPU x 0.0013%
Investment unit performance fee	KRR's excess returns over Tokyo Stock Exchange REIT Total Return Index (including dividends) x Market capitalization x 0.1%
Acquisition fee	Acquisition price x 1.0% (Including acquisition of buildings through property expansion or reconstruction)
Disposition fee	Disposition price x 0.5%
Merger fee	Appraisal value of the assets to be succeeded x 1.0% (maximum)

The investment unit performance fee structure

- ✓ The purpose of the revision in Dec. 2021 is to increase the linkage between unitholder returns and the asset management fee
- ✓ Revised the method of calculation to factor in a case where KRR's investment unit prices underperform the TSE REIT Index



Financial Summary

Fiscal period		11th fiscal period (From April 1, 2020 to September 30, 2020)	12th fiscal period (From October 1, 2020 to March 31, 2021)	13th fiscal period (From April 1, 2021 to September 30, 2021)	14th fiscal period (From October 1, 2021 to March 31, 2022)	15th fiscal period (From April 1, 2022 to September 30, 2022)
Operating revenues	Millions of yen	8,398	8,717	9,576	10,254	9,357
Of which, property-related revenues	Millions of yen	8,272	8,263	8,901	8,956	9,357
Operating expenses	Millions of yen	4,316	4,338	4,694	5,497	4,951
Of which, property-related expenses	Millions of yen	3,479	3,377	3,662	3,588	3,949
Operating income	Millions of yen	4,082	4,379	4,881	4,756	4,406
Ordinary income	Millions of yen	3,505	3,799	4,262	4,131	3,778
Net income	Millions of yen	3,504	3,798	4,261	4,127	3,774
Total assets	Millions of yen	251,655	251,773	272,622	275,833	276,699
[Period-on-period changes]	%	(+1.0)	(+0.0)	(+8.3)	(+1.2)	(+0.3)
Total net assets	Millions of yen	124,308	124,701	137,052	137,354	137,428
[Period-on-period changes]	%	(-0.1)	(+0.3)	(+9.9)	(+0.2)	(+0.1)
Unitholders' capital ^(Note 2)	Millions of yen	121,183	121,183	133,103	133,103	133,103
Number of investment units issued and outstanding	Units	536,177	536,177	582,177	582,177	582,177
Net assets per unit	Yen	231,842	232,575	235,414	235,932	236,059
Distributions	Millions of yen	3,509	3,804	4,266	4,127	3,774
Distributions per unit	Yen	6,546	7,095	7,328	7,090	6,484
Of which, distributions of earnings	Yen	6,270	7,085	7,274	7,090	6,484
Of which, distributions in excess of retained earnings	Yen	276	10	54	-	-
Ordinary income to total assets ^(Note 3)	%	1.4	1.5	1.6	1.5	1.4
[Annualized] ^(Note 4)	%	(2.8)	(3.0)	(3.2)	(3.0)	(2.7)
Return on net assets ^(Note 5)	%	2.8	3.1	3.3	3.0	2.7
[Annualized] ^(Note 4)	%	(5.6)	(6.1)	(6.5)	(6.0)	(5.5)
Net assets to total assets ^(Note 6)	%	49.4	49.5	50.3	49.8	49.7
[Period-on-period changes]	%	(-0.5)	(+0.1)	(+0.7)	(-0.5)	(-0.1)
Operating days	Days	183	182	183	182	183
Payout ratio ^(Note 7)	%	95.9	100.0	99.4	100.0	100.0
Number of properties		62	64	66	66	68
Leasable area	m ²	941,020.65	956,496.64	997,493.50	993,677.76	1,041,850.14
Number of tenants ^(Note 8)		496	502	528	519	524
Occupancy ratio	%	99.7	99.8	99.6	99.2	99.3
Depreciation	Millions of yen	1,040	1,068	1,166	1,189	1,244
Capital expenditures	Millions of yen	544	543	628	680	457
Rental NOI (Net operating income) ^(Note 9)	Millions of yen	5,833	5,954	6,405	6,557	6,652
FFO (Funds from operation) ^(Note 10)	Millions of yen	4,431	4,426	4,774	4,900	5,040
FFO per unit ^(Note 11)	Yen	8,265	8,254	8,200	8,418	8,658

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. The same applies hereafter.

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: Annualized values for the 11th fiscal period are calculated based on a period of 183 days, 182 days for the 12th fiscal period, 183 days for the 13th fiscal period, 182 days for the 14th fiscal period and 183 days for the 15th fiscal period.

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 11th fiscal period, 100.1% for the 12th fiscal period and 100.1% for the 13th fiscal period.

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

Note 8: As for number of 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

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

Financial Statements

(15th Fiscal Period: from April 1, 2022 to September 30, 2022)

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, 2022

	As of September 30, 2022	As of March 31, 2022
(in thousands of yen)		
Assets		
Current assets		
Cash and deposits (Notes 9 and 11)	¥10,003,221	¥11,738,047
Cash and deposits in trust (Notes 9 and 11)	10,833,639	14,487,445
Operating accounts receivable	238,068	174,355
Prepaid expenses	149,376	24,748
Other	1,907	1,912
Total current assets	21,226,213	26,426,509
Non-current assets		
Property, plant and equipment (Notes 18 and 21)		
Buildings	773,703	764,808
Accumulated depreciation	(109,983)	(93,931)
Buildings, net	663,720	670,877
Structures	46,777	46,777
Accumulated depreciation	(8,230)	(6,827)
Structures, net	38,547	39,949
Land	2,956,465	2,956,465
Construction in progress	20,666	-
Buildings in trust	72,000,294	70,054,703
Accumulated depreciation	(11,403,948)	(10,272,226)
Buildings in trust, net (Note 3)	60,596,346	59,782,476
Structures in trust	3,646,089	3,495,870
Accumulated depreciation	(774,128)	(705,818)
Structures in trust, net (Note 3)	2,871,961	2,790,051
Machinery and equipment in trust	339,316	308,571
Accumulated depreciation	(70,931)	(61,564)
Machinery and equipment in trust, net	268,384	247,007
Tools, furniture and fixtures in trust	191,805	183,512
Accumulated depreciation	(99,843)	(86,187)
Tools, furniture and fixtures in trust, net	91,961	97,325
Land in trust (Note 3)	181,272,334	176,940,236
Construction in progress in trust	238,915	153,057
Total property, plant and equipment, net	249,019,303	243,677,447
Intangible assets (Note 21)		
Leasehold right in trust (Note 18)	4,713,944	4,292,890
Other	4,558	5,695
Total intangible assets	4,718,502	4,298,585
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	62,927	60,236
Long-term prepaid expenses	900,180	998,151
Long-term deposits	98,080	95,680
Other	590,363	186,275
Total investments and other assets	1,661,551	1,350,342
Total non-current assets	255,399,357	249,326,375
Deferred assets		
Investment corporation bond issuance costs	50,674	42,327
Investment unit issuance costs	23,027	38,429
Total deferred assets	73,702	80,757
Total assets	¥276,699,273	¥275,833,642

See accompanying notes to financial statements.

