

Translation of Japanese Original

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED SEPTEMBER 30, 2017 (REIT)**(April 1, 2017 to September 30, 2017)**

November 14, 2017

Kenedix Retail REIT Corporation (“KRR”) is listed on the Tokyo Stock Exchange with the securities code number 3453.

(URL <http://www.krr-reit.com/en/>)

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Planned submission of semiannual securities report: December 25, 2017

Planned start of distribution payments: December 14, 2017

Preparing presentation material: Yes

Hold a financial brief meeting: Yes (for analysts and institutional investors)

(Amounts are rounded down to the nearest million yen)

1. PERFORMANCE FOR THE FISCAL PERIOD ENDED SEPTEMBER 30, 2017 (April 1, 2017 to September 30, 2017)**(1) Business Results**

(Percentages show period-on-period changes)

Fiscal period ended	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2017	7,803	21.3	3,666	21.3	3,108	21.6	3,104	21.6
March 31, 2017	6,430	0.9	3,021	1.6	2,556	1.5	2,552	1.4

Fiscal period ended	Net income per unit	Return on net assets	Ordinary income to total assets	Ordinary income to operating revenues
	Yen	%	%	%
September 30, 2017	6,219	2.9	1.5	39.8
March 31, 2017	6,043	2.6	1.4	39.8

Note: Net income per unit is calculated by dividing the net income by the weighted average number of units.

(2) Distribution

Fiscal period ended	Distributions per unit (including excess of earnings)	Distributions per unit (excluding excess of earnings)	Distributions in excess of earnings per unit	Total distributions (including excess of earnings)	Total distributions (excluding excess of earnings)	Total distributions in excess of earnings	Payout ratio	Distribution ratio to net assets
				Millions of Yen	Millions of Yen	Millions of Yen		
September 30, 2017	6,115	6,115	0	3,104	3,104	0	100.0	2.7
March 31, 2016	6,044	6,044	0	2,553	2,553	0	100.0	2.6

Note 1: Total distributions in excess of earnings account for the distributions in regard to the allowance for temporary adjustment.

Note 2: Due to the issuance of new investment units, the payout ratio for the fiscal period ended September 30, 2017 is calculated as follows (rounded to the nearest tenth).

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

(3) Financial Position

As of	Total assets	Net assets	Net assets to total assets	Net asset per unit
	Millions of yen	Millions of yen	%	Yen
September 30, 2017	229,628	116,516	50.7	229,498
March 31, 2017	185,037	96,823	52.3	229,195

(4) Cash Flows

Fiscal period ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2017	3,006	(40,102)	39,651	16,851
March 31, 2017	4,211	(6,002)	2,857	14,296

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2. EARNINGS FORECASTS FOR THE FISCAL PERIODS ENDING MARCH 31, 2018 (October 1, 2017 to March 31, 2018) AND SEPTEMBER 30, 2018 (April 1, 2018 to September 30, 2018)

(Percentages show period-on-period changes)

Fiscal period ending	Operating revenues (Millions of yen)		Operating income (Millions of yen)		Ordinary income (Millions of yen)		Net income (Millions of yen)		Distributions per unit (excluding excess of earnings)	Distributions in excess of earnings per unit	Distributions per unit (including excess of earnings)
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	Yen	Yen
March 31, 2018	8,039	3.0	3,730	1.8	3,143	1.1	3,142	1.2	6,190	10	6,200
September 30, 2018	8,136	1.2	3,662	(1.8)	3,097	(1.5)	3,096	(1.5)	6,098	10	6,108

Reference: Forecasted net income per unit (Forecasted net income / Forecasted average number of investment units during the period)

6,190 yen for the fiscal period ending March 31, 2018 and 6,098 yen for the fiscal period ending September 30, 2018

Note: Distributions per unit are calculated based on the number of investment units issued and outstanding totaled 507,700 as of today.

*OTHERS

(1) Changes in Accounting Policies/Changes in Accounting Estimate/Retrospective Restatement

- (a) Changes in accounting policies accompanying revisions to accounting standards: None
- (b) Changes in accounting policies other than (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None

(2) Number of Investment Units Issued and Outstanding (including treasury investment units)

- (a) Number of investment units issued and outstanding at the end of the period (including treasury investment units)

As of September 30, 2017: 507,700 units

As of March 31, 2017: 422,450 units

- (b) Number of treasury investment units at the end of the period

As of September 30, 2017: 0 units

As of March 31, 2017: 0 units

Note: Please refer to "Per Unit Information" on page 26 for the number of investment units used as the basis for calculating net income per unit.

* Status of audit procedures

As of the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

* Remarks on appropriate use of forecasts of performance and other special notes

Forward-looking statements presented in this financial report, including forecasts of performance, are based on information currently available to KRR and on certain assumptions KRR deems to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of numerous factors. The above-mentioned forecasts are based on "Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending March 31, 2018 and September 30, 2018" on page 9 for calculation, and our judgment as of November 14, 2017. Actual operating revenues, operating income, ordinary income, net income, distributions per unit and distributions in excess of earnings per unit may vary according to changes in market conditions. These forecasts do not guarantee the distribution amount.

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1. KRR and Related Corporations

As there have been no significant changes from the “Management structure of KRR” described in the Securities Registration Statement (submitted on June 29, 2017; prepared in Japanese only), the disclosure is omitted.

2. Investment Policies and Status of Asset Management

(1) Investment Policies

KRR has changed the Retail REIT Management Guidelines of Kenedix Real Estate Fund Management, Inc. (“KFM”) on Nov 14, 2017 as follows: (1) added wooden structure building to the investment guidelines and (2) added provisions regarding acquisition of own investment units.

Besides the above changes, the disclosure is omitted as there have been no other significant changes from policies described in “Investment Policy,” “Investment Properties” and “Distribution Policy” in the Securities Registration Statement (submitted on June 29, 2017; prepared in Japanese only).

(2) Status of Asset Management

(Overview of the Period ended September 30, 2017)

i) Transition of KRR

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

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

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

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

ii) Investment Environment

There were signs of a moderate economic rebound in Japan with recoveries in employment and income environment. Real GDP growth (2nd preliminary estimate) in the second quarter of 2017 was positive 2.5% on an annualized basis, indicating positive figures for five consecutive quarters. However, uncertainty in economy remains due to the policies of the new U.S. administration, a rise in protectionism, geopolitical risks, etc.

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

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

iii) Management Performance

(A) Acquisition of Assets

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

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

Note 1: Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store).

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

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

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

(B) Management and Operation of Assets

KFM provides property management services for all of the properties owned by KRR at the end of the period under review (September 30, 2017). By using the same company for both asset management and property management services, KRR aims to build stronger relationships with tenants and increase returns from its portfolio. Furthermore, by implementing retail property management that better reflects the needs of our tenants, KRR strives to accumulate know-how and improve tenant satisfaction. KRR invests primarily in neighborhood and community shopping centers that cater to the day-to-day needs of customers. The portfolio is diversified in terms of properties, tenants and other characteristics with a goal to generate consistent long-term cash flows. At the same time, a portion of the rent includes sales-linked rent to explore the upside potential (Note 1) for rental income. By using these measures, we aim to pursue a portfolio that achieves both stability and growth.

As of the end of the period under review, portfolio as a whole performed well with an overall occupancy ratio of 99.6%. Furthermore, the portfolio is diversified in terms of tenants as there are 542 end-tenants (Note 2) in our retail properties.

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

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

(C) Financing

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

(Equity Finance)

In the fiscal period under review, KRR issued a total of 81,250 new units offered in Japan and overseas on April 18, 2017, and raised 18,244 million yen that was used for partial acquisition of properties. In addition, 4,000 units were issued through third party allotment on May 17, 2017, raising 898 million yen, which was used to prepay borrowing for acquisition of properties. Due to these activities,

unitholders' capital increased to 113,399 million yen as of September 30, 2017.

(Debt Finance)

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

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

(Investment Corporation Bonds)

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

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

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

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

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

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

(Credit Ratings)

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

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

(Shelf Registration)

KRR filed a shelf registration statement for investment corporation bonds (excluding short-term investment corporation bonds) on September 29, 2016. Details are as follows.

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

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

iv) Results of Operations

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

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

Consequently, the distribution per unit was 6,115 yen.

(Outlook)

i) Outlook for Asset Management

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

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

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

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

(A) Investment Strategy for New Properties and Disposition Policy

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

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

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

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

(B) Management Strategy for Existing Properties

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

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

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

“One-stop” asset management and property management services

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

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

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

Pursuit of internal growth through management of retail properties

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

i. Effectively utilize capital expenditure

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

ii. Optimize tenant mix

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

iii. Realize growth in asset value by pursuing property expansions

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

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

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

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

(C) Financing

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

(D) Disclosure of Information

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

(E) Conflicts of Interest

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

(F) Important Subsequent Events

Not applicable

(Reference Material)**Disposition of Assets**

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

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

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

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

ii) Earnings Forecasts

For the fiscal period ending March 31, 2018 (from October 1, 2017 to March 31, 2018) and the fiscal period ending September 30, 2018 (from April 1, 2018 to September 30, 2018), the earnings forecasts are estimated as set forth below.

Fiscal period ending March 31, 2018

Operating revenues	8,039 million yen
Operating Income	3,730 million yen
Ordinary income	3,143 million yen
Net Income	3,142 million yen
Distributions per unit	6,200 yen
Of the above, distributions in excess of earnings	10 yen

Fiscal period ending September 30, 2018

Operating revenues	8,136 million yen
Operating Income	3,662 million yen
Ordinary income	3,097 million yen
Net Income	3,096 million yen
Distributions per unit	6,108 yen
Of the above, distributions in excess of earnings	10 yen

Please refer to “Assumptions for the Earnings Forecasts for the Fiscal Periods Ending March 31, 2018 and September 30, 2018” set forth below for information on current assumptions for the forecasts of operating results.

Note: The above forecasts are based on certain assumptions for calculation, and our judgment as of today. Actual operating revenues, operating income, ordinary income, net income, distributions per unit and distributions in excess of earnings per unit may vary due to changes in market conditions. These forecasts do not guarantee the distribution amount.

Assumptions for the Earnings Forecasts for the Fiscal Periods Ending March 31, 2017 and September 30, 2018

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> • The 6th fiscal period: October 1, 2017 to March 31, 2018 (182 days) • The 7th fiscal period: April 1, 2018 to September 30, 2018 (183 days)
Property portfolio	<ul style="list-style-type: none"> • It is assumed that there will be no changes (any acquisition of new properties or any sale of existing properties, etc.) in property portfolio of 51 assets (the “existing assets”) as of September 30, 2017, by the end of the fiscal period ending March 31, 2018. • It is assumed that there will be no changes (any acquisition of new properties or any sale of existing properties, etc.) in property portfolio of 50 assets by the end of the fiscal period ending September 30, 2018, after K’s Denki Nakagawa Tomita (Land) is sold in the seventh fiscal period from the 51 existing assets. • The actual property portfolio may change due to the acquisition of new properties other than the asset acquired in the fifth fiscal period or the disposal of owned properties, etc.
Operating revenues	<ul style="list-style-type: none"> • Operating revenues are based on leasing agreements as of September 30, 2017, trend of tenants, real estate market trends and other factors. • Gain on the sale of 210 million yen is assumed for the fiscal period ending September 30, 2018 by disposing K’s Denki Nakagawa Tomita (Land) as indicated above. • Operating revenues are based on the assumption that there will be no rent in arrears or non-payments by the tenant.
Operating expenses	<ul style="list-style-type: none"> • Property-related operating expenses other than depreciation are calculated based on historic data, etc., and these costs reflect fluctuations in the costs, including leasing costs based on the leasing agreements. • Depreciation expenses of 927 million yen, and 929 million yen are assumed for the fiscal periods ending March 31, 2018 and September 30, 2018, respectively, using the straight-line depreciation method. • 563 million yen and 691 million yen of property related taxes are expected to be expensed during the fiscal periods ending March 31, 2018 and September 30, 2018 respectively. For the properties acquired after January 1, 2017, property-related taxes are not expensed in the fiscal period ending March 31, 2018 because KRR reimbursed the seller, pursuant to the purchase agreement, for the pro rata portion of the property-related taxes. 126 million yen is expected in the fiscal period ending September 30, 2018, when the property related taxes for the properties are expensed. • With respect to building repair expenses, the amount assumed to be necessary for each property is based on the repair plan of KFM for each fiscal period. However, repair expenses may be substantially different from the expected amount due to certain unexpected factors.

Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> • The amortization of offering-related costs are expected to be expensed 84 million yen and 61 million yen for the fiscal periods ending March 31, 2018, and September 30, 2018, respectively. It is assumed that the offering-related costs are amortized using the straight-line method over 3 years. • For interest expenses and other debt-related costs, 497 million yen and 498 million yen are expected for the fiscal periods ending March 31, 2018, and September 30, 2018, respectively.
Borrowings and investment corporation bonds	<ul style="list-style-type: none"> • As of today, KRR has an outstanding balance of 92,900 million yen in borrowings and 5,000 million yen in investment corporation bonds. • The LTV ratio is expected to be 42.6% at the end of the period ending March 31, 2018 and September 30, 2018 (rounded to the nearest tenth). • The LTV ratio has been calculated according to the following formula: LTV ratio = (Loans payable + Investment corporation bonds) / Total assets
Investment units	<ul style="list-style-type: none"> • The forecasts are based on our assumption of 507,700 units issued as of today. It is assumed that there will be no changes in the number of investment units due to the new issuance of units until the end of the fiscal period ending September 30, 2018.
Distributions per unit (excluding excess of earnings per unit)	<ul style="list-style-type: none"> • Distributions per unit (excluding excess of earnings per unit) are calculated in accordance with the distribution policy outlined in our Articles of Incorporation. • We assume that there is no effect from the changes in market value of swaps on the distributions per unit for the fiscal periods ending March 31, 2018 and September 30, 2018. • Actual distributions per unit (excluding excess of earnings per unit) may fluctuate due to various factors including movements in investment assets, fluctuations in rental revenues caused by tenant replacements, or unexpected repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • We expect to record Allowance for Temporary Adjustment (ATA) to adjust the temporary differences between treatment of certain transactions under Japanese GAAP and Japanese tax laws in relation to Sunny Noma, which results from the depreciation of fixed term land lease right for business purposes, the expensed interest from asset retirement obligations and deprecation of buildings, during the relevant period (30 years starting from March 16, 2007). Although we assume no effect from the changes in the fair value of swaps on the distributions per unit, we may not record ATA, depending on the fair value, which may change due to the fluctuations in the interest rate market. • KRR has a policy to distribute the amount of increase in ATA, in excess of its earnings. Distributions in excess of earnings are expected to be 10 yen per unit and 10 yen per unit in the periods ending March 31, 2018 and September 30, 2018, respectively.
Others	<ul style="list-style-type: none"> • Forecasts are based on the assumption that there will be no amendments to the law, taxation system, accounting standards, public listing regulations, requirements of the Investment Trusts Association, Japan, etc. that may affect the aforementioned forecast figures. • Forecasts are based on the assumption that there will be no unexpected. Significant changes in general economic trends and real estate market trends or other conditions.

iii) Risk Factors

There are no significant changes to the “Investment Risks” in described in the Securities Registration Statement (submitted on June 29, 2017; prepared in Japanese only), the disclosure is omitted.

3. Financial Statements

(1) Balance Sheets

(in thousands of yen)

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

(in thousands of yen)

	Fourth Fiscal Period (As of March 31, 2017)	Fifth Fiscal Period (As of September 30, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	516,631	574,194
Short-term loans payable	11,470,000	12,670,000
Current portion of long-term loans payable	3,850,000	3,850,000
Accounts payable-other	280,035	339,816
Accrued expenses	12,501	18,164
Income taxes payable	3,275	2,703
Accrued consumption taxes	245,842	41,046
Advances received	878,241	1,104,639
Deposits received	124,240	142,780
Total current liabilities	17,380,767	18,743,344
Non-current liabilities		
Investment corporation bonds	2,000,000	5,000,000
Long-term loans payable	57,380,000	76,380,000
Tenant leasehold and security deposits in trust	*1 11,397,149	12,933,293
Asset retirement obligations	23,335	23,482
Other	32,639	31,767
Total non-current liabilities	70,833,124	94,368,543
Total liabilities	88,213,892	113,111,887
Net assets		
Unitholders' equity		
Unitholders' capital	94,256,390	113,399,022
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	*3 (40,593)	(9,754)
Total deduction from unitholders' capital	(40,593)	(9,754)
Unitholders' capital, net	94,215,796	113,389,267
Surplus		
Unappropriated retained earnings	2,584,343	3,104,740
Total surplus	2,584,343	3,104,740
Total unitholders' equity	96,800,139	116,494,008
Valuation and translation adjustments		
Deferred gains or losses on hedges	23,395	22,553
Total valuation and translation adjustments	23,395	22,553
Total net assets	*4 96,823,535	116,516,561
Total liabilities and net assets	185,037,427	229,628,449

(2) Statements of Income and Retained Earnings

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

(3) Statements of Changes in Net Assets

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

(in thousands of yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
Allowance for temporary difference adjustments		Total deduction from unitholders' capital					
Balance at the beginning of the period	94,256,390	(4,263)	(4,263)	94,252,127	2,518,802	2,518,802	96,770,929
Changes of items during the period							
Dividends from surplus					(2,487,385)	(2,487,385)	(2,487,385)
Distributions in excess of earnings from allowance for temporary difference adjustments		(36,330)	(36,330)	(36,330)			(36,330)
Net income					2,552,926	2,552,926	2,552,926
Net changes of items other than unitholder's equity							
Total changes of items during the period	-	(36,330)	(36,330)	(36,330)	65,540	65,540	29,209
Balance at the end of the period	*1 94,256,390	(40,593)	(40,593)	94,215,796	2,584,343	2,584,343	96,800,139

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	(31,166)	(31,166)	96,739,763
Changes of items during the period			
Dividends from surplus			(2,487,385)
Distributions in excess of earnings from allowance for temporary difference adjustments			(36,330)
Net income			2,552,926
Net changes of items other than unitholder's equity	54,562	54,562	54,562
Total changes of items during the period	54,562	54,562	83,772
Balance at the end of the period	23,395	23,395	96,823,535

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

(in thousands of yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
Balance at the beginning of the period	94,256,390	(40,593)	(40,593)	94,215,796	2,584,343	2,584,343	96,800,139
Changes of items during the period							
Issuance of new investment units	19,142,631			19,142,631			19,142,631
Dividends from surplus					(2,553,287)	(2,553,287)	(2,553,287)
Reversal of allowance for temporary difference adjustments		30,838	30,838	30,838	(30,838)	(30,838)	—
Net income					3,104,524	3,104,524	3,104,524
Net changes of items other than unitholder's equity							
Total changes of items during the period	19,142,631	30,838	30,838	19,173,470	520,397	520,397	19,693,868
Balance at the end of the period	*1 113,399,022	(9,754)	(9,754)	113,389,267	3,104,740	3,104,740	116,494,008

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	23,395	23,395	96,823,535
Changes of items during the period			
Issuance of new investment units			19,142,631
Dividends from surplus			(2,553,287)
Reversal of allowance for temporary difference adjustments			—
Net income			3,104,524
Net changes of items other than unitholder's equity	(842)	(842)	(842)
Total changes of items during the period	(842)	(842)	19,693,026
Balance at the end of the period	22,553	22,553	116,516,561

(4) Statements of Cash Distributions

(yen)

	Fourth Fiscal Period (From October 1, 2016 to March 31, 2017)	Fifth Fiscal Period (From April 1, 2017 to September 30, 2017)
I. Retained earnings at the end of period	2,584,343,087	3,104,740,879
II. Incorporation into unitholders' capital	30,838,850	-
Of which, reversal of allowance for temporary difference adjustments	30,838,850	-
III. Total distributions	2,553,287,800	3,104,585,500
Distributions per unit	6,044	6,115
IV. Retained earnings brought forward to the next period	216,437	155,379
Method of calculating distribution amount	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥2,553,287,800 which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act after deduction of reversal of allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations).</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the fourth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>	<p>In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute ¥3,104,585,500 which is almost the entire amount of retained earnings as the distributions of earnings .</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. In the fifth fiscal period, KRR has decided not to distribute cash in excess of distributable profit.</p>

(5) Statements of Cash Flows

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

(6) Notes on Assumption of Going Concern

Not applicable

(7) Summary of Significant Accounting Policies

1. Evaluation standards and evaluation method of assets	<p>Securities</p> <p>Other securities</p> <p>Those with no fair value</p> <p>Cost method through moving-average method</p> <p>Concerning silent partnership equity interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the silent partnership is adopted.</p>
2. Method of depreciation of non-current assets	<p>(1) Property, plant and equipment (including trust assets)</p> <p>The straight-line method is applied.</p> <p>Useful lives of the assets ranging are as follows:</p> <p>Buildings: 2 to 70 years</p> <p>Structures: 8 to 59 years</p> <p>Machinery and equipment: 5 to 25 years</p> <p>Tools, furniture and fixtures: 3 to 15 years</p> <p>(2) Intangible assets (including trust assets)</p> <p>The straight-line method is applied.</p> <p>(3) Long-term prepaid expenses</p> <p>The straight-line method is applied.</p>
3. Accounting for deferred assets	<p>(1) Organization costs</p> <p>Organization costs are amortized over a period of 5 years under the straight-line method.</p> <p>(2) Investment unit issuance costs</p> <p>Investment unit issuance costs are amortized over a period of 3 years under the straight-line method.</p> <p>(3) Investment corporation bond issuance costs</p> <p>Investment corporation bond issuance costs are amortized over a maturity period under the straight-line method.</p>
4. Accounting for revenues and expenses	<p>Accounting for property-related taxes</p> <p>Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities.</p> <p>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 21,351 thousand yen and 137,530 thousand yen as of March 31, 2017 and September 30, 2017, respectively.</p>
4. Method of hedge accounting	<p>(1) Hedge accounting method</p> <p>Deferral hedge accounting is applied. However, the special treatment is applied for the interest-rate swap agreements that meet the criteria for special treatment.</p> <p>(2) Hedging instruments and hedged items</p> <p>Hedge instruments</p> <p>Interest-rate swap transactions</p> <p>Hedged items</p> <p>Interest payments on debts</p> <p>(3) Hedging policy</p> <p>KRR enters into derivative transactions based on its risk management policies with the objective of hedging risks provided in its Articles of Incorporation.</p> <p>(4) Method of assessing the effectiveness of hedging</p> <p>As for the method of assessment of the effectiveness of the hedge in the period from the inception of the hedge to the time of judgment of its effectiveness, the cumulative changes in cash flow of the hedged items and hedging instruments are compared and a judgment is made based on changed amount, etc. However, an assessment of the effectiveness of hedging activities is omitted in the case of interest rate swaps that meet the requirements for special treatment.</p>
5. Scope of cash and cash equivalents on statements of cash flows	<p>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.</p>
6. Other significant accounting policies for the preparation of financial statements	<p>(1) Accounting method for trust beneficiary interests in real estate and other assets</p> <p>The assets and liabilities as well as revenues and expenses of financial assets held in the form of trust beneficiary interests in real estate and other assets are recorded in full in KRR's balance sheet and statement of income and retained earnings.</p> <p>Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet.</p> <ol style="list-style-type: none"> 1. Cash and deposits in trust 2. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust, construction in progress in trust 3. Leasehold right in trust 4. Lease and guarantee deposits in trust 5. Tenant leasehold and security deposits in trust <p>(2) Accounting method for consumption taxes</p> <p>Consumption taxes are separately recorded. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.</p>

(Additional Information)

(Notes to Allowance for Temporary Difference Adjustments Additions and Reversals)

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

1. Reasons, related assets and reversal of allowance

(in thousands of yen)

Related assets, etc.	Reason	Reversal of allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in the fair value of derivative instruments	30,838

2. Method of reversal

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

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

Not applicable

(8) Notes to Financial Statements

(Notes to Balance Sheets)

* 1. Assets pledged as collateral and relevant secured liabilities:

(in thousands of yen)

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

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

2. Commitment line contracts

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

(in thousands of yen)

	Fourth Fiscal Period As of March 31, 2017	Fifth Fiscal Period As of September 30, 2017
Total amount of commitment line contracts	-	2,000,000
Balance of borrowings outstanding	-	-
Difference	-	2,000,000

* 3. Allowance for temporary difference adjustments

Fourth Fiscal Period (As of March 31, 2017)

1. Reasons, related assets, initial amount and allowance

(in thousands of yen)

Related assets, etc.	Reason	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
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	9,754	4,263	5,491	-	9,754	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	30,838	-	30,838	-	30,838	-
Total		40,593	4,263	36,330	-	40,593	-

2. Method of reversal

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

Fifth Fiscal Period (As of September 30, 2017)

1. Reasons, related assets, initial amount and allowance

(in thousands of yen)

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

2. Method of reversal

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

* 4. Minimum net assets prescribed in Article 67-4 of the Investment Trust Act

(in thousands of yen)

Fourth Fiscal Period As of March 31, 2017	Fifth Fiscal Period As of September 30, 2017
50,000	50,000

(Notes to Statements of Income and Retained Earnings)

* 1. Breakdown of real estate rental revenues and expenses

(in thousands of yen)

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

(Notes to Statements of Changes in Net Assets)

* 1. Total number of authorized investment units and total number of investment units issued and outstanding

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

(Notes to Statements of Cash Flows)

* 1. Reconciliation of balance sheet items to cash and cash equivalents at the end of period in the cash flows statements

(in thousands of yen)

	Fourth Fiscal Period From October 1, 2016 to March 31, 2017	Fifth Fiscal Period From April 1, 2017 to September 30, 2017
Cash and deposits	5,258,633	5,265,120
Cash and deposits in trust	11,575,715	13,908,498
Restricted bank deposits in trust (Note)	(2,537,444)	(2,321,767)
Cash and cash equivalents	14,296,903	16,851,851

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

(Notes to Lease Transactions)

Operating lease transactions (Lessee)

Future minimum lease payments

(in thousands of yen)

	Fourth Fiscal Period As of March 31, 2017	Fifth Fiscal Period As of September 30, 2017
Due within 1 year	10,500	10,500
Due after 1 year	199,048	193,798
Total	209,548	204,298

Operating lease transactions (Lessor)

Future minimum lease income

(in thousands of yen)

	Fourth Fiscal Period As of March 31, 2017	Fifth Fiscal Period As of September 30, 2017
Due within 1 year	6,112,316	8,424,336
Due after 1 year	49,962,185	63,081,778
Total	56,074,501	71,506,114

(Notes to the Financial Instruments)

1. Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

Borrowings, and investment corporation bonds, which are made or issued primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 11 years for borrowings and also have a redemption date of a maximum of 9 years and 11 months for investment corporation bonds as of September 30, 2017, the end of the fifth fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

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

(3) Risk management for financial instruments

a. Credit risk

While bank deposits are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited, such risk is monitored by deposits in non-interest bearing ordinary savings accounts or with financial institutions with credit ratings above a certain level. Investment securities represent equity investments in a silent partnership and are exposed to credit risk of the issuer. To manage this credit risk, the Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. In utilizing derivatives, KRR aims to mitigate counterparty risk such as by transacting with financial institutions with favorable ratings.

b. Market risk

While borrowings with floating rates are exposed to interest rate fluctuation risk, such risk is monitored by adjusting the rate of the balance of borrowings with floating rates against

the total borrowings according to the financial environment, interest rate forecasts by continuous monitoring, etc. and by using derivatives, etc. While investment securities, which are equity investments in a silent partnership, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives and such transactions are conducted based on this policy.

c. Liquidity risk

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

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

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

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

2. Estimated fair value of financial instruments

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

Fourth Fiscal Period
As of March 31, 2017

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

Fifth Fiscal Period
As of September 30, 2017

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

Note1: Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

(5) Tenant leasehold and security deposits in trust

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

Derivative transactions

Please refer to "Notes to Derivative Transactions".