	As of September 30, 2022	As of March 31, 2022
	(in thousands of yen)	
Liabilities		
Current liabilities		
Operating accounts payable	¥823,979	¥972,907
Short-term loans payable (Notes 11 and 22)	750,000	750,000
Current portion of investment corporation bonds (Notes 11 and 23)	-	1,000,000
Current portion of long-term loans payable (Notes 11 and 22)	8,500,000	10,050,000
Accounts payable-other	487,701	603,279
Accrued expenses	71,705	64,266
Income taxes payable	3,705	4,045
Accrued consumption taxes	126,797	296,493
Advances received	1,450,130	1,413,214
Deposits received	22,708	18,709
Total current liabilities	12,236,728	15,172,916
Non-current liabilities		
Investment corporation bonds (Notes 11 and 23)	10,000,000	8,000,000
Long-term loans payable (Notes 11 and 22)	105,050,000	103,500,000
Tenant leasehold and security deposits	156,083	148,083
Tenant leasehold and security deposits in trust (Note 3)	11,779,677	11,586,510
Asset retirement obligations (Note 15)	24,999	24,843
Other	23,554	46,800
Total non-current liabilities	127,034,315	123,306,238
Total liabilities	139,271,043	138,479,155
Net assets		
Unitholders' equity		
Unitholders' capital	133,103,750	133,103,750
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 5)	(40,522)	(317,378)
Total deduction from unitholders' capital	(40,522)	(317,378)
Unitholders' capital, net	133,063,228	132,786,372
Surplus		
Unappropriated retained earnings	3,775,141	4,404,711
Total surplus	3,775,141	4,404,711
Total unitholders' equity	136,838,369	137,191,084
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 11 and 12)	589,860	163,403
Total valuation and translation adjustments	589,860	163,403
Total net assets (Note 6)	137,428,230	137,354,487
Total liabilities and net assets	¥276,699,273	¥275,833,642

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Income and Retained Earnings

For the period from April 1, 2022 to September 30, 2022

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 7)	¥8,011,772	¥7,882,731
Other lease business revenue (Note 7)	1,346,195	1,074,082
Gain on sales of real estate property (Note 7)	-	1,297,793
Total operating revenues	9,357,967	10,254,608
Operating expenses		
Expenses related to rent business (Note 7)	3,949,838	3,588,893
Loss on sale of real estate property (Note 7)	-	861,164
Asset management fees	765,048	864,525
Asset custody fees	10,964	10,860
Administrative service fees	34,966	34,822
Directors' compensation	3,000	3,750
Other operating expenses	187,889	133,883
Total operating expenses	4,951,708	5,497,899
Operating income	4,406,259	4,756,708
Non-operating income		
Interest income	63	65
Gain on forfeiture of unclaimed dividends	258	376
Interest on refund	2	856
Total non-operating income	324	1,297
Non-operating expenses		
Interest expenses	471,585	476,880
Interest expenses on investment corporation bonds	27,635	22,389
Financing-related expenses	108,498	107,871
Amortization of investment corporation bond issuance costs	4,826	3,847
Amortization of investment unit issuance costs	15,402	15,402
Total non-operating expenses	627,948	626,392
Ordinary income	3,778,636	4,131,614
Income before income taxes	3,778,636	4,131,614
Income taxes		
Current	3,715	4,055
Total income taxes	3,715	4,055
Net income	3,774,920	4,127,558
Retained earnings brought forward	221	277,152
Unappropriated retained earnings	¥3,775,141	¥4,404,711

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Changes in Net Assets

For the period from April 1, 2022 to September 30, 2022

	Unitholders' equity						
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated 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, 2021 (Note 8)	¥133,103,750	¥(285,940)	¥(285,940)	¥132,817,810	¥4,511,908	¥4,511,908	¥137,329,718
Changes of items during the period							
Dividends from surplus					(4,234,755)	(4,234,755)	(4,234,755)
Distributions in excess of earnings from allowance for temporary difference adjustments		(31,437)	(31,437)	(31,437)			(31,437)
Net income					4,127,558	4,127,558	4,127,558
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	(31,437)	(31,437)	(31,437)	(107,196)	(107,196)	(138,634)
Balance as of March 31, 2022 (Note 8)	¥133,103,750	¥(317,378)	¥(317,378)	¥132,786,372	¥4,404,711	¥4,404,711	¥137,191,084
Changes of items during the period							
Dividends from surplus					(4,127,634)	(4,127,634)	(4,127,634)
Reversal of allowance for temporary difference adjustments		276,855	276,855	276,855	(276,855)	(276,855)	-
Net income					3,774,920	3,774,920	3,774,920
Net changes of items other than unitholders' equity							
Total changes of items during the period	-	276,855	276,855	276,855	(629,570)	(629,570)	(352,714)
Balance as of September 30, 2022 (Note 8)	¥133,103,750	¥(40,522)	¥(40,522)	¥133,063,228	¥3,775,141	¥3,775,141	¥136,838,369

	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, 2021 (Note 8)	¥(276,894)	¥(276,894)	¥137,052,824
Changes of items during the period			
Dividends from surplus			(4,234,755)
Distributions in excess of earnings from allowance for temporary difference adjustments			(31,437)
Net income			4,127,558
Net changes of items other than unitholders' equity	440,297	440,297	440,297
Total changes of items during the period	440,297	440,297	301,663
Balance as of March 31, 2022 (Note 8)	¥163,403	¥163,403	¥137,354,487
Changes of items during the period			
Dividends from surplus			(4,127,634)
Reversal of allowance for temporary difference adjustments			-
Net income			3,774,920
Net changes of items other than unitholders' equity	426,457	426,457	426,457
Total changes of items during the period	426,457	426,457	73,742
Balance as of September 30, 2022 (Note 8)	¥589,860	¥589,860	¥137,428,230