Note2: Financial instruments whose fair values are extremely difficult to determine

(in thousands of yen)

Classification	Fourth Fiscal Period As of March 31, 2017
Investment securities (*1)	101,690
Tenant leasehold and security deposits in trust (*2)	8,249,594
Total	8,351,284

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

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

(in thousands of yen)

Classification	Fifth Fiscal Period As of September 30, 2017
Investment securities (*1)	2,790
Tenant leasehold and security deposits in trust (*2)	10,045,743
Total	10,048,533

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

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

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

Fourth Fiscal Period
As of March 31, 2017

(in thousands of yen)

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

Fifth Fiscal Period
As of September 30, 2017

(in thousands of yen)

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

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

Fourth Fiscal Period
As of March 31, 2017

(in thousands of yen)

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

Fifth Fiscal Period
As of September 30, 2017

(in thousands of yen)

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

(Notes to Derivative Transactions)

(1) Transactions not subject to hedge accounting

Fourth Fiscal Period (As of March 31, 2017) and Fifth Fiscal Period (As of September 30, 2017): Not applicable

(2) Transactions subject to hedge accounting

Fourth Fiscal Period

As of March 31, 2017

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	5,840,000	5,840,000	23,395	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	41,050,000	*	-
			50,740,000	46,890,000	23,395	

*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to “Notes to Financial Instruments (Note1) 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”.)

Fifth Fiscal Period

As of September 30, 2017

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	16,940,000	16,940,000	22,553	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	41,050,000	*	-
			61,840,000	57,990,000	22,553	

*Interest rate swaps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable. (Please refer to “Notes to Financial Instruments (Note1) 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”.)

(Notes to the Related-Party Transactions)

1. Parent Company, major corporate unitholders and other

Fourth Fiscal Period (From October 1, 2016 to March 31, 2017) and Fifth Fiscal Period (From April 1, 2017 to September 30, 2017): Not applicable

2. Affiliated companies and other

Fourth Fiscal Period (From October 1, 2016 to March 31, 2017) and Fifth Fiscal Period (From April 1, 2017 to September 30, 2017): Not applicable

3. Fellow subsidiary companies and other

Fourth Fiscal Period (From October 1, 2016 to March 31, 2017) and Fifth Fiscal Period (From April 1, 2017 to September 30, 2017): Not applicable

4. Directors, major individual unitholders and other

Fourth Fiscal Period (From October 1, 2016 to March 31, 2017) and Fifth Fiscal Period (From April 1, 2017 to September 30, 2017): Not applicable

(Notes to the Tax-Effect Accounting)

1. The significant components of deferred tax assets and liabilities:

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

2. The significant differences between the statutory tax rate and the effective tax rate:

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

(Notes to Asset Retirement Obligations)

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

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

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

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

(Notes to the Segment Information)

(Segment information)

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

(Related information)

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

1. Information about each product and service

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

2. Information about each geographic area

(1) Net sales

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

(2) 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.

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

1. Information about each product and service

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

2. Information about each geographic area

(1) Net sales

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

(2) 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.

(Notes to Investment and Rental Properties)

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

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

(in thousands of yen)

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

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

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

The profit or loss for the period under review concerning investment and rental properties is indicated under "Notes to Statements of Income and Retained Earnings."

(Notes to Per Unit Information)

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

Note1: Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the period. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

Note2: The basis for calculating net income per unit is as follows:

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

(Notes to Significant Subsequent Events)

Not applicable

(Omission of Disclosure)

Notes to Securities, Equity-Method Income and Retained Earnings, and Retirement Payment are omitted as immaterial to disclose.

(9) Changes in Investment Units Issued and Outstanding

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

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

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

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

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

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

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

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

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

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

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

Note 10: Distributions in excess of earnings for the allowance for temporary difference adjustments are not considered.

4. Resignation/Appointment of the Directors

(1) Resignation/Appointment of the Director of KRR

Not applicable

(2) Resignation/Appointment of the Director of KFM

Not applicable

5. Reference Information

(1) Component of Assets

Type of specified asset	Property type	Areas (Note 1)	Fourth fiscal period as of March 31, 2017		Fifth fiscal period as of September 30, 2017	
			Total amount held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)	Total amount held (Millions of Yen) (Note 2)	Ratio (%) (Note 3)
Trust beneficiary interest in real estate	Neighborhood, community and other shopping centers for daily needs	Tokyo metropolitan area	71,122	38.4	86,655	37.7
		Greater Osaka area	45,000	24.3	44,945	19.6
		Greater Nagoya area	13,971	7.6	22,162	9.7
		Fukuoka area	1,485	0.8	8,133	3.5
	Ordinance-designated cities, core cities and other areas	35,200	19.0	45,874	20.0	
	Other retail properties	-	-	-	-	
Total of trust beneficiary interests in real estate			166,782	90.1	207,771	90.5
Investment securities (Note 4)			101	0.1	2	0.0
Bank deposits and other assets			18,153	9.8	21,854	9.5
Total assets			185,037	100.0	229,628	100.0

	Fourth fiscal period as of March 31, 2017		Fifth fiscal period as of September 30, 2017	
	Amount (Millions of Yen)	Ratio (%) (Note 3)	Amount (Millions of Yen)	Ratio (%) (Note 3)
Total liabilities (Note 5)	88,213	47.7	113,111	49.3
Total net assets (Note 5)	96,823	52.3	116,516	50.7
Total assets	185,037	100.0	229,628	100.0

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

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

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

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

Note 5: "Total liabilities" and "Total net assets" are those on the balance sheets.

(2) Overview of the Portfolio

i) Overview of Investment Securities

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

Asset name	Region	Type of asset	Amount (units)	Book value (in millions)		Evaluation value (in millions) (Note 1)		Ratio (%) (Note 2)	Evaluation profits/losses (in millions)
				Unit price	Price	Unit price	Price		
Silent partnership equity interest of JRP8 GK (Note 3)	Domestic	Silent partnership equity interest	-	-	2	-	2	0.0	-
Total			-	-	2	-	2	0.0	-

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

Note 2: "Ratio" is the ratio of the amount allocated in the balance sheets to the total assets rounded to the nearest tenth.

Note 3: Asset under management is the trust beneficiary interest in real estate of "Yumemachi Narashinodai Mall". KRR acquired the trust beneficiary interest on April 19, 2017.

ii) Overview of Assets Owned

The following summarizes the real estate or the real estate properties in trust owned by KRR as of September 30, 2017.

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	Acquisition price (in millions) (Note 4)	Share (%) (Note 5)
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	14,909	15,200	14,848	7.2
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,523	8,820	8,063	3.9
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,852	6,370	5,850	2.9
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,420	5,940	5,390	2.6
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,401	4,850	4,470	2.2
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,961	4,310	4,000	2.0
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,607	3,840	3,600	1.8
T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,546	2,750	2,586	1.3
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,400	4,815	2.3
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,530	3,169	1.5
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,050	3,000	1.5
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,770	1,700	0.8
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,430	1,442	0.7
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Trust beneficiary interest in real estate	761	807	760	0.4
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,452	3,820	3,360	1.6
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,787	1,910	1,724	0.8
T-17	SM	Life Kameido	Koto ward, Tokyo	Trust beneficiary interest in real estate	1,467	1,520	1,450	0.7
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	4,228	4,300	4,170	2.0
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	Trust beneficiary interest in real estate	3,456	3,520	3,416	1.7
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	Trust beneficiary interest in real estate	3,130	3,260	3,097	1.5
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	2,905	2,840	2,820	1.4
T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	Trust beneficiary interest in real estate	1,908	1,970	1,880	0.9
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,367	9,340	8,389	4.1
O-2	SM	Life Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	3,040	2,685	1.3
O-3	NSC	Piagio Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,137	2,430	2,140	1.0

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture) (Note 2)	Ownership form	Book value (in millions)	Evaluation value (in millions) (Note 3)	Acquisition price (in millions) (Note 4)	Share (%) (Note 5)
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,509	11,600	11,000	5.4
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,649	6,910	6,555	3.2
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,403	6,840	6,450	3.1
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,317	1,330	1,280	0.6
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	488	487	0.2
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,563	1,650	1,505	0.7
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,870	3,723	1.8
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,630	2,311	1.1
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,143	2,320	2,174	1.1
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	995	889	0.4
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,126	7,310	7,140	3.5
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	1,390	1,430	1,370	0.7
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	Trust beneficiary interest in real estate	8,242	7,990	7,911	3.9
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,471	1,560	1,497	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	5,079	5,290	5,020	2.4
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	Trust beneficiary interest in real estate	1,582	1,630	1,515	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	9,984	11,300	10,046	4.9
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,474	1,580	1,469	0.7
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	893	947	898	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,351	5,060	4,180	2.0
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,315	3,330	3,252	1.6
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	851	876	830	0.4
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	Trust beneficiary interest in real estate	5,675	5,960	5,720	2.8
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,171	4,340	4,010	2.0
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	Trust beneficiary interest in real estate	4,320	4,220	4,111	2.0
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	10,835	11,160	10,746	5.2
Total					207,771	218,633	204,913	100.0

Note 1: Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store). For the details of each type of retail properties, please refer "Section 2. Investment Policies and Status of Asset Management, (2) Status of Asset Management (Overview of the Period), iii) Management Performance, (A) Acquisition of Assets".

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

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

Note 4: "Acquisition price" indicates the transfer price of the property to be acquired designated in each sale and purchase agreement (excluding the acquisition expenses, property taxes, city planning taxes and consumption taxes, and rounded down to the nearest million yen). (As for the properties with building expansion, the price includes the amount described in the construction contract and construction design/supervision outsourcing contracts (excluding expenses and taxes and rounded down to the nearest million yen)).

Note 5: "Share" represents the percentage of the acquisition price for each property in the total acquisition price, rounded to the nearest tenth.

Note 6: KRR changed property the name as follows.

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

iii) Overview of tenants as of September 30, 2017

The following summarizes leasable area, leased area, occupancy rate, number of tenants, annual rent, and amount of security deposits

Property number	Property name	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual rent (thousands) (Note 5)	Amount of security deposits (millions) (Note 6)
T-1	Fululu Garden Yachiyo	77,057.56	76,629.94	99.4	48	1,097,729	3,130
T-2	MONA Shin-Urayasu	9,592.65	9,201.92	95.9	1(70)	590,158	548
T-3	Passaggio Nishiarai	10,546.25	10,528.25	99.8	1(42)	394,050	240
T-4	Daikanyama Address Dixsept	5,056.39	4,950.90	97.9	1(27)	357,751	319
T-5	Unicus Ina	13,462.71	13,462.71	100.0	1	279,002	141
T-6	Yorktown Kita-Kaname	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
T-7	Unicus Yoshikawa	10,648.27	10,648.27	100.0	1(11)	261,267	203
T-8	Sports Club Renaissance Fujimidai	3,120.87	3,120.87	100.0	1	- (Note 7)	- (Note 7)
T-9	Super Viva Home Iwatsuki (Land)	67,325.95	67,325.95	100.0	1	- (Note 7)	- (Note 7)
T-10	K's Denki Shonan-Fujisawa (Land)	15,578.58	15,578.58	100.0	1	- (Note 7)	141
T-11	Unicus Kamisato (Land)	67,854.47	67,854.47	100.0	1	145,220	70
T-12	Unicus Konosu (Land)	19,329.00	19,329.00	100.0	1	83,014	39
T-13	Inageya Yokohama Minamihonjuku (Land)	4,405.41	4,405.41	100.0	1	- (Note 7)	- (Note 7)
T-14	Gourmet City Chiba-Chuo	3,488.77	3,488.77	100.0	1	- (Note 7)	- (Note 7)
T-15	Nakamachidai Tokyu Store	5,968.71	5,968.71	100.0	1	- (Note 7)	- (Note 7)
T-16	Central Wellness Club Nagatsuta Minamidai	3,996.70	3,996.70	100.0	2	116,400	143
T-17	Life Kameido	2,929.58	2,929.58	100.0	1	- (Note 7)	- (Note 7)
T-18	Totsuka-Fukaya Shopping Center (Land)	14,092.51	14,092.51	100.0	2	- (Note 7)	- (Note 7)
T-19	Yumemachi Narashinodai Mall	7,827.96	7,827.96	100.0	1(14)	227,309	155
T-20	Kawamachi Yahagi Mall	6,397.05	6,397.05	100.0	1(12)	193,105	106
T-21	Prime Sqyare Jiyugaoka	3,512.5	3,512.55	100.0	2	- (Note 7)	- (Note 7)
T-22	Round1 Ichikawa-Onitaka	11,963.61	11,963.61	100.0	1	- (Note 7)	- (Note 7)
O-1	Blumer Maitamon	30,290.55	29,752.83	98.2	50	685,104	415
O-2	Life Takadono (Land)	4,437.07	4,437.07	100.0	1	- (Note 7)	- (Note 7)
O-3	Piago Kahma Home Center Omihachiman	14,313.00	14,313.00	100.0	2	- (Note 7)	- (Note 7)
O-4	Blumer HAT Kobe	23,775.88	23,475.76	98.7	1(42)	659,941	854
O-5	Carino Esaka	7,540.58	7,371.52	97.8	1(30)	287,036	251
O-6	COMBOX Komyoike	25,530.44 (Note 8)	25,530.44	100.0	1	452,310 (Note 9)	435 (Note 10)
O-7	Hankyu Oasis Hirakatadeguchi	2,960.38	2,960.38	100.0	1	- (Note 7)	- (Note 7)
O-8	Welcia Kishiwadakamori (Land)	3,033.45	3,033.45	100.0	1	- (Note 7)	- (Note 7)
O-9	Life Nishi-Tengachaya	2,679.52	2,679.52	100.0	1	89,740	255
O-10	Million Town Tsukaguchi (Land)	8,264.46	8,264.46	100.0	1	- (Note 7)	- (Note 7)
N-1	Kahma Home Center Nakagawa Tomita (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)

Property number	Property name	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Number of tenants (Note 4)	Annual rent (thousands) (Note 5)	Amount of security deposits (millions) (Note 6)
N-2	Valor Ichinomiya-Nishi	9,447.48	9,447.48	100.0	1	- (Note 7)	- (Note 7)
N-3	K's Denki Nakagawa Tomita (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
N-4	Homecenter Kohnan Sunadabashi	20,329.07	20,329.07	100.0	1	- (Note 7)	- (Note 7)
N-5	K's Denki Shin-Moriyama (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
N-6	Resora Obu Shopping Terrace	19,990.40	19,878.29	99.4	1(43)	488,290	322
F-1	Sunny Noma	2,814.67	2,814.67	100.0	1	- (Note 7)	- (Note 7)
F-2	Round1 Stadium Hakata-Hanmichibashi	28,026.61	28,026.61	100.0	1	- (Note 7)	- (Note 7)
F-3	Kurume-Nishi Shopping Center	4,641.10	4,641.10	100.0	4	103,364	62
R-1	Roseo Mito	48,296.15	48,161.79	99.7	1(22)	691,307	459
R-2	K's Denki Aomori Honten	10,083.41	10,083.41	100.0	1	- (Note 7)	174
R-3	Super Sports Xebio Aomori-Chuo	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
R-4	Ashico Town Ashikaga	65,616.31	65,616.31	100.0	1(29)	398,164	334
R-5	Yorktown Shinden-Higashi	12,768.77	12,768.77	100.0	2	- (Note 7)	- (Note 7)
R-6	Kasumi Technopark Sakura	2,047.65	2,047.65	100.0	1	- (Note 7)	24
R-7	Solala Plaza	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
R-8	P-1 Plaza Tenno	12,030.83	12,030.83	100.0	7	270,720	277
R-9	Seiyu Rakuichi Moriya (Land)	- (Note 7)	- (Note 7)	100.0	1	- (Note 7)	- (Note 7)
R-10	Sun Street Hamakita	49,023.34 (Note 11)	48,023.37 (Note 11)	98.0	1(51)	854,456 (Note 11)	488 (Note 11)
Total		865,226.20	862,031.02	99.6	542	13,363,256	12,933

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

Note 2: "Leased area" indicates the total leased area based on the lease agreements for each property as of September 30, 2017. As for lease agreements of buildings, the leased area of warehouses and land are excluded. As for pass-through type master leases, the leased area based on the lease agreements between the master lessee and the end-tenants as of September 30, 2017 is shown. As for sublease type master leases, the leased area to the master lessee is shown.

Note 3: "Occupancy rate" is calculated by dividing leased area by leasable area as of September 30, 2017, rounded to the nearest tenth. The "Total" of "Occupancy rate" represents the average occupancy rate of all properties in the initial portfolio.

Note 4: "Number of tenants" is based upon the number of lease agreements with respect to the building(s) (or land in the case of land-only properties with leasehold interest) on each such property used mainly as stores and offices, as of September 30, 2017. Where one lessee leases more than one section of the property, the lessee is counted as a tenant for each section leased within the property. Where pass-through type master lease agreements are entered into, the number of master lessees is with the number of end-tenants indicated in parentheses. Where sublease type master lease agreements are entered into, the indicated, number of master lessee is shown. The "Total" of "Number of tenants" shows the total number of tenants. As for pass-through type master leases, the number of end-tenants is used for calculation. As for sublease type master leases, the number of master lessee is used for calculation.

Note 5: "Annualized fixed rent" is generally calculated by multiplying the monthly fixed rent and common area charges under a leasing contract with tenants at portfolio properties as of September 30, 2017 (excluding warehouses in the case of building lease agreements) by twelve and rounding down to the nearest thousand yen. For master leases, where the master lease company subleases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by twelve, rounded down to the nearest thousand yen.

Note 6: "Tenant leasehold and security deposits" indicates the outstanding balance of any tenant leasehold and security deposit from the relevant end-tenant(s) set forth in lease agreement(s) effective as of September 30, 2017 (excluding warehouses in the case of building lease agreements), rounded down to the nearest million yen.

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

Note 8: The total area that we own exclusively as a compartmentalized ownership interest (retail space) is shown.

Note 9: Calculated by multiplying the monthly rent and common area charges for September 2017 under the leasing contract by twelve and also taking into consideration the ownership ratio (93.20%) under the compartmentalized ownership agreement.

Note 10: Calculated by multiplying the tenant leasehold and security deposits for the whole building as of September 2017 by the ownership ratio (93.20%).

Note 11: The area that we own exclusively as proportion to the co-ownership interest (co-ownership ratio: 90%) and amount for the proportion are shown.

iv) Overview of the appraisal reports

The following show the summaries of the appraisal reports is the appraisal value of the acquired properties described in each real estate appraisal report prepared by real estate appraisers, including Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute, and The Tanizawa Sōgō Appraisal Co., Ltd. as requested by KRR, based on an important notice concerning real estate appraisal in the context of the Act on Investment Trusts and Investment Corporations, Act on Real Estate Appraisal (Act No. 152 of 1963, including subsequent revisions) and real estate appraisal standards. The appraisal value is the judgment and opinion of the appraiser at a fixed point in time, with no guarantees as to the validity or accuracy of the report, nor to the possibility of transactions at the appraised value. There are no special relations of interest between Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute, and The Tanizawa Sōgō Appraisal Co., Ltd. and KRR or KFM.

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Estimated value							Appraisal NOI yield (%) (Note 2)
					Cost method (in millions)	Cash flow-based method					Appraisal NOI (in millions) (Note 1)	
						Direct capitalization method		DCF method				
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)		
T-1	Fululu Garden Yachiyo	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	15,200	20,800	15,200	4.7	15,200	4.5	4.9	769	5.2
T-2	MONA Shin-Urayasu	Japan Real Estate Institute	Sep. 30, 2017	8,820	6,950	8,880	5.0	8,760	4.7	5.2	493	6.1
T-3	Passaggio Nishiarai	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	6,370	8,790	6,470	4.3	6,320	4.1	4.5	286	4.9
T-4	Daikanyama Address Dixsept	Japan Real Estate Institute	Sep. 30, 2017	5,940	5,150	6,040	3.6	5,830	3.4	3.8	223	4.1
T-5	Unicus Ina	Japan Real Estate Institute	Sep. 30, 2017	4,850	4,030	4,880	5.0	4,810	4.78	5.2	250	5.6
T-6	Yorktown Kita-Kaname	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	4,310	2,500	4,390	4.9	4,280	4.7	5.1	215	5.4
T-7	Unicus Yoshikawa	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	3,840	4,740	3,900	4.7	3,820	4.5	4.9	186	5.2
T-8	Sports Club Renaissance Fujimidai	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	2,750	1,740	2,790	4.6	2,730	4.4	4.8	128	5.0
T-9	Super Viva Home Iwatsuki (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	5,400	-	-	-	5,400	(year 1-15) 4.6 (year 16-35.2) 4.7	-	207	4.3
T-10	K's Denki Shonan-Fujisawa (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	3,530	-	-	-	3,530	(year 1-10) 4.3 (year 11-30.1) 4.4	-	159	5.0
T-11	Unicus Kamisato (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	3,050	-	-	-	3,050	(year 1-13) 4.6 (year 14-28) 4.7 (year 29-38) 4.8	-	138	4.6
T-12	Unicus Konosu (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	1,770	-	-	-	1,770	(year 1-13) 4.5 (year 14-28) 4.6 (year 29-38) 4.7	-	77	4.6
T-13	Inageya Yokohama Minamihonjuku (Land)	Japan Real Estate Institute	Sep. 30, 2017	1,430	-	-	-	1,430	4.0	4.7	64	4.5
T-14	Gourmet City Chiba-Chuo	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	807	1,040	800	5.1	810	4.9	5.3	43	5.8
T-15	Nakamachidai Tokyu Store	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	3,820	2,800	3,860	4.6	3,800	4.4	4.8	182	5.4
T-16	Central Wellness Club Nagatsuta Minamidai	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	1,910	2,380	1,920	5.0	1,900	4.8	5.2	97	5.7
T-17	Life Kameido	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	1,520	1,960	1,530	4.2	1,510	3.9	4.4	65	4.5
T-18	Totsuka-Fukaya Shopping Center (Land)	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	4,300	-	4,300	4.7 (Note 4)	4,300	4.6	-	191	4.6
T-19	Yumemachi Narashinodai Mall	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	3,520	3,250	3,560	4.9	3,500	4.7	5.1	176	5.2
T-20	Kawamachi Yahagi Mall	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	3,260	3,360	3,320	4.8	3,230	4.6	5.0	160	5.2
T-21	Prime Sqyare Jiyugaoka	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	2,840	2,690	2,880	3.6	2,820	3.4	3.8	116	4.1
T-22	Round1 Ichikawa-	Daiwa Real Estate	Sep. 30,	1,970	3,220	1,950	4.8	1,980	4.6	5.0	96	5.2

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Estimated value							Appraisal NOI yield (%) (Note 2)	
					Cost method (in millions)	Cash flow-based method					Appraisal NOI (in millions) (Note 1)		
						Direct capitalization method		DCF method					
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)			
	Onitaka	Appraisal Co., Ltd.	2017										
O-1	Blumer Maitamon	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	9,340	9,040	9,320	5.3	9,350		5.4	5.5	502	6.0
O-2	Central Square Takadono (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	3,040	-	-	-	3,040	(year 1-7) (year 8-18) (year 19-37.8)	4.1 4.2 4.3	-	128	4.8
O-3	Piago Kahma Home Center Omihachiman	Japan Real Estate Institute	Sep. 30, 2017	2,430	2,340	2,450	6.2	2,410		5.9	6.4	151	7.1
O-4	Blumer HAT Kobe	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	11,600	14,800	11,700	4.8	11,600		4.6	5.0	566	5.1
O-5	Carino Esaka	Japan Real Estate Institute	Sep. 30, 2017	6,910	6,730	6,940	4.6	6,880		4.3	4.8	342	5.2
O-6	COMBOX Komyoike	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	6,840	7,710	7,100	5.1	6,730		4.8	5.3	385	6.0
O-7	Hankyu Oasis Hirakatadeguchi	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	1,330	888	1,340	5.5	1,330		5.3	5.7	75	5.9
O-8	Welcia Kishiwadakamori (Land)	Japan Real Estate Institute	Sep. 30, 2017	488	-	-	-	488		4.0	4.7	21	4.5
O-9	Life Nishi-Tengachaya	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	1,650	1,630	1,670	4.7	1,640		4.8	4.9	78	5.2
O-10	Million Town Tsukaguchi (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	3,870	-	-	-	3,870	(year 1-18) (year 19-38.4)	4.1 4.3	-	157	4.2
N-1	Kahma Home Center Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	2,630	-	-	-	2,630	(year 1-16) (year 17-35.7)	4.4 4.5	-	119	5.2
N-2	Valor Ichinomiya-Nishi	Japan Real Estate Institute	Sep. 30, 2017	2,320	1,850	2,330	5.1	2,310		4.8	5.3	129	5.9
N-3	K's Denki Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	995	-	-	-	995	(year 1-16) (year 17-35.7)	4.4 4.5	-	46	5.2
N-4	Homecenter Kohnan Sunadabashi	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	7,310	7,390	7,440	4.8	7,250		4.6	5.0	368	5.2
N-5	K's Denki Shin-Moriyama (Land)	Japan Real Estate Institute	Sep. 30, 2017	1,430	-	-	-	1,430		3.9	4.3	60	4.4
N-6	Resora Obu Shopping Terrace	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2017	7,990	7,740	8,190	4.9	7,900		5.0	5.1	410	5.2
F-1	Sunny Noma	Japan Real Estate Institute	Sep. 30, 2017	1,560	1,340	1,590	4.9	1,520		4.7	5.3	80	5.4
F-2	Round1 Stadium Hakata-Hanmichibashi	Japan Real Estate Institute	Sep. 30, 2017	5,290	4,920	5,310	5.4	5,260		5.1	5.6	286	5.7
F-3	Kurume-Nishi Shopping Center	Japan Real Estate Institute	Sep. 30, 2017	1,630	1,490	1,640	5.3	1,620		5.0	5.5	90	6.0
R-1	Roseo Mito	Japan Real Estate Institute	Sep. 30, 2017	11,300	9,380	11,300	5.2	11,200		4.9	5.4	597	6.0
R-2	K's Denki Aomori Honten	Japan Real Estate Institute	Sep. 30, 2017	1,580	1,660	1,570	5.5	1,570		5.2	5.7	93	6.3
R-3	Super Sports Xebio Aomori-Chuo	Japan Real Estate Institute	Sep. 30, 2017	947	847	952	5.5	941		5.2	5.7	57	6.4
R-4	Ashico Town Ashikaga	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	5,060	7,840	5,030	5.3 (Building) 5.0 (Land) (Note 3)	5,070		5.1 (Building) 5.0 (Land)	5.5 (Building)	268	6.4
R-5	Yorktown Shinden-Higashi	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	3,330	5,130	3,340	5.5	3,330		5.3	5.7	194	6.0
R-6	Kasumi Technopark Sakura	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	876	754	884	5.1	872		4.9	5.3	46	5.6

Property number	Property name	Appraiser	Evaluation date	Appraisal value (in millions)	Estimated value							Appraisal NOI yield (%) (Note 2)
					Cost method (in millions)	Cash flow-based method					Appraisal NOI (in millions) (Note 1)	
						Direct capitalization method		DCF method				
						Estimated value (in millions)	Capitalization rate (%)	Estimated value (in millions)	Discount rate (%)	Terminal capitalization rate (%)		
R-7	Solala Plaza	Japan Real Estate Institute	Sep. 30, 2017	5,960	4,240	5,990	4.8	5,920	4.5	5.0	286	5.0
R-8	P-1 Plaza Tenno	Japan Real Estate Institute	Sep. 30, 2017	4,340	4,350	4,370	5.1	4,300	4.8	5.3	230	5.7
R-9	Seiyu Rakuichi Moriya (Land)	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2017	4,220	-	4,260	4.3 (Note 4)	4,200	4.2	-	166	4.1
R-10	Sun Street Hamakita (Note 5)	Japan Real Estate Institute	Sep. 30, 2017	11,160	9,820	12,500	5.4	12,200	5.1	5.7	627	5.8
Total/Average				218,633	196,649	193,896	-	218,636	-	-	10,904	5.3

Note 1: "Appraisal NOI" is the Net Operating Income calculated by subtracting the amount of operating expenses from the operating revenues described in relevant appraisal reports, and it is the income before depreciation and differs from NCF (Net Cash Flow) which is calculated by adding investment gains from such as deposits and subtracting capex from NOI. The above appraisal NOI is calculated using the direct capitalization method. However, where the direct capitalization method is not applicable, appraisal NOI indicates the net operating income for the first year based on the DCF method. (Note that Unicus Kamisato (Land) and Unicus Konosu (Land) use NOI for the third year, when ordinary operations are expected to take place.) The amounts are rounded down to the nearest one million yen.

Note 2: "Appraisal NOI yield" indicates the value calculated using the following formula and rounded to the nearest tenth. The "Total/average" of "Appraisal NOI yield" indicates the average appraisal NOI yield which is a weighted average of appraisal NOI yields of the acquired properties (rounded to the nearest tenth).
Appraisal NOI of each property / Acquisition price for each property.