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Statement of Cash Flows

For the period from April 1, 2022 to September 30, 2022

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,778,636	¥4,131,614
Depreciation and amortization	1,245,780	1,190,803
Amortization of investment corporation bond issuance costs	4,826	3,847
Amortization of investment unit issuance costs	15,402	15,402
Interest income	(63)	(65)
Interest expenses	499,221	499,270
Decrease (increase) in operating accounts receivable	(63,712)	7,044
Decrease (increase) in consumption taxes receivable	-	343,985
Decrease (increase) in prepaid expenses	(124,628)	129,026
Increase (decrease) in operating accounts payable	31,418	(43,882)
Increase (decrease) in accounts payable-other	(114,574)	(28,915)
Increase (decrease) in accrued consumption taxes	(169,696)	242,818
Increase (decrease) in advances received	36,915	(7,102)
Increase (decrease) in deposits received	3,999	(3,492)
Decrease (increase) in long-term prepaid expenses	97,970	(127,883)
Decrease (increase) in long-term deposits	(2,400)	6,399
Decrease in net property, plant and equipment held in trust due to sale	-	7,812,059
Other	(1,089)	3,450
Subtotal	5,238,004	14,174,380
Interest income received	63	65
Interest expenses paid	(491,822)	(493,232)
Income taxes paid	(4,055)	(1,187)
Net cash provided by (used in) operating activities	4,742,191	13,680,026
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(34,327)	(9,028)
Purchase of property, plant and equipment in trust	(6,728,384)	(10,296,807)
Purchase of intangible assets in trust	(425,032)	-
Repayments of lease and guarantee deposits in trust	(2,691)	-
Proceeds from tenant leasehold and security deposits	8,000	-
Repayments of tenant leasehold and security deposits in trust	(177,584)	(480,882)
Proceeds from tenant leasehold and security deposits in trust	370,751	278,278
Proceeds from restricted bank deposits in trust	15,000	15,000
Net cash provided by (used in) investing activities	(6,974,268)	(10,493,439)
Net cash provided by (used in) financing activities		
Proceeds of short-term loans payable	1,000,000	750,000
Repayments of short-term loans payable	(1,000,000)	-
Proceeds from long-term loans payable	2,050,000	11,000,000
Repayments of long-term loans payable	(2,050,000)	(9,750,000)
Proceeds from issuance of investment corporation bonds	1,986,826	1,983,675
Redemption of investment corporation bonds	(1,000,000)	(1,000,000)
Dividends paid	(4,128,380)	(4,265,387)
Net cash provided by (used in) financing activities	(3,141,554)	(1,281,712)
Net increase (decrease) in cash and cash equivalents	(5,373,632)	1,904,874
Cash and cash equivalents at the beginning of the period	26,047,993	24,143,118
Cash and cash equivalents at the end of the period (Note 9)	¥20,674,361	¥26,047,993

See accompanying notes to financial statements.

Kenedix Retail REIT Corporation

Notes to Financial Statements

For the period from April 1, 2022 to September 30, 2022

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, 2022 was 582,177 units.

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

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

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

KRR acquired three assets (Kitera Town Fukuoka Nagahama with acquisition price of 6,000 million yen, Kitera Plaza Aobadai with acquisition price of 2,553 million yen and Tenri Distribution Center with acquisition price of 1,070 million yen), and disposed of three properties (Daikanyama Address Dixsept (30% trust beneficiary quasi co-ownership interests) with sale price of 1,993 million yen (acquisition price was 1,617 million yen), K’s Denki Shonan-Fujisawa (Land) and Prime Square Jiyugaoka with total sale price of 6,360 million yen (total acquisition price was 5,989 million yen)). For the period ended March 31, 2022, the portfolio of 66 properties (total acquisition price of 247,291 million yen) as a whole performed well with an overall occupancy ratio of 99.2% as of March 31, 2022.

KRR acquired three assets (Sun Street Hamakita (10% trust beneficiary quasi co-ownership interests) with acquisition price of 1,200 million yen, Higashimatsuyama Shopping Center with acquisition price of 4,080 million yen and Prima Meat Packers Kinki Center with acquisition price of 1,047 million yen). For the period ended September 30, 2022, the portfolio of 68 properties (total acquisition price of 253,619 million yen) as a whole performed well with an overall occupancy ratio of 99.3% as of September 30, 2022.

Furthermore, the portfolio was diversified in terms of tenants as there were 519 and 524 end-tenants as of March 31, 2022 and September 30, 2022 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, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
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) Investment Unit Issuance Costs

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

(E) Investment Corporation Bond Issuance Costs

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

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

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

(G) Revenue Recognition

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

(H) Taxes on Property and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally 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 ¥26,508 thousand and ¥22,301 thousand as of March 31, 2022 and September 30, 2022, respectively.

(I) Accounting for Revenues

The details of main performance obligations concerning revenue generated from contracts between KRR and its customers and the general timing of the fulfillment of said performance obligations (general timing of revenue recognition) are as follows.

1. Sale of real estate property

Revenue from sale of real estate properties is recorded as revenue when a buyer who is a customer obtains control over a real estate property following the seller's fulfillment of its obligation to hand over the property which is stipulated in the contract associated with the sale of real estate property.

2. Utility charge reimbursements

Revenue from utility charge reimbursements is recorded revenue according to the supply of electric power, water, etc. to lessees who are customers based on lease agreements and other terms related to the real estate properties.

With regard to utility charge reimbursements which KRR deems to fall under that for an agent, the net amount after deducting the amount paid to another party from the amount that is received as charges for electric power, gas, etc. which is supplied by another concerned party is recognized as revenue.

(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) Non-deductible 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, 2022	As of March 31, 2022
	(in thousands of yen)	
Buildings in trust	¥628,385	¥630,987
Structures in trust	17,972	19,175
Land in trust	2,709,001	2,709,001
Total	¥3,355,359	¥3,359,164
Secured liabilities	As of September 30, 2022	As of March 31, 2022
Tenant leasehold and security deposits in trust	¥348,077	¥370,075
Total	¥348,077	¥370,075

4. COMMITMENT LINE CONTRACTS

KRR has commitment line contracts with the following financial institutions.

	As of September 30, 2022	As of March 31, 2022
	(in thousands of yen)	
Total amount of commitment line contracts	¥3,000,000	¥3,000,000
Balance of loans payable outstanding	-	-
Remaining amount	¥3,000,000	¥3,000,000

5. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The following summarizes allowance for temporary difference adjustments as of September 30, 2022

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	¥40,522	¥40,522	¥ -	¥ -	¥40,522	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	276,855	276,855	-	(276,855)	-	Changes in fair value of derivative transactions
Total		¥317,378	¥317,378	¥ -	¥(276,855)	¥40,522	-

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, 2022

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	¥40,522	¥35,477	¥5,045	¥ -	¥40,522	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	276,855	250,463	26,392	-	276,855	
Total		¥317,378	¥285,940	¥31,437	¥ -	¥317,378	-

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.

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, 2022 to September 30, 2022 and October 1, 2021 to March 31, 2022 consist of the following:

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
(in thousands of yen)		
Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	¥6,820,886	¥6,654,040
Rental revenues from limited proprietary rights of land	928,021	964,805
Common area charges	262,864	263,886
Subtotal	8,011,772	7,882,731
Other lease business revenue:		
Parking space rental revenues	178,905	186,834
Utility charge reimbursement	810,240	606,713
Miscellaneous	357,049	280,534
Subtotal	1,346,195	1,074,082
Total rental and other operating revenues	9,357,967	8,956,814
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	687,655	681,763
Utilities	824,618	565,594
Taxes	806,828	722,391
Repairs and maintenance	104,105	146,170
Insurance	22,564	16,783
Trust fees	27,351	25,705
Depreciation	1,244,644	1,189,560
Others	232,070	240,923
Total property-related expenses	3,949,838	3,588,893
Net operating income from real estate rental business	¥5,408,129	¥5,367,920

Gain on sales of real estate property:

From April 1, 2022 to September 30, 2022

Not applicable

From October 1, 2021 to March 31, 2022

(in thousands of yen)

Daikanyama Address Dixsept (30.0% quasi co-ownership interest)	
Revenue from sale of real estate property	¥1,993,200
Cost of real estate property	1,602,750
Other sales expenses	40,391
Gain on sale of real estate property	¥350,057
K's Denki Shonan-Fujisawa (Land) and Prime Square Jiyugaoka *	
Revenue from sale of real estate property	¥6,360,000
Cost of real estate property	6,209,308
Other sales expenses	64,118
Gain on sale of real estate property	¥86,572

* Each of revenue from sale of real estate property is not disclosed as KRR has not obtained the buyer's consent. The properties were acquired by the same buyer. The dispositions were negotiated and agreed as impartible deals. Gain on sale of real estate property includes both of gain and loss on sales of real estate property.