Note 3: Inwood method discount rate is shown for discount rate of land-only portion.

Note 4: Inwood method discount rate is shown for discount rate of land-only properties.

Note 5: "Appraisal value" and "Appraisal NOI" are calculated in proportion to the co-ownership interest (90%). Other figures refer to the entire land and building.

v) Overview of building condition investigation reports

KRR has obtained engineering reports, containing the diagnosis of building deteriorations, short- and long-term repair and maintenance plans, the assessment of legal compliance with the Building Standard Act and other laws and regulations, the investigation of hazardous substances in a building and soil environment for the acquired properties and the to-be acquired properties. These reports represent judgement and opinion of the appraisers for a fixed point of time, with no guarantees as to the validity or accuracy of the report.

Property Number	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note 1)	Required over the next 12 years (thousand yen) (Note 1)
T-1	Fululu Garden Yachiyo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	980,970	-
T-2	MONA Shin-Urayasu	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	921,734	16,696
T-3	Passaggio Nishiarai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	125,949	-
T-4	Daikanyama Address Dixsept	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	145,352	-
T-5	Unicus Ina	HI International Consultant Co., Ltd.	Aug. 2014 Dec. 2016 (Restaurant building)	130,310	1,110
T-6	Yorktown Kita-Kaname	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	13,213	1,775
T-7	Unicus Yoshikawa	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	59,132	-
T-8	Sports Club Renaissance Fujimidai	HI International Consultant Co., Ltd.	Sep. 2014	23,780	400
T-9	Super Viva Home Iwatsuki (Land)	(Note 2)	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	(Note 2)	-	-	-
T-11	Unicus Kamisato (Land)	(Note 2)	-	-	-
T-12	Unicus Konosu (Land)	(Note 2)	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	(Note 2)	-	-	-
T-14	Gourmet City Chiba-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	24,669	131
T-15	Nakamachidai Tokyu Store	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	28,394	-
T-16	Central Wellness Club Nagatsuta Minamidai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	16,888	-
T-17	Life Kameido	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	21,442	-
T-18	Totsuka-Fukaya Shopping Center (Land)	(Note 2)	-	-	-
T-19	Yumemachi Narashinodai Mall	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	34,877	-
T-20	Kawamachi Yahagi Mall	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	36,737	-
T-21	Prime Sqyare Jiyugaoka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	190,542	91,365
T-22	Round1 Ichikawa-Onitaka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	13,695	-
O-1	Blumer Maitamon	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	211,954	-
O-2	Central Square Takadono (Land)	(Note 2)	-	-	-
O-3	Piago Kahma Home Center Omihachiman	HI International Consultant Co., Ltd.	Aug. 2014	56,850	180
O-4	Blumer HAT Kobe	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2015	326,565	3,959
O-5	Carino Esaka	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	424,506	6,443
O-6	COMBOX Komyoike	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	355,643	-
O-7	Hankyu Oasis Hirkatadeguchi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	57,175	-
O-8	Welcia Kishiwadakamori (Land)	(Note 2)	-	-	-
O-9	Life Nishi-Tengachaya	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Sep. 2015	15,464	2,225
O-10	Million Town Tsukaguchi (Land)	(Note 2)	-	-	-
N-1	Kahma Home Center Nakagawa Tomita (Land)	(Note 2)	-	-	-
N-2	Valor Ichinomiya-Nishi	HI International Consultant Co., Ltd.	Aug. 2014	177,790	2,690

Property Number	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note 1)	Required over the next 12 years (thousand yen) (Note 1)
N-3	K's Denki Nakagawa Tomita (Land)	(Note 2)	-	-	-
N-4	Homecenter Kohnan Sunadabashi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Dec. 2015	336,943	-
N-5	K's Denki Shin-Moriyama (Land)	(Note 2)	-	-	-
N-6	Resora Obu Shopping Terrace	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Jul. 2017	15,464	2,225
F-1	Sunny Noma	HI International Consultant Co., Ltd.	Aug. 2014	41,960	420
F-2	Round1 Stadium Hakata-Hanmichibashi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	57,758	7,042
F-3	Kurume-Nishi Shopping Center	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	68,712	19,811
R-1	Roseo Mito	HI International Consultant Co., Ltd.	Aug. 2014 (Secondhand shop building; Oct. 2015)	238,790	550
R-2	K's Denki Aomori Honten	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	142,764	-
R-3	Super Sports Xebio Aomori-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	103,012	-
R-4	Ashico Town Ashikaga	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	327,264	-
R-5	Yorktown Shinden-Higashi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Jul. 2015	176,945	4,163
R-6	Kasumi Technopark Sakura	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	18,155	-
R-7	Solala Plaza	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	25,430	-
R-8	P-1 Plaza Tenno	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	159,757	28,423
R-9	Seiyu Rakuichi Moriya (Land)	(Note 3)	-	-	-
R-10	Sun Street Hamakita	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2017	494,063 (Note 4)	- (Note 4)
Total				6,809,412	187,383

Note 1: Of the "Repairs, maintenance and renovation expenses," "Required over the next 12 years" indicates the total expenses required during the next 12 years from the date of the investigation report and "Required within one year" indicates the total expenses required within 1 year from the date of the investigation report. All figures are truncated to thousands of yen as in the investigation reports.

Note 2: Since these are land-only properties, KRR did not obtain the engineering report but obtained history survey report on the land use from Field Partners.

Note 3: Since this is a land-only property, KRR did not obtain the engineering report but obtained history survey report on the land use from Tokio Marine & Nichido Risk Consulting Co., Ltd.

Note 4: Amount for the whole building is shown.

vi) Overview of seismic PML evaluation report

The following summary is based on the Portfolio Earthquake PML Evaluation Report created by the Sampo Risk Management & Health Care Inc. as of June 2017. However, KRR does not guarantee the accuracy of evaluations in the report. The report only represents judgement and opinion of the appraiser for a fixed point of time, with no guarantees as to the validity or accuracy of the report. There is no special interest between the Sampo Risk Management & Health Care Inc. and KRR or KFM.

Property number	Property name	PML value in seismic review (%) (Note 1)
T-1	Fululu Garden Yachiyo	Specialty store building 10.24 Ito-Yokado building 8.96
T-2	MONA Shin-Urayasu	Retail building 5.98 Parking building 5.97
T-3	Passaggio Nishiarai	3.13
T-4	Daikanyama Address Dixsept	11.11
T-5	Unicus Ina	Mall building 4.51 Restaurant building 6.80
T-6	Yorktown Kita-Kaname	8.72
T-7	Unicus Yoshikawa	3.26
T-8	Sports Club Renaissance Fujimidai	7.09
T-9	Super Viva Home Iwatsuki (Land)	-
T-10	K's Denki Shonan-Fujisawa (Land)	-
T-11	Unicus Kamisato (Land)	-
T-12	Unicus Konosu (Land)	-
T-13	Inageya Yokohama Minamihonjuku (Land)	-
T-14	Gourmet City Chiba-Chuo	1.82
T-15	Nakamachidai Tokyu Store	8.15
T-16	Central Wellness Club Nagatsuta Minamidai	Retail building 7.70 Parking building 6.36
T-17	Life Kameido	3.79
T-18	Totsuka-Fukaya Shopping Center (Land)	-
T-19	Yumemachi Narashinodai Mall	8.15
T-20	Kawamachi Yahagi Mall	Main building 3.83 Uniqlo building 3.88 Holiday building 3.72
T-21	Prime Square Jiyugaoka	6.92
T-22	Round1 Ichikawa-Onitaka	Main / Tenant building 7.22 Parking buidng 10.53
O-1	Blumer Maitamon	1.52
O-2	Life Takadono (Land)	-
O-3	Piagio Kahma Home Center Omihachiman	Piagio building 3.95 Kahma Home Center building 5.22
O-4	Blumer HAT Kobe	4.69
O-5	Carino Esaka	3.17
O-6	COMBOX Komyoike	5.04
O-7	Hankyu Oasis Hirakatadeguchi	4.11
O-8	Welcia Kishiwadakamori (Land)	-
O-9	Life Nishi-Tengachaya	6.32
O-10	Million Town Tsukaguchi (Land)	-
N-1	Kahma Home Center Nakagawa Tomita (Land)	-
N-2	Valor Ichinomiya-Nishi	10.18
N-3	K's Denki Nakagawa Tomita (Land)	-
N-4	Homecenter Kohnan Sunadabashi	7.47
N-5	K's Denki Shin-Moriyama (Land)	-
N-6	Resora Obu Shopping Terrace	6.95
F-1	Sunny Noma	1.95
F-2	Round1 Stadium Hakata-Hanmichibashi	Main building 2.17 Parking building 0.48 Tenant building A 0.05 Tenant building B 0.05

F-3	Kurume-Nishi Shopping Center	M building 2.37 AB building 2.39 C building 4.58
R-1	Roseo Mito	Coffee shop building 7.41 Mall building 6.70 Sports facility building 9.69 Hardware store building 9.68 Secondhand shop building 7.85
R-2	K's Denki Aomori Honten	K's Denki building 1.61 TSUTAYA/ Hard-off building 1.51
R-3	Super Sports Xebio Aomori-Chuo	1.52
R-4	Ashico Town Ashikaga	Shopping mall building 2.16 Extensions 1.91 Cinema building 2.28 Road-side building 2.59
R-5	Yorktown Shinden-Higashi	3.43
R-6	Kasumi Technopark Sakura	6.40
R-7	Solala Plaza	4.46
R-8	P-1 Plaza Tenno	A building 21.66 (Note 2) B building 11.84 C building 12.29 D building 11.12 E building 13.36 F building 16.98 G building 9.07 H building 12.00
R-9	Seiyu Rakuichi Moriya (Land)	-
R-10	Sun Street Hamakita	Main building 10.58 Mall building 19.67 Colore building 9.35 Wing building 9.43
Portfolio PML value (Note 3)		2.19

Note 1: PML is rounded to the nearest hundredth.

Note 2: The building is on earthquake insurance as its PML value is higher than 20%.

Note 3: "Portfolio PML value" is the portfolio PML value of 38 properties that excludes Super Viva Home Iwatsuki (Land), K's Denki Shonan-Fujisawa (Land), Unicus Kamisato (Land), Unicus Konosu (Land), Inageya Yokohama Minamihonjuku (Land), Life Takadono (Land), Welcia Kishiwadakamori (Land), Million Town Tsukaguchi (Land), Kahma Home Center Nakagawa Tomita (Land), K's Denki Nakagawa Tomita (Land), K's Denki Shin-Moriyama (Land), Seiyu Rakuichi Moriya (Land) and Totsuka-Fukaya Shopping Center (Land), which is based on the Portfolio Earthquake PML Evaluation Report created by Sompo Risk Management & Health Care Inc. as of June 2017.

vii) Architect, structural engineer, construction company and construction confirmation authority

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
T-1	Fululu Garden Yachiyo	(Ito Yokado Yachiyo) Research Institute of Architecture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architecture, Tokyo Branch	(Ito Yokado Yachiyo) Research Institute of Architecture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architecture, Tokyo Branch	(Ito Yokado Yachiyo) Takenaka Corporation, Higashi-Kanto Branch (Fululu Garden Yachiyo) Takenaka Corporation, Higashi-Kanto Branch	The Building Center of Japan
T-2	MONA Shin-Urayasu	Haseko Corporation, Engineering Division	Haseko Corporation, Engineering Division	Haseko Corporation	Chiba Prefecture
T-3	Passaggio Nishiarai	Yamashita Sekkei Inc.	Yamashita Sekkei Inc.	Nishimatsu Construction Co., Ltd.	Tokyo Prefecture
T-4	Daikanyama Address Dixsept	Nihon Sekkei, Inc.	Nihon Sekkei, Inc.	Kajima Corporation	Tokyo Prefecture
T-5	Unicus Ina	Taisei Corporation, Registered architect office	Taisei Corporation, Registered architect office	Taisei Corporation	Bureau Veritas Japan Co., Ltd.
T-6	Yorktown Kita-Kaname	CB Richard Ellis Asset Services K.K.	Sankyoline Corporation	Asanuma Corporation	K.K. Building Navigation
T-7	Unicus Yoshikawa	Obayashi Corporation	Obayashi Corporation	Obayashi Corporation	Saitama Housing Inspection Center
T-8	Sports Club Renaissance Fujimidai	K.K. Axs Engineering	K.K. Axs Engineering	Ichiken Co., Ltd.	Nerima ward
T-9	Super Viva Home Iwatsuki (Land)	-	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	-	-	-	-
T-11	Unicus Kamisato (Land)	-	-	-	-
T-12	Unicus Konosu (Land)	-	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	-	-	-	-
T-14	Gourmet City Chiba-Chuo	Nikken Sekkei Ltd.	Nikken Sekkei Ltd.	Consortium of Taisei Corporation and Shimizu Corporation	The Building Center of Japan
T-15	Nakamachidai Tokyu Store	Kyouritsu Associates Architects & Engineers	Espace Architect Office	Tokyu Construction Co., Ltd. Yokohama Branch	The Japan Building Equipment and Elevator Center Foundation
T-16	Central Wellness Club Nagatsuta Minamidai	(Retail building) Daiwa House Industry Co., Ltd. (Parking building) Daiwa House Industry Co., Ltd.	(Retail building) Konishi Sekkei Co., Ltd., (Parking building) Vega Sekkei Co., Ltd.	(Retail building) Daiwa House Industry Co., Ltd., (Parking building) Daiwa House Industry Co., Ltd.	Japan ERI Co., Ltd.
T-17	Life Kameido	Sumitomo Construction Co., Ltd.	Sumitomo Construction Co., Ltd.	Sumitomo Construction Co., Ltd.	Koto ward
T-18	Totsuka-Fukaya Shopping Center (Land)	-	-	-	-
T-19	Yumemachi Narashinodai Mall	ADX Architects Office	First-Class Architect Office HKT Construction Design Architects Construction Planning Division	Asahi Construction Co., Ltd.	Japan ERI Co., Ltd.
T-20	Kawamachi Yahagi Mall	(Main building) ADX Architects Office (Uniqlo building) Akasaka Architects Office (Holiday building) Akashi architect & associates	(Main building) First-Class Architect Office HKT Construction Design (Uniqlo building) Uerusuton Design Co., Ltd. (Holiday building) Bros., Inc.	(Main building / Uniqlo building) Asahi Construction Co., Ltd. (Holiday building) Fujiko Co., Ltd.	(Main building / Uniqlo building) Japan ERI Co., Ltd. (Holiday building) Japan ERI Co., Ltd.
T-21	Prime Sqyare Jiyugaoka	Daiken Sekkei Inc. Tokyo Office	Daiken Sekkei Inc. Tokyo Office	Toda Corporation	Meguro Ward

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
T-22	Round1 Ichikawa-Onitaka	Axxis Inc. First-Class Architect Office	Axxis Inc. First-Class Architect Office	Asanuma Corporation K.K. Tokyo Main Office	Japan ERI Co., Ltd.
O-1	Blumer Maitamon	Asanuma Corporation	Asanuma Corporation	Daiwa System Co., Ltd.	Bureau Veritas Japan Co., Ltd.
O-2	Life Takadono (Land)	-	-	-	-
O-3	Piago Kahma Home Center Omihachiman	(Piago building) Kiuchi Construction Co., Ltd. (Kahma Home Center building) Daiken Tosikaihatu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahma Home Center building) Daiken Tosikaihatu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahma Home Center building) Aisawa Construction Co., Ltd. (Note2)	K.K. Organization of Confirmation & Inspection Annex
O-4	Blumer HAT Kobe	Obayashi Corporation	Obayashi Corporation	Obayashi Corporation	Center of International Architectural Standard Co., Ltd.
O-5	Carino Esaka	Tokyu Architects & Engineers Inc. (for new building construction) Tokyu Construction Co., Ltd. (for property expansion)	Tokyu Architects & Engineers Inc.	Tokyu Construction Co., Ltd.	Suita City
O-6	COMBOX Komyoike	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.	General Building Research Corporation of Japan
O-7	Hankyu Oasis Hirakatadeguchi	Rui Sekkeishitsu Co., Ltd.	Rui Sekkeishitsu Co., Ltd.	Obara Construction Co., Ltd.	General Building Research Corporation of Japan
O-8	Welcia Kishiwadakamori (Land)	-	-	-	-
O-9	Life Nishi-Tengachaya	KIA Urban Planning and Architects Institute Co., Ltd.	Fujita Corporation	Nihon Kensetsu Co., Ltd.	Center of International Architectural Standard Co., Ltd.
O-10	Million Town Tsukaguchi (Land)	-	-	-	-
N-1	Kahma Home Center Nakagawa Tomita (Land)	-	-	-	-
N-2	Valor Ichinomiya-Nishi	Chubu Sekkei Co., Ltd.	Chubu Sekkei Co., Ltd.	Tsuchiya Corporation	Ichinomiya City
N-3	K's Denki Nakagawa Tomita (Land)	-	-	-	-
N-4	Homecenter Kohnan Sunadabashi	Nankai Sogo Sekkei Co., Ltd.	Nankai Sogo Sekkei Co., Ltd.	Obayashi Corporation	Japan ERI Co., Ltd.
N-5	K's Denki Shin-Moriyama (Land)	-	-	-	-
N-6	Resora Obu Shopping Terrace	Yahagi Construction Co., Ltd. First-Class Architect Office	Structure Nana Co., Ltd.	Yahagi Construction Co., Ltd.	Bureau veritas Japan Co., Ltd.
F-1	Sunny Noma	Nakamuta & Suenaga Designing (JV)	Nakamuta & Suenaga Designing (JV)	Nishimatsu Construction Co., Ltd., Kyushu Branch	Fukuoka City
F-2	Round1 Stadium Hakata-Hanmichibashi	(Main building) Axxis Inc. First-Class Architect Office (Tenant building A) Axxis Inc. First-Class Architect Office (Tenant building B) Axxis Inc. First-Class Architect Office	(Main building) TMH Inc. First-Class Architect Office (Tenant building A) TMH Inc. First-Class Architect Office (Tenant building B) TMH Inc. First-Class Architect Office	Kajima Corporation	General Building Research Corporation of Japan
F-3	Kurume-Nishi Shopping Center	(M building / AB building) Fujita Corporation Kyusyu Branch First-Class Architect Office (C building) Zen Environmental Design First-Class Architect Office	(M building) Fujita Corporation Kyusyu Branch First-Class Architect Office (AB building) Fujita Corporation Kyusyu Branch First-Class Architect	(M building) Fujita Corporation Kyushu Branch (AB building) Fujita Corporation Kyusyu Branch (C building)	(M building) City of Kurume (AB building) City of Kurume (C building) Japan ERI Co., Ltd.

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
			Office (C building) -	Fujita Corporation Kyusyu Branch	
R-1	Roseo Mito	(Coffee shop building) Tetsu Works Architect Office (Mall building) Kurehanishiki Construction Co., Ltd. Change of use: Registered Architect Studio Work House (Sports facility building) Kishi-Sekkei Co., Ltd. (Hardware store building) Nihon Jutaku Corporation, Registered Architect Office (Secondhand shop building) Choeihands Corporation	(Coffee shop building) Tetsu Works Architect Office (Mall building) Sezako Structural Engineering Office (Sports facility building) Individual (Note 3) (Hardware store building) K.K. Dan Structural Engineering Office (Secondhand shop building) Converse Corporation	(Coffee shop building) Kurehanishiki Construction Co., Ltd. (Mall building) Kurehanishiki Construction Co., Ltd. (Sports facility building) Kurehanishiki Construction Co., Ltd. (Hardware store building) Kurehanishiki Construction Co., Ltd. (Secondhand shop building) Nihon Jutaku Corporation (Secondhand shop building) Choeihands Corporation	(Coffee shop building) (Mall building) (Sports facility building) (Hardware store building) Mito City (Secondhand shop building) Japan ERI Co., Ltd.
R-2	K's Denki Aomori Honten	K.K. Kyoei Planning Design	K.K. Kyoei Planning Design	(K's Denki building) Nihon Kensetsu Co., Ltd., Sendai Branch (TSUTAYA/Hard-off building) Nihon Kensetsu Co., Ltd., Sendai Branch	Aomori City
R-3	Super Sports Xebio Aomori-Chuo	Takenaka Corporation	Individual (Note 3)	Takenaka Corporation	Japan ERI Co., Ltd.
R-4	Ashico Town Ashikaga	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) KKHY Architects & Associates (extensions)	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) Architecture Form Corporation (extensions)	Penta-Ocean Construction Co., Ltd. (shopping mall building, cinema building, road-side building) Tokyo Biso Kogyo Corporation (extensions)	Bureau Veritas Japan Co., Ltd.
R-5	Yorktown Shinden-Higashi	MTM International Corporation	MTM International Corporation	Kajima Corporation	Japan ERI Co., Ltd.
R-6	Kasumi Technopark Sakura	Office Okano Kenchikusekkei Co., Ltd.	Office Okano Kenchikusekkei Co., Ltd.	Nakano Corporation Co., Ltd.	Ibaraki Prefecture
R-7	Solala Plaza	Yamashita Sekkei Inc.	Yamashita Sekkei Inc.	Shimizu Corporation	Japan ERI Co., Ltd.
R-8	P-1 Plaza Tenno	(A building) First-Class Architect Office Atelier Zero (for new building construction), Entetsu General Constructor (for building expansion) (B building) Parking Pro Co., Ltd. (C building) Daiwa House Industry Co., Ltd. (D building) Daiwa House Industry Co., Ltd. (E building) Daiwa House Industry Co., Ltd. (F building) DO Design Co., Ltd. (G building) Akou Co., Ltd. (H building) Akou Co., Ltd.	(A building) First-Class Architect Office Atelier Zero (B building) Parking Pro Co., Ltd. (C building) Daiwa House Industry Co., Ltd. (D building) Daiwa House Industry Co., Ltd. (E building) - (F building) Toda Corporation (G building) Akou Co., Ltd. First-Class Architect Office (H building) Akou Co., Ltd. First-Class Architect Office	(A building) Toei Interior Co., Ltd., Iidagumi Co., Ltd. (for new building construction) Entetsu General Constructor (for building expansion) (B building) Parking Pro Co., Ltd. (C building) Daiwa House Industry Co., Ltd. (D building) Daiwa House Industry Co., Ltd. (E building) Daiwa House Industry Co., Ltd. (F building) Daiwa House Industry Co., Ltd. (G building) Akou Co., Ltd. (H building) Akou Co., Ltd.	(A building) Hamamatsu City (B building) Kakunin Service Inc. (C building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (D building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (E building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (F building) Shizuokaken Kenchiku Jyuutaku Machizukuri Center (G building) Hamamatsu City (H building) Hamamatsu City
R-9	Seiyu Rakuichi Moriya (Land)	-	-	-	-
R-10	Sun Street Hamakita	(Main building) Kajima Corporation Architectural Design Division (Mall building) Kajima Corporation	(Main building) Kajima Corporation First-Class Architect Office (Mall building) Kajima Corporation First-Class Architect Office	(Main building) Kajima Corporation Yokohama Branch (Mall building) Kajima Corporation Yokohama Branch	(Main building) The Building Center of Japan (Mall building) The Building Center of Japan

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
		Architectural Design Division (Colore building) FPC K.K. First-Class Architect Office (Wing building) Kajima Corporation Architectural Design Division	(Colore building) First-Class Architect Office Otsuka Kenchiku Kozo Sekkei (Wing building) Kajima Corporation First-Class Architect Office	(Colore building) Suzuyo Kensetsu (Wing building) Kajima Corporation Yokohama Branch	(Colore building) Bureau Veritas Japan (Wing building) The Building Center of Japan

Note 1: The above company names are names at the time of construction confirmation, completion, or acquiring inspection certificate for respective properties, even in cases of past changes in names.

Note 2: The name of actual construction company is shown, although it was Daiwa System Co., Ltd. at the time of application procedure for building confirmation.

Note 3: Individuals' names are not disclosed because these are personal information.

viii) Overview of portfolio

(A) Distribution by property type

Property type	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note)
Neighborhood, community and other shopping centers for daily needs	51	204,913	100.0
NSC (Neighborhood Shopping Centers)	23	108,825	53.1
SM (Supermarkets)	8	11,449	5.6
CSC Community shopping Centers)	1	14,848	7.2
Urban Station-Front Shopping Centers	6	38,028	18.6
SS (Specialty Store)	13	31,763	15.5
Other retail properties	-	-	-
Total	51	204,913	100.0

Note: Percentage of total portfolio acquisition price is rounded to the nearest tenth. Therefore, the sum of the percentage of total acquisition price may differ from the portfolio total.

(B) Distribution by location

Region	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note)
Four major metropolitan areas	41	159,651	77.9
Tokyo metropolitan area	22	85,610	41.8
Greater Osaka area	10	44,214	21.6
Greater Nagoya area	6	21,795	10.6
Fukuoka area	3	8,032	3.9
Ordinance-designated cities, core cities and other areas	10	45,262	22.1
Total	51	204,913	100.0

Note: Percentage of total portfolio acquisition price is rounded to the nearest tenth. Therefore, the sum of the percentage of total acquisition price may differ from the portfolio total.

(C) Distribution by property age

Property age (Note 1)	Number of properties	Acquisition price (in millions)	Percentage of total portfolio acquisition price (%) (Note 2)
Less than 5 years	2	6,513-	3.8
5 years or more but less than 10 years	13	53,877	31.5
10 years or more	23	110,651	64.7
Total	38	171,042	100.0

Note 1: Property age refers to the number of years from the date of the new construction of the property set out in the real estate registry to September 30, 2017. Where multiple buildings exist on the property, the property age is calculated using the average age of those buildings.

Note 2: Percentage of total portfolio acquisition price is rounded to the nearest tenth. Therefore, the sum of the percentage of total portfolio acquisition price may differ from the portfolio total.

(D) Distribution by Lease Term Remaining

Lease term (remaining period) (Note 1)	Annual fixed rent (in millions) (Note 2)	Ratio (%) (Note 3)
Less than 2 years	2,122	15.9
2 to less than 5 years	1,628	12.2
5 to less than 10 years	4,079	30.5
10 to less than 15 years	2,879	21.5
15 to less than 20 years	1,803	13.5
20 years or more	849	6.4
Total	13,363	100.0

Note 1: "Lease term (remaining period)" is based on period until the last date of the lease as set forth in the relevant lease agreements as of September 30, 2017 (excluding warehouses for building lease agreements) for each acquired property and to-be acquired property.

Note 2: "Annual fixed rent" for acquired property is calculated by multiplying the monthly fixed rent and common area charges for the month ended September 30, 2017 (excluding warehouses in the case of building lease agreements) by twelve and rounding down to the nearest million yen. For master leases, where the master lease company subleases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by 12, rounded down to the nearest million yen.

Note 3: "Ratio" is based on the annual fixed rent, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total period.

(E) Distribution by lease contract type

Type of lease contract	Ratio (%) (Note)
Fixed-term building lease	70.4
Regular building lease	15.3
Commercial fixed-term land lease	14.3
Others	0.0
Total	100.0

Note: "Ratio" is based on the annual fixed rent as indicated in Note 2 of (D) above, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total figure.

(F) Rent type (Fixed / Sales-linked rent)

Rent type (Note 1) (Fixed / Sales-linked rent)	Ratio (%) (Note 2)
Fixed rent	83.1
Fixed rent with sales-linked rent	13.0
Sales-linked rent	3.9
Total	100.0

Note 1: "Fixed rent" refers to rent that remains unchanged regardless of actual tenant sales revenues as set forth in the relevant lease agreements. "Fixed rent with sales-linked rent" refers to rent that consist of a portion that remains unchanged regardless of actual tenant sales revenues and a portion that is based on tenant sales as set forth in the relevant lease agreements. "Sales-linked rent" refers to rent that is based on actual tenant sales revenues as set forth in the relevant lease agreements.

Note 2: "Ratio" is calculated according to the actual rent effective between April 1, 2017 and September 30, 2017, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total figure.

ix) Capital expenditures

(A) Planned capital expenditures

The table below shows major capital expenditures (Note) for renovations, repairs and other projects that are planned for the sixth fiscal period ending March 31, 2017. These expenditures are for real estate owned by KRR and real estate in trusts in which KRR owns trust beneficiary rights. These planned projects may include some expenditures that will be recorded as expenses rather than capital expenditures for accounting purposes.