8. UNITHOLDERS' EQUITY

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

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	582,177 units	582,177 units

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of September 30, 2022 and March 31, 2022:

	As of September 30, 2022	As of March 31, 2022
	(in thousands of yen)	
Cash and deposits	¥10,003,221	¥11,738,047
Cash and deposits in trust	10,833,639	14,487,445
Restricted bank deposits in trust *	(162,500)	(177,500)
Cash and cash equivalents	¥20,674,361	¥26,047,993

*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, 2022 and March 31, 2022 are as follows:

	As of September 30, 2022	As of March 31, 2022
	(in thousands of yen)	
Due within 1 year	¥10,500	¥10,500
Due after 1 year	141,298	146,548
Total	¥151,798	¥157,048

(As lessor)

Future minimum lease income under the non-cancelable operating leases as of September 30, 2022 and March 31, 2022 are as follows:

	As of September 30, 2022	As of March 31, 2022
	(in thousands of yen)	
Due within 1 year	¥10,389,207	¥9,999,070
Due after 1 year	52,938,573	55,719,923
Total	¥63,327,781	¥65,718,993

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 8 years and 7 months for loans payable and also have a redemption date of a maximum of 9 years and 4 months for investment corporation bonds as of September 30, 2022, the end of the 15th 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

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. Furthermore, "cash and deposits", "cash and deposits in trust" and "short-term loans payable" are omitted as they are settled with cash and in a short span of time and are therefore similar in fair value to the carrying value. Also, "tenant leasehold and security deposits in trust" is omitted as it is immaterial.

As of September 30, 2022

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Current portion of investment corporation bonds	¥ -	¥ -	¥ -
(2) Current portion of long-term loans payable	8,500,000	8,497,359	(2,640)
(3) Investment corporation bonds	10,000,000	9,874,800	(125,200)
(4) Long-term loans payable	105,050,000	104,897,191	(152,808)
Total	123,550,000	123,269,351	(280,648)
Derivative transactions	¥589,860	¥589,860	¥ -

(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, 2022

	Carrying amount	Estimated fair value	Difference
(in thousands of yen)			
(1) Current portion of investment corporation bonds	¥1,000,000	¥999,600	¥ (400)
(2) Current portion of long-term loans payable	10,050,000	10,083,678	33,678
(3) Investment corporation bonds	8,000,000	7,930,500	(69,500)
(4) Long-term loans payable	103,500,000	103,615,372	115,372
Total	122,550,000	122,629,151	79,151
Derivative transactions	¥163,403	¥163,403	¥ -

(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

Liabilities

(1) Current portion of investment corporation bonds and (3) Investment corporation bonds

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

(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.)

Derivative transactions

Please refer to Note "12. DERIVATIVE TRANSACTIONS".

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

As of September 30, 2022

	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)						
Investment corporation bonds	¥ -	¥ -	¥1,000,000	¥ -	¥3,000,000	¥6,000,000
Long-term loans payable	8,500,000	9,490,000	15,320,000	20,850,000	21,500,000	37,890,000
Total	¥8,500,000	¥9,490,000	¥16,320,000	¥20,850,000	¥24,500,000	¥43,890,000

As of March 31, 2022

	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)						
Investment corporation bonds	¥1,000,000	¥ -	¥ -	¥1,000,000	¥1,000,000	¥6,000,000
Long-term loans payable	10,050,000	7,500,000	9,310,000	19,090,000	19,960,000	47,640,000
Total	¥11,050,000	¥7,500,000	¥9,310,000	¥20,090,000	¥20,960,000	¥53,640,000

12. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of September 30, 2022 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	¥64,360,000	¥64,360,000	¥589,860	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	21,000,000	17,000,000	*	-
Total			¥85,360,000	¥81,360,000	¥589,860	

*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, 2022 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	¥66,410,000	¥64,360,000	¥163,403	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	21,000,000	17,000,000	*	-
Total			¥87,410,000	¥81,360,000	¥163,403	

*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

15th Fiscal Period (April 1, 2022 to September 30, 2022) and 14th Fiscal Period (October 1, 2021 to March 31, 2022) : Not applicable

2. Affiliated companies and other

15th Fiscal Period (April 1, 2022 to September 30, 2022) and 14th Fiscal Period (October 1, 2021 to March 31, 2022) : Not applicable

3. Fellow subsidiary companies and other

15th Fiscal Period (April 1, 2022 to September 30, 2022) and 14th Fiscal Period (October 1, 2021 to March 31, 2022) : Not applicable

4. Directors, major individual unitholders and other

15th Fiscal Period (April 1, 2022 to September 30, 2022) and 14th Fiscal Period (October 1, 2021 to March 31, 2022) : Not applicable

14. INCOME TAXES

KRR is subject to corporate income taxes at a regular statutory rate of approximately 31%. 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 ¥3,774 million and ¥4,127million for the periods ended September 30, 2022 and March 31, 2022, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on KRR's income were 0.10% for the periods ended September 30, 2022 and March 31, 2022, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	As of September 30, 2022	As of March 31, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.43)	(31.43)
Others	0.07	0.07
Effective tax rate	0.10%	0.10%

The significant components of deferred tax assets and liabilities:

	As of September 30, 2022	As of March 31, 2022
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 224	¥ 252
Amortization of leasehold right in trust	19,192	17,940
Depreciation	6,908	6,457
Asset retirement obligations	7,864	7,815
Subtotal deferred tax assets	34,189	32,466
Valuation allowance	(34,189)	(32,466)
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 2 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, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
	(in thousands of yen)	
Balance at the beginning of the period	¥24,843	¥24,688
Accretion adjustment	156	155
Balance at the end of the period	¥24,999	¥24,843

16. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

15th Fiscal Period (From April 1, 2022 to September 30, 2022)

	Revenues generated from contracts with customers *1	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥ -	¥ -
Utility charge reimbursements	810,240	810,240
Other	-	8,547,727
Total	¥810,240	¥9,357,967

*1 Rental revenues, etc. which are subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and the transfer of real estate properties which is subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No.15 of the Japanese Institute of Certified Public Accountants) are not included in the above amounts as they are excluded from revenue recognition accounting standards. Revenue generated from contracts with major customers include of revenue from sale of real estate properties and utility charge reimbursements.

14th Fiscal Period (From October 1, 2021 to March 31, 2022)

	Revenues generated from contracts with customers *1	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥6,360,000	*2 ¥86,572
Utility charge reimbursements	606,713	606,713
Other	-	9,561,322
Total	¥6,966,713	¥10,254,608

*1 Rental revenues, etc. which are subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and the transfer of real estate properties which is subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No.15 of the Japanese Institute of Certified Public Accountants) are not included in the above amounts as they are excluded from revenue recognition accounting standards. Revenue generated from contracts with major customers include of revenue from sale of real estate properties and utility charge reimbursements.

*2 As proceeds from sale of real estate property are recorded as gain on sale of real estate property in the statements of income and retained earnings, the amount calculated by deducting the cost of real estate property sales and other sales expenses from proceeds from sale of real estate property is indicated.

2. Basis for understanding revenues generated from contracts with customers

15th Fiscal Period (April 1, 2022 to September 30, 2022) and 14th Fiscal Period (October 1, 2021 to March 31, 2022)

The basis for understanding revenues generated from contracts with customers is as indicated in the Summary of Significant Accounting Policies.

3. Information on relationship of fulfillment of performance obligations based on contracts with customers and cashflow generated from said contracts along with amount and period of revenue expected to be recognized in the next fiscal period or thereafter from contracts with customers existing at the end of the fiscal period.

15th Fiscal Period (From April 1, 2022 to September 30, 2022)

(1) Balance of contract assets and contract liabilities, etc.

	From April 1, 2022 to September 30, 2022
(in thousands of yen)	
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥124,784
Receivables generated from contracts with customers (balance at end of fiscal period)	192,333
Contract assets (balance at beginning of fiscal period)	-
Contract assets (balance at end of fiscal period)	-
Contract liabilities (balance at beginning of fiscal period)	-
Contract liabilities (balance at end of fiscal period)	¥ -

(2) Transaction price allocated to remaining performance obligations

Not applicable.

KRR does not include contracts whose terms are initially expected to be one year or less.

Also, with regard to utility charge reimbursements, as KRR has the right to receive from customers an amount directly corresponding to the value for the lessees who are customers of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim according to Paragraph 19 of the Implementation Guidelines of the Accounting Standard for Revenue Recognition is recognized as revenue. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

14th Fiscal Period (From October 1, 2021 to March 31, 2022)

(1) Balance of contract assets and contract liabilities, etc.

	From October 1, 2021 to March 31, 2022
(in thousands of yen)	
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥138,197
Receivables generated from contracts with customers (balance at end of fiscal period)	124,784
Contract assets (balance at beginning of fiscal period)	-
Contract assets (balance at end of fiscal period)	-
Contract liabilities (balance at beginning of fiscal period)	-
Contract liabilities (balance at end of fiscal period)	¥ -

(2) Transaction price allocated to remaining performance obligations

Not applicable.

KRR does not include contracts whose terms are initially expected to be one year or less.

Also, with regard to utility charge reimbursements, as KRR has the right to receive from customers an amount directly corresponding to the value for the lessees who are customers of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim according to Paragraph 19 of the Implementation Guidelines of the Accounting Standard for Revenue Recognition is recognized as revenue. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

17. SEGMENT INFORMATION

Segment information for the periods from April 1, 2022 to September 30, 2022 and October 1, 2021 to March 31, 2022 is as follows:

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

18. INVESTMENT AND RENTAL PROPERTIES

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

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

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
	(in thousands of yen)	
Book value		
Balance at the beginning of the period	¥247,974,742	¥246,469,699
Changes during the period	5,762,028	1,505,042
Balance at the end of the period	253,736,770	247,974,742
Fair value at the end of the period	¥274,185,000	¥266,837,000

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

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period ended September 30, 2022, the principal increase was the acquisition of real estate trust beneficiary interest in 2 properties totaling 5,221,986 thousand yen and the additional acquisition of 1 real estate trust beneficiary interest amounting to 1,221,185 thousand yen and the principal decrease was the depreciation of 1,244,488 thousand yen and during the fiscal period ended March 31, 2022, the principal increase was the acquisition of real estate trust beneficiary interest in 3 properties totaling 9,680,298 thousand yen and the principal decrease was the sales of real estate trust beneficiary interests in 3 properties totaling 7,812,059 thousand yen and depreciation of 1,189,405 thousand yen.

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

The profit or loss for the periods ended September 30, 2022 and March 31, 2022 concerning investment and rental properties is included in Note "7. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY."

19. PER UNIT INFORMATION

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
Net asset value per unit	¥236,059	¥235,932
Net income per unit	¥6,484	¥7,089

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, 2022 (582,177 units) and during the fiscal period ended March 31, 2022 (582,177 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, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
Net income (in thousands of yen)	¥3,774,920	¥4,127,558
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	¥3,774,920	¥4,127,558
Weighted average number of units during the period (units)	582,177	582,177

20. SIGNIFICANT SUBSEQUENT EVENTS

Issuance of new investment units

KRR passed resolutions at the Board of Directors Meeting held on October 6, 2022 and October 13, 2022, 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 have been completed on October 19, 2022.

As a result, unitholders' capital totaled ¥138,058,250,770 and total number of investment units issued and outstanding increased to 602,177 as of October 19, 2022.

(Issuance of new investment units through public offerings)

Total number of units issued	20,000units
Issue price (offer price)	256,132 yen per unit
Total amount of issue price (total offer price)	5,122,640,000 yen
Paid-in amount (issue amount)	247,725 yen per unit
Total paid-in amount (total issue amount)	4,954,500,000 yen
Payment date	October 19, 2022

21. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of September 30, 2022

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	¥764,808	¥8,895	¥ -	¥773,703	¥109,983	¥16,051	¥663,720		
Structures	46,777	-	-	46,777	8,230	1,402	38,547		
Land	2,956,465	-	-	2,956,465	-	-	2,956,465		
Construction in progress	-	20,666	-	20,666	-	-	20,666		
Subtotal	3,768,051	29,561	-	3,797,612	118,213	17,454	3,679,399		
Property, plant and equipment	Buildings in trust	70,054,703	1,945,590	-	72,000,294	11,403,948	1,131,721	60,596,346	
	Structures in trust	3,495,870	150,219	-	3,646,089	774,128	68,310	2,871,961	
	Machinery and equipment in trust	308,571	30,744	-	339,316	70,931	9,367	268,384	
	Tools, furniture and fixtures in trust	183,512	8,293	-	191,805	99,843	13,656	91,961	
	Land in trust	176,940,236	4,332,098	-	181,272,334	-	-	181,272,334	*1
	Construction in progress in trust	153,057	92,254	6,397	238,915	-	-	238,915	
Subtotal	251,135,951	6,559,201	6,397	257,688,755	12,348,851	1,223,055	245,339,903		
Total	254,904,002	6,588,763	6,397	261,486,368	12,467,065	1,240,509	249,019,303		
Intangible assets	Leasehold right in trust	4,349,916	425,032	-	4,774,948	61,004	3,978	4,713,944	
	Other	16,719	-	-	16,719	12,160	1,136	4,558	
Total	¥4,366,636	¥ 425,032	¥ -	¥4,791,668	¥73,165	¥5,114	¥4,718,502		