Property number	Property name	Location	Purpose	Schedule	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total amount already paid
T-21	Prime Sqyare Jiyugaoka	Meguro-ku, Tokyo	Interior repair	From October 2017 to March 2018	70	-	-
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Rooftop parking waterproof	From July 2017 to December 2017	54	-	-
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Power generator renewal	From October 2017 to March 2018	51	-	-
O-1	Blumer Maitamon	Kobe, Hyogo	LED installation to common area	From October 2017 to March 2018	46	-	-
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Exterior wall repair	From September 2017 to November 2017	33	-	-

(B) Capital expenditures during the period under review

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

The amount of capital expenditures in the period under review was 367 million yen. There were also expenditures of 189 million yen that were recorded as repair expenses. In total we spent 556 million yen on the projects.

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

(C) Reserved Amount for Long-Term Repairs, Maintenance and Renovation Plans

Not applicable

(3) Information Concerning Major Tenants

i) Top End-Tenants in Terms of Rent

The following summarizes top ten tenants (end-tenants or sublease type master lease) as of March 31, 2017

Name of end tenants	Type of business (Note 1)	Property name	Total leased area (m ²)	Ratio (%) (Note 2)	Annual fixed rent (in thousands of yen) (Note 3)	Tenant leasehold and security deposits (in millions of yen) (Note 4)
Ito-Yokado Co., Ltd. (Note 5)	Retail	Fululu Garden Yachiyo	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
P&D Consulting Co., Ltd.	Real estate	A Unicus Ina B Unicus Kamisato (Land) C Unicus Konosu (Land) D Ashico Town Ashikaga	104,810.72	12.1	507,238	251
YorkMart Co., Ltd.	Retail	Yorktown Kita-Kaname	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Life Corporation	Retail	A Unicus Yoshikawa, B Life Kameido C Life Takadono (Land) D Life Nishi-Tengachaya	12,501.97	1.4	- (Note 5)	- (Note 5)
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Round One Corporation	Service	A Round1 Ichikawa-Onitaka B Round1 Stadium Hakata-Hanmichibashi	39,990.22	4.6	- (Note 5)	- (Note 5)
Daiwaroyal Co., Ltd.	Real estate	COMBOX Komyoike	25,530.44	3.0	452,523	447
Toyota Tsusho Corporation	Wholesale	Homecenter Kohnan Sunadabashi	20,329.07	2.3	- (Note 5)	- (Note 5)
Seiyu GK	Retail	A Sunny Noma B Seiyu Rakuichi Moriya (Land)	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Otsuka Kagu, Ltd.	Retail	Solala Plaza	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)

Note 1: "Type of business" is based on Japan Standard Industrial Classification.

Note 2: "Ratio" is the ratio of leased area of the end-tenant to total leasable area of the portfolio as of September 30, 2017, rounded to the nearest tenth.

Note 3: "Annual fixed-rent" for each property is based on monthly contracted rent (including common area charges) as set forth in the relevant lease agreements effective as of September 30, 2017 (excluding warehouses for building lease agreements) for each property or property in trust, truncated to thousands of yen. In a sublease type master lease, the annual rent (excluding consumption taxes) agreed upon in the master lease agreement or the amount obtained by multiplying the monthly rent (excluding consumption taxes) agreed upon in the master lease agreement by 12, rounded down to the nearest thousand yen, is shown.

Note 4: Indicates the outstanding balance of any tenant leasehold and security deposit from the relevant end-tenant(s) set forth in lease agreement(s) effective as of March 31, 2017, rounded down to the nearest million yen.

Note 5: We have not obtained consent from the tenant to release this information.

ii) Top End-Tenants in Terms of Leased Area

The end-tenants or the sublease type master lessees that cover over 10% of the total leased area of portfolio as of September 30, 2017 are as follows.

Name of end tenants	Type of business	Property name	Total leased area (m ²)	Annual fixed rent (in thousands of yen)	Tenant leasehold and security deposits (in millions of yen)	Lease term end	Lease renewal
P&D Consulting Co., Ltd.	Real estate	A Unicus Ina B Unicus Kamisato (Land) C Unicus Konosu (Land) D Ashico Town Ashikaga	104,810.72	507,238	251	A Sep. 25, 2036 (Note 1) B Oct. 1, 2055 C Oct. 1, 2055 D Mar. 31, 2026	A Not Applicable (Note 1) B Not Applicable C Not Applicable D Not Applicable
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note 2)	- (Note 2)	- (Note 2)	- (Note 2)	- (Note 2)

Note 1: Based on Mall building's leasing contract.

Note 2: We have not obtained consent from the tenant to release this information.

【Reference】 Earnings Performance for the Individual Properties for the 5th Fiscal Period (April 1, 2017 to September 30, 2017) : 183 days ※As of September 30, 2017

Location		Tokyo metropolitan area											
Property No.		T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10	T-11	T-12
Property Name		Fululu Garden Yachiyo	MONA Shin-Urayasu	Passaggio Nishiarai	Daikanyama Address Dixsept	Unicus Ina	Yorktown Kita-Kaname	Unicus Yoshikawa	Sports Club Renaissance Fujimidai	Super Viva Home Iwatsuki (Land)	K's Denki Shonan-Fujisawa (Land)	Unicus Kamisato (Land)	Unicus Konosu (Land)
Acquisition Date		February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	October 2, 2015	October 2, 2015	October 2, 2015	October 2, 2015
Price Information	Acquisition price (In millions of yen)	14,848	8,063	5,850	5,390	4,470	4,000	3,600	2,586	4,815	3,169	3,000	1,700
	Percentage of total portfolio	7.2%	3.9%	2.9%	2.6%	2.2%	2.0%	1.8%	1.3%	2.3%	1.5%	1.5%	0.8%
	Net book value (In millions of yen)	14,909	8,523	5,852	5,420	4,401	3,961	3,607	2,546	4,890	3,210	3,043	1,726
	Appraisal value at the end of period (In millions of yen)	15,200	8,820	6,370	5,940	4,850	4,310	3,840	2,750	5,400	3,530	3,050	1,770
	Percentage of total appraisal value	7.0%	4.0%	2.9%	2.7%	2.2%	2.0%	1.8%	1.3%	2.5%	1.6%	1.4%	0.8%
Lease Information	Number of tenants	48	1 (70)	1 (42)	1 (27)	1	1	1 (11)	1	1	1	1	1
	Leasable floor area (㎡)	77,057.56	9,592.65	10,546.25	5,056.39	13,462.71	(Note)	10,648.27	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Leased floor area (㎡)	76,629.94	9,201.92	10,528.25	4,950.90	13,462.71		10,648.27	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Occupancy ratio												
	As of September 30, 2017	99.4%	95.9%	99.8%	97.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of March 31, 2017	98.2%	95.7%	98.1%	97.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of September 30, 2016	99.6%	95.6%	98.1%	98.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
As of March 31, 2016	99.4%	96.1%	98.3%	98.7%	100.0%	100.0%	99.2%	100.0%	100.0%	100.0%	100.0%	100.0%	
As of September 30, 2015	99.5%	98.0%	98.3%	93.9%	100.0%	100.0%	100.0%	100.0%	—	—	—	—	
Income and Retained Earnings Information	Operating periods	183days	183days	183days	183days	183days	183days	183days	183days	183days	183days	183days	183days
	①Rental and other operating revenues (In thousands of yen)	733,963	483,459	305,575	268,626	139,635	(Note)	132,937	(Note)	(Note)	(Note)	72,610	41,529
	Rental revenues	616,581	341,450	201,738	184,703	139,501		130,633				72,610	41,507
	Other operating revenues	117,381	142,009	103,837	83,922	133	2,303	—	22				
	②Property-related expenses (In thousands of yen)	356,433	267,818	167,166	141,281	24,415	(Note)	41,601	(Note)	(Note)	(Note)	6,243	4,595
	Property management fees	142,813	87,398	51,491	52,326	1,800		24,641				1,200	1,200
	Taxes	71,034	23,000	34,940	11,879	10,304		14,453				4,777	3,129
	Utilities	69,583	56,551	40,620	37,204	—		—				—	—
	Repairs and maintenance	21,744	33,181	5,056	3,333	11,475		1,358				—	—
	Insurance	1,706	754	497	282	308		224				—	—
	Trust fees and other expenses	49,551	66,931	34,559	36,255	526		923				266	266
③NOI (=①-②) (In thousands of yen)	377,529	215,641	138,408	127,344	115,219	105,340	91,335	63,556	103,427	79,386	66,366	36,934	
④Depreciation (In thousands of yen)	86,401	53,380	32,281	16,014	31,157	20,466	15,614	15,127	—	—	—	—	
⑤Rental operating income (=③-④) (In thousands of yen)	291,127	162,261	106,126	111,330	84,061	84,873	75,720	48,428	103,427	79,386	66,366	36,934	
⑥Capital expenditures (In thousands of yen)	44,136	170,093	495	8,735	—	—	523	—	—	—	—	—	
⑦NCF (=⑤-⑥) (In thousands of yen)	333,393	45,548	137,913	118,609	115,219	105,340	90,811	63,556	103,427	79,386	66,366	36,934	
Reference	Expense ratio (=②/①)	48.6%	55.4%	54.7%	52.6%	17.5%	10.4%	31.3%	12.3%	12.7%	6.4%	8.6%	11.1%
	Property tax for the year 2017 (In thousands of yen)	142,021	45,979	69,870	23,749	20,893	14,431	28,903	11,116	27,077	7,981	9,551	6,257
	Assets pledged as collateral	○	—	—	—	—	—	—	—	—	—	—	—

【Reference】

Earnings Performance for the Individual Properties for the 5th Fiscal Period (April 1, 2017 to September 30, 2017) : 183 days ※As of September 30, 2017

Location		Tokyo metropolitan area										Greater Osaka area	
Property No.		T-13	T-14	T-15	T-16	T-17	T-18	T-19	T-20	T-21	T-22	O-1	O-2
Property Name		Inageya Yokohama Minamihonjuku (Land)	Gourmet City Chiba-Chuo	Nakamachidai Tokyu Store	Central Wellness Club Nagatsuta Minamidai	Life Kameido	Totsuka-Fukaya Shopping Center (Land)	Yumemachi Narashinodai Mall	Kawamachi Yahagi Mall	Prime Square Jiyugaoka	Round1 Ichikawa-Onitaka	Blumer Maitamon	Life Takadono (Land)
Acquisition Date		October 2, 2015	October 2, 2015	April 21, 2016	April 20, 2016	April 21, 2016	April 19, 2017	April 19, 2017	May 18, 2017	April 19, 2017	April 19, 2017	February 10, 2015	February 10, 2015
Price Information	Acquisition price (In millions of yen)	1,442	760	3,360	1,724	1,450	4,170	3,416	3,097	2,820	1,880	8,389	2,685
	Percentage of total portfolio	0.7%	0.4%	1.6%	0.8%	0.7%	2.0%	1.7%	1.5%	1.4%	0.9%	4.1%	1.3%
	Net book value (In millions of yen)	1,462	761	3,452	1,787	1,467	4,228	3,456	3,130	2,905	1,908	8,367	2,727
	Appraisal value at the end of period (In millions of yen)	1,430	807	3,820	1,910	1,520	4,300	3,520	3,260	2,840	1,970	9,340	3,040
	Percentage of total appraisal value	0.7%	0.4%	1.7%	0.9%	0.7%	2.0%	1.6%	1.5%	1.3%	0.9%	4.3%	1.4%
Lease Information	Number of tenants	1	1	1	2	1	2	1 (14)	1 (12)	2	1	50	1
	Leasable floor area (㎡)	4,405.41	3,488.77	5,968.71	3,996.70	2,929.58	14,092.51	7,827.96	6,397.05	3,512.55	11,963.61	30,290.55	4,437.07
	Leased floor area (㎡)	4,405.41	3,488.77	5,968.71	3,996.70	2,929.58	14,092.51	7,827.96	6,397.05	3,512.55	11,963.61	29,752.83	4,437.07
	Occupancy ratio												
	As of September 30, 2017	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	98.2%	100.0%
	As of March 31, 2017	100.0%	100.0%	100.0%	100.0%	100.0%	—	—	—	—	—	99.2%	100.0%
As of September 30, 2016	100.0%	100.0%	100.0%	100.0%	100.0%	—	—	—	—	—	99.1%	100.0%	
As of March 31, 2016	100.0%	100.0%	—	—	—	—	—	—	—	—	99.5%	100.0%	
As of September 30, 2015	—	—	—	—	—	—	—	—	—	—	99.5%	100.0%	
Income and Retained Earnings Information	Operating periods	183days	183days	183days	183days	183days	165days	165days	136days	165days	165days	183days	183days
	①Rental and other operating revenues (In thousands of yen)				59,748			128,328	88,968			509,247	
	Rental revenues				58,200			103,757	69,833			361,863	
	Other operating revenues				1,548			24,570	19,134			147,384	
	②Property-related expenses (In thousands of yen)				10,824			38,525	24,203			233,373	
	Property management fees	(Note)	(Note)	(Note)	3,618	(Note)	(Note)	10,442	6,554	(Note)	(Note)	61,106	(Note)
	Taxes				6,196			9	10			42,330	
	Utilities				341			25,522	16,181			89,978	
	Repairs and maintenance				127			15	—			15,667	
	Insurance				127			180	119			741	
	Trust fees and other expenses				413			2,355	1,338			23,550	
③NOI (=①-②) (In thousands of yen)	31,851	17,368	88,660	48,923	31,996	90,165	89,802	64,764	62,713	59,212	275,874	63,872	
④Depreciation (In thousands of yen)	—	9,780	20,306	7,745	2,980	—	14,058	7,427	6,886	10,888	51,072	—	
⑤Rental operating income (=③-④) (In thousands of yen)	31,851	7,588	68,354	41,178	29,016	90,165	75,744	57,336	55,827	48,323	224,802	63,872	
⑥Capital expenditures (In thousands of yen)	—	880	—	—	—	—	180	—	—	—	2,034	—	
⑦NCF (=⑤-⑥) (In thousands of yen)	31,851	16,488	68,354	41,178	29,016	90,165	75,564	57,336	55,827	48,323	222,768	63,872	
Expense ratio (=②/①)	11.4%	51.9%	24.9%	18.1%	18.2%	1.4%	30.0%	27.2%	3.4%	6.7%	45.8%	7.1%	
Property tax for the year 2017 (In thousands of yen)	5,284	11,418	14,205	12,388	8,489	9,874	21,842	6,956	12,638	20,664	84,642	6,818	
Assets pledged as collateral	—	—	—	—	—	—	—	—	—	—	—	—	