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

Property, plant and equipment and intangible assets consist of the following as of March 31, 2022

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	¥755,598	¥9,210	¥ -	¥764,808	¥93,931	¥16,397	¥670,877		
Structures	46,777	-	-	46,777	6,827	1,402	39,949		
Land	2,956,465	-	-	2,956,465	-	-	2,956,465		
Subtotal	3,758,841	9,210	-	3,768,051	100,759	17,799	3,667,291		
Property, plant and equipment	Buildings in trust	67,921,666	2,947,995	814,958	70,054,703	10,272,226	1,081,548	59,782,476	*1
	Structures in trust	3,491,894	19,175	15,199	3,495,870	705,818	65,023	2,790,051	
	Machinery and equipment in trust	248,014	65,647	5,089	308,571	61,564	7,180	247,007	
	Tools, furniture and fixtures in trust	179,449	10,043	5,980	183,512	86,187	13,875	97,325	
	Land in trust	176,754,774	7,309,613	7,124,151	176,940,236	-	-	176,940,236	*1,2
	Construction in progress in trust	7,254	146,880	1,076	153,057	-	-	153,057	
Subtotal	248,603,053	10,499,354	7,966,456	251,135,951	11,125,796	1,167,627	240,010,155		
Total	252,361,894	10,508,564	7,966,456	254,904,002	11,226,555	1,185,427	243,677,447		
Intangible assets	Leasehold right in trust	4,349,916	-	-	4,349,916	57,026	3,978	4,292,890	
	Other	16,719	-	-	16,719	11,024	1,242	5,695	
Total	¥4,366,636	¥ -	¥ -	¥4,366,636	¥68,050	¥5,211	¥4,298,585		

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

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

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

The following summarizes short-term loans payable and long-term loans payable outstanding as of September 30, 2022:

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	750,000	-	-	750,000	0.477	January 31, 2023	(Note 5)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 8)	-	1,000,000	1,000,000	-	0.425	August 31, 2022		
	Sub Total	750,000	1,000,000	1,000,000	750,000				
Current portion of long-term loans payable	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	1,000,000	-	-	1,000,000	0.467	October 31, 2022		
	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	0.975	March 31, 2023		
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	MUFG Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	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		
	MUFG Bank, Ltd. (Note 6)(Note 7)	500,000	-	-	500,000	0.670	September 29, 2023		
Sub Total	10,550,000	-	2,050,000	8,500,000					
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.110	March 31, 2024		
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, 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					
Long-Term Loans	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024	(Note 5)	Unsecured/ Non-guaranteed
	Development Bank of Japan Inc. (Note 6)	890,000	-	-	890,000	0.760	September 30, 2024		

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)				(%)			
Payable	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		
	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, Ltd.	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	Sumitomo Trust Bank, Ltd.	400,000	-	-	400,000	0.772	October 31, 2024		
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	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 Trust Bank, Ltd.	500,000	-	-	500,000	1.033	May 18, 2027		
	Resona Bank, Ltd.	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050			
	Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050			
Sumitomo Trust Bank, Ltd.	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 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	(Note 5)	Unsecured/ Non-guaranteed	
MUFG Bank, Ltd. (Note 6)	1,200,000	-	-	1,200,000	1.000	February 10, 2028			
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027			

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)				(%)			
	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, Ltd.	700,000	-	-	700,000	0.726			
	Resona Bank, Ltd.	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, Ltd.	650,000	-	-	650,000	0.460	August 31, 2024		
	Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026		
	Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028		
	Sumitomo Mitsui Trust Bank, Ltd.	820,000	-	-	820,000	0.550	October 31, 2024		
	MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.750	January 31, 2028		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028		
	MUFG Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	0.520			
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.644			
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.644	October 31, 2026		
	Mizuho Trust & Banking Co., Ltd. (Note 6)	500,000	-	-	500,000	0.550			
	Resona Bank, Ltd.	300,000	-	-	300,000	0.644			
	Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.830	October 31, 2029		
Long-term loans payable	The Gunma Bank, Ltd.	400,000	-	-	400,000	0.498	January 31, 2025	(Note 5)	Unsecured/ Non-guaranteed
	The Musashino Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.478	January 31, 2025		
	Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
	Aozora Bank, Ltd.	450,000	-	-	450,000	0.725	January 31, 2029		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.809	January 31, 2030		

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.	700,000	-	-	700,000				
Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
Resona Bank, Ltd.	450,000	-	-	450,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.888	January 31, 2031		
Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000	0.535	February 28, 2026		
Resona Bank, Ltd.	500,000	-	-	500,000				
Aozora Bank, Ltd.	500,000	-	-	500,000				
Mizuho Bank, Ltd.	350,000	-	-	350,000				
Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.407	April 30, 2025		
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Resona Bank, Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.400	April 30, 2025		
Aozora Bank, Ltd.	500,000	-	-	500,000				
Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000	0.461	April 30, 2026		
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.490	October 31, 2026		
MUFG Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.475	October 31, 2026		
Sumitomo Mitsui Banking Corporation	1,600,000	-	-	1,600,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.548	October 31, 2027		
Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Ltd.	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.525	October 31, 2027		
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.856	April 30, 2031		
The 77 Bank, Ltd.	500,000	-	-	500,000	0.426	April 30, 2026		
The Musashino Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.350	April 30, 2026		
Sumitomo Mitsui Banking Corporation	800,000	-	-	800,000				
Sumitomo Mitsui Trust Bank, Ltd.	700,000	-	-	700,000	0.601	April 30, 2028	(Note 5)	Unsecured/ Non-guaranteed
Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
Aozora Bank, Ltd.	600,000	-	-	600,000				
Mizuho Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000				
SUMITOMO LIFE INSURANCE COMPANY (Note 6)	500,000	-	-	500,000	0.550	April 30, 2028		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
Development Bank of Japan Inc. (Note 6)	300,000	-	-	300,000	0.824	April 30, 2031		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.357	April 30, 2024		
MUFG Bank, Ltd. (Note 6)	200,000	-	-	200,000	0.525	October 31, 2027		
Aozora Bank, Ltd.	200,000	-	-	200,000	0.601	April 30, 2028		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.450	September 30, 2026		
The Bank of Fukuoka, Ltd.	500,000	-	-	500,000	0.387	March 31, 2026		
The Nishi-Nippon City Bank, Ltd.	500,000	-	-	500,000				
Shinsei Bank, Ltd.	800,000	-	-	800,000				
The Yamaguchi Bank, Ltd.	700,000	-	-	700,000	0.599	September 30, 2029		
The Higo Bank, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000				
Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000	0.722	January 31, 2029		
Aozora Bank, Ltd.	400,000	-	-	400,000				
Mizuho Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Ltd.	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	800,000	-	-	800,000	0.640	January 31, 2029		
Development Bank of Japan Inc.	1,600,000	-	-	1,600,000	0.879	January 31, 2031		
Mizuho Bank, Ltd. (Note 6)	-	600,000	-	600,000	0.604	February 28, 2027		
MUFG Bank, Ltd. (Note 6)	-	950,000	-	950,000	0.800			
SUMITOMO LIFE INSURANCE COMPANY (Note 6)	-	500,000	-	500,000	0.720	August 31, 2029		
Sub Total	103,000,000	2,050,000	-	105,050,000				
Total	¥114,300,000	¥3,050,000	¥3,050,000	¥114,300,000				

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	¥9,490,000	¥15,320,000	¥20,850,000	¥21,500,000	¥37,890,000

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: 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.

Note 8: Full repayment of 1,000,000 thousand yen was made on June 30, 2022.

The following summarizes short-term loans payable and long-term loans payable outstanding as of March 31, 2022:

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	-	750,000	-	750,000	0.476	January 31, 2023	(Note 5)	Unsecured/ Unguaranteed
	Sub Total	-	750,000	-	750,000				
Current Portion of Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,600,000	-	2,600,000	-				
	MUFG Bank, Ltd.	800,000	-	800,000	-				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	600,000	-	0.978	February 10, 2022		
	Aozora Bank, Ltd.	400,000	-	400,000	-				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	400,000	-				
	Mizuho Bank, Ltd.	300,000	-	300,000	-				
	Resona Bank, Ltd.	300,000	-	300,000	-				
	Development Bank of Japan Inc.(Note 6)	1,600,000	-	1,600,000	-	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	2,750,000	-	2,750,000	-	0.480	January 31, 2022		
	MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.603	August 31, 2022		
	Mizuho Bank, Ltd.	800,000	-	-	800,000				
	MUFG Bank, Ltd. (Note 7)	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	600,000	-	-	600,000				
	Mizuho Bank, Ltd. (Note 7)	400,000	-	-	400,000	0.975	March 31, 2023	(Note 5)	Unsecured/ Non-guaranteed
	Resona Bank, Ltd. (Note 7)	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd. (Note 7)	400,000	-	-	400,000				
	MUFG Bank, Ltd. (Note 7)	400,000	-	-	400,000				
	Development Bank of Japan Inc. (Note 6) (Note 7)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	MUFG Bank, Ltd. (Note 7)	450,000	-	-	450,000				
	Resona Bank, Ltd. (Note 7)	200,000	-	-	200,000	0.987	March 31, 2023		
The Musashino Bank, Ltd. (Note 7)	150,000	-	-	150,000					
Development Bank of Japan Inc.(Note 6)(Note 7)	1,500,000	-	-	1,500,000	1.013	March 31, 2023			
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.461	October 31, 2022			
Sub Total		18,800,000	1,000,000	9,750,000	10,050,000				
Long-Term	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		Unsecured/ Non-guaranteed

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 Banking Corporation	3,000,000	-	-	3,000,000			(Note 5)	
	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, 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				
	Sumitomo Mitsui Trust Bank, Ltd.	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		
	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, Ltd.	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Trust Bank, Ltd.	400,000	-	-	400,000	0.772	October 31, 2024		
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	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, Ltd.	500,000	-	-	500,000	1.033	May 18, 2027			
Resona Bank, Ltd.	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	1.050				
Mizuho Bank, Ltd. (Note 6)	500,000	-	-	500,000	1.049	May 18, 2027			
Mizuho Trust & Banking Co., Ltd. (Note 6)	300,000	-	-	300,000	1.050				
Long-Term Loans Payable	MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.670	September 29, 2023	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	0.918	September 30, 2026		

Classification	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 4)	Use	Remarks
Lender	(in thousands of yen)				(%)			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.930	September 29, 2027		
Mizuho Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	1.029			
Sumitomo Mitsui Trust Bank, Ltd.	1,500,000	-	-	1,500,000	1.100	September 29, 2028		
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		
Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.988	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.985	April 30, 2027		
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.902	April 30, 2026		
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	1.090	April 30, 2028		
The Bank of Fukuoka, Ltd.	1,000,000	-	-	1,000,000	0.907	May 31, 2026		
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.999			
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.900	May 31, 2027		
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, Ltd.	700,000	-	-	700,000	0.726			
Resona Bank, Ltd.	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, Ltd.	650,000	-	-	650,000	0.460	August 31, 2024		
Aozora Bank, Ltd.	890,000	-	-	890,000	0.585	August 31, 2026		
Mizuho Bank, Ltd.	1,370,000	-	-	1,370,000	0.718	March 31, 2028		
Sumitomo Mitsui Trust Bank, Ltd.	820,000	-	-	820,000	0.550	October 31, 2024		
MUFG Bank, Ltd.	1,270,000	-	-	1,270,000	0.750	January 31, 2028		
Mizuho Trust & Banking Co., Ltd. (Note 6)	650,000	-	-	650,000	0.670	April 30, 2028		
MUFG Bank, Ltd. (Note 6)	1,500,000	-	-	1,500,000	0.520			
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.644			
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.644	October 31, 2026		
Mizuho Trust & Banking Co., Ltd. (Note 6)	500,000	-	-	500,000	0.550			
Resona Bank, Ltd.	300,000	-	-	300,000	0.644			

Long-term loans payable

(Note 5)

Unsecured/ Non-guaranteed

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)	500,000	-	-	500,000	0.830	October 31, 2029		
The Gunma Bank, Ltd.	400,000	-	-	400,000	0.498	January 31, 2025		
The Musashino Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.478	January 31, 2025		
Sumitomo Mitsui Banking Corporation	700,000	-	-	700,000	0.758	September 30, 2028		
Aozora Bank, Ltd.	450,000	-	-	450,000	0.725	January 31, 2029		
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
MUFG Bank, Ltd.	700,000	-	-	700,000				
Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000	0.809	January 31, 2030		
Resona Bank, Ltd.	450,000	-	-	450,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000				
Development Bank of Japan Inc. (Note 6)	1,500,000	-	-	1,500,000	0.888	January 31, 2031		
Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000				
MUFG Bank, Ltd.	1,600,000	-	-	1,600,000				
Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000	0.535	February 28, 2026		
Resona Bank, Ltd.	500,000	-	-	500,000				
Aozora Bank, Ltd.	500,000	-	-	500,000				
Mizuho Bank, Ltd.	350,000	-	-	350,000				
Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.407	April 30, 2025		
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Resona Bank, Ltd.	400,000	-	-	400,000				
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.400	April 30, 2025		
Aozora Bank, Ltd.	500,000	-	-	500,000				
Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000	0.461	April 30, 2026		
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.490	October 31, 2026		
MUFG Bank, Ltd. (Note 6)	400,000	-	-	400,000	0.475	October 31, 2026		
Sumitomo Mitsui Banking Corporation	1,600,000	-	-	1,600,000				
Mizuho Bank, Ltd.	400,000	-	-	400,000	0.548	October 31, 2027		
Sumitomo Mitsui Trust Bank, Ltd.	300,000	-	-	300,000				
Resona Bank, Ltd.	300,000	-	-	300,000				
MUFG Bank, Ltd. (Note 6)	600,000	-	-	600,000	0.525	October 31, 2027		
Development Bank of Japan Inc. (Note 6)	500,000	-	-	500,000	0.856	April 30, 2031		
The 77 Bank, Ltd.	500,000	-	-	500,000	0.426	April 30, 2026		
The Musashino Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.350	April 30, 2026	(Note 5)	Unsecured/ Non-guaranteed

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	800,000	-	-	800,000	0.601	April 30, 2028		
Sumitomo Mitsui Trust Bank, Ltd.	700,000	-	-	700,000				
Mizuho Trust & Banking Co., Ltd.	600,000	-	-	600,000				
Aozora Bank, Ltd.	600,000	-	-	600,000				
Mizuho Bank, Ltd.	500,000	-	-	500,000				
MUFG Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.550	April 30, 2028		
SUMITOMO LIFE INSURANCE COMPANY (Note 6)	500,000	-	-	500,000				
Development Bank of Japan Inc. (Note 6)	300,000	-	-	300,000	0.824	April 30, 2031		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.357	April 30, 2024		
MUFG Bank, Ltd. (Note 6)	200,000	-	-	200,000	0.525	October 31, 2027		
Aozora Bank, Ltd.	200,000	-	-	200,000	0.601	April 30, 2028		
The Gunma Bank, Ltd. (Note 6)	500,000	-	-	500,000	0.450	September 30, 2026		
The Bank of Fukuoka, Ltd.	-	500,000	-	500,000	0.387	March 31, 2026		
The Nishi-Nippon City Bank, Ltd.	-	500,000	-	500,000				
Shinsei Bank, Ltd.	-	800,000	-	800,000				
The Yamaguchi Bank, Ltd.	-	700,000	-	700,000	0.599	September 30, 2029		
The Higo Bank, Ltd.	-	500,000	-	500,000				
Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.722	January 31, 2029		
Sumitomo Mitsui Trust Bank, Ltd.	-	600,000	-	600,000				
Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000				
Aozora Bank, Ltd.	-	400,000	-	400,000				
Mizuho Bank, Ltd.	-	300,000	-	300,000				
Resona Bank, Ltd.	-	300,000	-	300,000				
MUFG Bank, Ltd. (Note 6)	-	800,000	-	800,000				
Development Bank of Japan Inc.	-	1,600,000	-	1,600,000	0.879	January 31, 2031		
Sub Total	93,500,000	10,000,000	-	103,500,000				
Total	¥ 112,300,000	¥11,750,000	¥ 9,750,000	¥114,300,000				

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	¥ 7,500,000	¥ 9,310,000	¥ 19,090,000	¥ 19,960,000	¥ 47,640,000

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: 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.

23. INVESTMENT CORPORATION BONDS

Outstanding investment corporation bonds as of September 30, 2022 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)						
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026	(Note3)	
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	1,000,000	1,000,000	-	0.320	August 31, 2022		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note4)	
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	2,000,000	-	2,000,000	0.700	April 26, 2028		Unsecured
Sixth series of unsecured investment corporation bonds (Note 2)	April 30, 2020	1,000,000	-	1,000,000	0.400	April 30, 2025		
Seventh Series Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	January 28, 2022	2,000,000	-	2,000,000	0.460	January 28, 2032	(Note5)	
Eighth Series Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	June 22, 2022	-	-	2,000,000	0.500	October 29, 2027	(Note6)	
Total		¥9,000,000	¥1,000,000	¥10,000,000				

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

Note 2: Ranking pari passu among the specified investment corporation bonds and small private placement with restrictions on splits of denomination of each bond.

Note 3: 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 4: Investment corporation bonds were used as the funds for repayment of debts.

Note 5: Investment corporation bonds were used as the funds for repayment of debts that were borrowed for the purpose to acquire the eligible green assets.

Note 6: Investment corporation bonds were used as the funds for repayment of Investment corporation bonds and debts that were borrowed for the purpose to acquire the eligible green assets.

Note 7: 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	¥ -	¥3,000,000

Outstanding investment corporation bonds as of March 31, 2022 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	(Note3)	
Second series of unsecured investment corporation bonds (Note 1)	October 31, 2016	1,000,000	-	1,000,000	0.600	October 30, 2026		
Third series of unsecured investment corporation bonds (Note 1)	August 31, 2017	1,000,000	-	1,000,000	0.320	August 31, 2022		
Fourth series of unsecured investment corporation bonds (Note 1)	August 31, 2017	2,000,000	-	2,000,000	0.700	August 31, 2027	(Note4)	Unsecured
Fifth series of unsecured investment corporation bonds (Note 1)	April 26, 2018	2,000,000	-	2,000,000	0.700	April 26, 2028		
Sixth series of unsecured investment corporation bonds (Note 2)	April 30, 2020	1,000,000	-	1,000,000	0.400	April 30, 2025		
Seventh Series Unsecured	January 28,	-	-	2,000,000	0.460	January	(Note5)	

Investment Corporation Bonds (Green Bonds) (Note 1)	2022	28, 2032		
Total	¥8,000,000	¥1,000,000	¥9,000,000	

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

Note 2: Ranking pari passu among the specified investment corporation bonds and small private placement with restrictions on splits of denomination of each bond.

Note 3: 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 4: Investment corporation bonds were used as the funds for repayment of debts.

Note 5: Investment corporation bonds were used as the funds for repayment of debts that were borrowed for the purpose to acquire the eligible green assets.

Note 6: 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	¥1,000,000

24. DISTRIBUTIONS

	From April 1, 2022 to September 30, 2022	From October 1, 2021 to March 31, 2022
I. Retained earnings at the end of period	¥3,775,141,552	¥4,404,711,898
II. Incorporation into unitholders' capital	¥ -	¥ 276,855,799
Of which, reversal of allowance for temporary difference adjustments	¥ -	¥ 276,855,799
III. Total distributions	¥3,774,835,668	¥4,127,634,930
Distributions per unit	¥6,484	¥7,090
Of which, distributions of earnings	¥3,774,835,668	¥4,127,634,930
Of which, distributions of earnings per unit	¥6,484	¥7,090
IV. Retained earnings brought forward to the next period	¥305,884	¥221,169

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 ¥3,774,835,668 which is almost the entire amount of retained earnings as the distributions of earnings.

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 ¥4,127,634,930 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act after deduction of reversal of allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations).

Method of calculating distribution amount

Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the 15th fiscal period, KRR has decided not to distribute cash in excess of distributable profit.

Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the 14th fiscal period, KRR has decided not to distribute cash in excess of distributable profit.

15th Fiscal Period (April 1, 2022 to September 30, 2022)

Not applicable

14th Fiscal Period (October 1, 2021 to March 31, 2022)

1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Reversal of allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in the fair value of derivative instruments	¥276,855

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.

Independent Auditor's Report

The Board of Directors
Kenedix Retail REIT Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Retail REIT Corporation (the Company), which comprise the balance sheet as at September 30, 2022, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Semi-annual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. the Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC

Tokyo, Japan

December 22, 2022

/s/ Hitoshi Sakurai

Hitoshi Sakurai

Designated Engagement Partner

Certified Public Accountant

/s/ Masahiro Yawata

Masahiro Yawata

Designated Engagement Partner

Certified Public Accountant