【Reference】

Earnings Performance for the Individual Properties for the 5th Fiscal Period (April 1, 2017 to September 30, 2017) : 183 days ※As of September 30, 2017

Location		Greater Osaka area								Greater Nagoya area				
Property No.		O-3	O-4	O-5	O-6	O-7	O-8	O-9	O-10	N-1	N-2	N-3	N-4	
Property Name		Piako Kahma Home Center Omihachiman	Blumer HAT Kobe	Carino Esaka	COMBOX Komyoike	Hankyu Oasis Hirakatadeguchi	Welcia Kishiwadakamori (Land)	Life Nishi-Tengachaya	Million Town Tsukaguchi (Land)	Kahma Home Center Nakagawa Tomita (Land)	Valor Ichinomiya-Nishi	K's Denki Nakagawa Tomita (Land)	Homecenter Kohnan Sunadabashi	
Acquisition Date		February 10, 2015	April 16, 2015	October 2, 2015	October 2, 2015	October 2, 2015	October 2, 2015	January 21, 2016	April 21, 2016	February 10, 2015	February 10, 2015	February 10, 2015	April 21, 2016	
Price Information	Acquisition price (In millions of yen)	2,140	11,000	6,555	6,450	1,280	487	1,505	3,723	2,311	2,174	889	7,140	
	Percentage of total portfolio	1.0%	5.4%	3.2%	3.1%	0.6%	0.2%	0.7%	1.8%	1.1%	1.1%	0.4%	3.5%	
	Net book value (In millions of yen)	2,137	11,509	6,649	6,403	1,317	497	1,563	3,772	2,351	2,143	907	7,126	
	Appraisal value at the end of period (In millions of yen)	2,430	11,600	6,910	6,840	1,330	488	1,650	3,870	2,630	2,320	995	7,310	
	Percentage of total appraisal value	1.1%	5.3%	3.2%	3.1%	0.6%	0.2%	0.8%	1.8%	1.2%	1.1%	0.5%	3.3%	
Lease Information	Number of tenants	2	1 (42)	1 (30)	1	1	1	1	1	1	1	1	1	
	Leasable floor area (㎡)	14,313.00	23,775.88	7,540.58	25,530.44	2,960.38	3,033.45	2,679.52	8,264.46	(Note)	9,447.48	(Note)	20,329.07	
	Leased floor area (㎡)	14,313.00	23,475.76	7,371.52	25,530.44	2,960.38	3,033.45	2,679.52	8,264.46		9,447.48		20,329.07	
	Occupancy ratio													
	As of September 30, 2017	100.0%	98.7%	97.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of March 31, 2017	100.0%	99.1%	97.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of September 30, 2016	100.0%	99.1%	99.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
As of March 31, 2016	100.0%	98.7%	99.1%	100.0%	100.0%	100.0%	100.0%	100.0%	—	100.0%	100.0%	100.0%	—	
As of September 30, 2015	100.0%	99.5%	—	—	—	—	—	—	—	100.0%	100.0%	100.0%	—	
Income and Retained Earnings Information	Operating periods	183days	183days	183days	183days	183days	183days	183days	183days	183days	183days	183days	183days	
	①Rental and other operating revenues (In thousands of yen)		489,901	305,930	226,190				44,870					
	Rental revenues		357,195	195,324	226,190				44,870					
	Other operating revenues		132,706	110,605	—				—					
	②Property-related expenses (In thousands of yen)		241,699	127,795	33,244				5,639					
	Property management fees	(Note)	65,728	41,171	1,800	(Note)	(Note)		1,800	(Note)	(Note)	(Note)	(Note)	
	Taxes		47,190	24,524	30,393				3,378					
	Utilities		87,313	45,344	—				—					
	Repairs and maintenance		21,736	12,372	—				—					
	Insurance		856	659	637				50					
	Trust fees and other expenses		18,874	3,723	414				410					
③NOI (=①-②) (In thousands of yen)	66,807	248,202	178,134	192,945	37,238	10,697	39,231	78,688	60,036	64,781	22,958	181,447		
④Depreciation (In thousands of yen)	10,538	53,852	30,965	32,894	5,201	—	4,682	—	—	14,548	—	40,520		
⑤Rental operating income (=③-④) (In thousands of yen)	56,269	194,350	147,168	160,051	32,037	10,697	34,548	78,688	60,036	50,232	22,958	140,927		
⑥Capital expenditures (In thousands of yen)	580	73,632	57,755	—	—	—	—	—	—	1,992	—	638		
⑦NCF (=⑤-⑥) (In thousands of yen)	66,227	174,569	120,378	192,945	37,238	10,697	39,231	78,688	60,036	62,788	22,958	180,809		
Reference	Expense ratio (=②/①)	28.8%	49.3%	41.8%	14.7%	14.4%	19.0%	12.6%	12.6%	9.6%	17.8%	13.0%	11.1%	
	Property tax for the year 2017 (In thousands of yen)	29,225	94,379	49,049	60,779	7,804	2,072	6,755	19,690	9,869	19,900	3,949	39,764	
	Assets pledged as collateral	○	—	—	—	—	—	○	—	—	—	—	—	

【Reference】

Earnings Performance for the Individual Properties for the 5th Fiscal Period (April 1, 2017 to September 30, 2017) : 183 days ※As of September 30, 2017

Location		Greater Nagoya area		Fukuoka area			Ordinance-designated cities, core cities and other areas							
Property No.		N-5	N-6	F-1	F-2	F-3	R-1	R-2	R-3	R-4	R-5	R-6	R-7	
Property Name		K's Denki Shin-Moriyama (Land)	Resora Obu Shopping Terrace	Sunny Noma	Round1 Stadium Hakata-Hanmichibashi	Kurume-Nishi Shopping Center	Roseo Mito	K's Denki Aomori Honten	Super Sports Xebio Aomori-Chuo	Ashico Town Ashikaga	Yorktown Shinden-Higashi	Kasumi Technopark Sakura	Solala Plaza	
Acquisition Date		November 1, 2016	August 1, 2017	February 10, 2015	April 19, 2017	April 19, 2017	February 10, 2015	February 10, 2015	February 10, 2015	October 2, 2015	October 2, 2015	October 2, 2015	April 21, 2016	
Price Information	Acquisition price (In millions of yen)	1,370	7,911	1,497	5,020	1,515	10,046	1,469	898	4,180	3,252	830	5,720	
	Percentage of total portfolio	0.7%	3.9%	0.7%	2.4%	0.7%	4.9%	0.7%	0.4%	2.0%	1.6%	0.4%	2.8%	
	Net book value (In millions of yen)	1,390	8,242	1,471	5,079	1,582	9,984	1,474	893	4,351	3,315	851	5,675	
	Appraisal value at the end of period (In millions of yen)	1,430	7,990	1,560	5,290	1,630	11,300	1,580	947	5,060	3,330	876	5,960	
	Percentage of total appraisal value	0.7%	3.7%	0.7%	2.4%	0.7%	5.2%	0.7%	0.4%	2.3%	1.5%	0.4%	2.7%	
Lease Information	Number of tenants	1	1 (43)	1	1	4	1 (22)	1	1	1 (29)	2	1	1	
	Leasable floor area (㎡)	(Note)	19,990.40	2,814.67	28,026.61	4,641.10	48,296.15	10,083.41	(Note)	65,616.31	12,768.77	2,047.65	(Note)	
	Leased floor area (㎡)		19,878.29	2,814.67	28,026.61	4,641.10	48,161.79	10,083.41		65,616.31	12,768.77	2,047.65		
	Occupancy ratio													
	As of September 30, 2017	100.0%	99.4%	100.0%	100.0%	100.0%	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of March 31, 2017	100.0%	—	100.0%	—	—	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	As of September 30, 2016	—	—	100.0%	—	—	99.7%	100.0%	100.0%	99.1%	100.0%	100.0%	100.0%	100.0%
As of March 31, 2016	—	—	100.0%	—	—	100.0%	100.0%	100.0%	99.1%	100.0%	100.0%	100.0%	—	
As of September 30, 2015	—	—	100.0%	—	—	100.0%	100.0%	100.0%	—	—	—	—	—	
Income and Retained Earnings Information	Operating periods	183days	61days	183days	165days	165days	183days	183days	183days	183days	183days	183days	183days	
	①Rental and other operating revenues (In thousands of yen)	(Note)	113,011	(Note)	(Note)	(Note)	46,513	379,870	(Note)	(Note)	288,207	(Note)	(Note)	
	Rental revenues		83,735				46,513	345,234			209,632			
	Other operating revenues		29,275				—	34,635			78,575			
	②Property-related expenses (In thousands of yen)	(Note)	40,866	(Note)	(Note)	(Note)	3,315	83,981	(Note)	(Note)	149,599	(Note)	(Note)	
	Property management fees		12,802				1,669	19,368			40,116			
	Taxes		7				8	27,238			25,219			
	Utilities		20,887				—	28,072			65,740			
	Repairs and maintenance		2,463				1,044	1,239			9,533			
	Insurance		193				132	639			618			
	Trust fees and other expenses		4,512				460	7,424			8,371			
③NOI (=①-②) (In thousands of yen)	29,991	72,144	35,265	161,037	43,198	295,888	46,107	28,430	138,608	87,205	22,799	140,945		
④Depreciation (In thousands of yen)	—	15,710	14,253	22,004	5,611	47,121	6,365	4,894	29,342	13,632	2,661	43,111		
⑤Rental operating income (=③-④) (In thousands of yen)	29,991	56,433	21,011	139,033	37,586	248,767	39,741	23,535	109,265	73,573	20,137	97,833		
⑥Capital expenditures (In thousands of yen)	—	—	—	—	—	—	—	—	686	—	—	—		
⑦NCF (=⑤-⑥) (In thousands of yen)	29,991	56,433	21,011	139,033	37,586	248,767	39,741	23,535	109,265	73,573	20,137	97,833		
Reference	Expense ratio (=②/①)	10.7%	36.2%	31.9%	1.7%	7.1%	22.1%	17.1%	16.3%	51.9%	43.5%	19.1%	29.6%	
	Property tax for the year 2017 (In thousands of yen)	4,296	51,844	7,383	35,734	7,003	54,474	14,237	6,417	50,435	31,101	3,884	30,730	
	Assets pledged as collateral	—	—	—	—	—	—	—	—	—	—	—	—	

【Reference】

Earnings Performance for the Individual Properties for the 5th Fiscal Period (April 1, 2017 to September 30, 2017) : 183 days ※As of September 30, 2017

Location		Ordinance-designated cities, core cities and other areas			Total of 51 Properties
Property No.		R-8	R-9	R-10	
Property Name		P-1 Plaza Tenno	Seiyu Rakuichi Moriya (Land)	Sun Street Hamakita	
Acquisition Date		April 22, 2016	January 31, 2017	April 27, 2017	
Price Information	Acquisition price (In millions of yen)	4,010	4,111	10,746	204,913
	Percentage of total portfolio	2.0%	2.0%	5.2%	100.0%
	Net book value (In millions of yen)	4,171	4,320	10,835	207,771
	Appraisal value at the end of period (In millions of yen)	4,340	4,220	11,160	218,633
	Percentage of total appraisal value	2.0%	1.9%	5.1%	100.0%
Lease Information	Number of tenants	7	1	1 (51)	542
	Leasable floor area (㎡)	12,030.83	(Note)	49,023.34	865,226.20
	Leased floor area (㎡)	12,030.83		48,023.37	862,031.02
	Occupancy ratio				
	As of September 30, 2017	100.0%	100.0%	98.0%	99.6%
	As of March 31, 2017	100.0%	100.0%	—	99.6%
	As of September 30, 2016	100.0%	—	—	99.7%
As of March 31, 2016	—	—	—	99.6%	
As of September 30, 2015	—	—	—	99.6%	
Income and Retained Earnings Information	Operating periods	183days	183days	157days	175days
	①Rental and other operating revenues (In thousands of yen)	136,253	(Note)	458,055	7,797,673
	Rental revenues	135,630		376,118	6,637,179
	Other operating revenues	623		81,937	1,160,494
	②Property-related expenses (In thousands of yen)	22,747		177,689	2,583,419
	Property management fees	3,124		61,844	808,367
	Taxes	14,945		21	563,716
	Utilities	230		46,844	650,115
	Repairs and maintenance	3,667		10,108	189,071
	Insurance	357		933	13,507
	Trust fees and other expenses	421		57,936	358,641
	③NOI (=①-②) (In thousands of yen)	113,505		91,892	280,366
④Depreciation (In thousands of yen)	16,058	—		69,536	885,100
⑤Rental operating income (=③-④) (In thousands of yen)	97,447	91,892	210,829	4,329,153	
⑥Capital expenditures (In thousands of yen)	—	—	4,916	367,279	
⑦NCF (=⑤-⑥) (In thousands of yen)	113,505	91,892	275,450	4,846,974	
Reference	Expense ratio (=②/①)	16.7%	4.1%	38.8%	33.1%
	Property tax for the year 2017 (In thousands of yen)	29,889	22,483	57,576	1,373,793
	Assets pledged as collateral	—	—	—	—

*Total: Cost-weighted average operating period (days)

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

(Reference) Borrowings

Borrowings on a financial institution basis as of September 30, 2017 are as follows:

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	4,140,000	-	4,140,000	-	0.480	April 21, 2017	(Note 4)	Unsecured/ Non-guaranteed
	Mizuho Bank, Ltd.	360,000	-	360,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	-	1,070,000	-	0.480	April 21, 2017		
	Sumitomo Mitsui Banking Corporation	3,900,000	-	-	3,900,000	0.480	October 3, 2017		
	Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000	0.430	February 10, 2018		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Resona Bank, Ltd.	250,000	-	-	250,000				
	Aozora Bank, Ltd.	250,000	-	-	250,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Sumitomo Mitsui Banking Corporation	-	900,000	-	900,000	0.430	April 19, 2018		
	Mizuho Bank, Ltd.	-	300,000	-	300,000				
	Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.430	April 21, 2018		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,070,000	-	1,070,000				
	Aozora Bank, Ltd.	-	640,000	-	640,000				
	Resona Bank, Ltd.	-	400,000	-	400,000				
	Mizuho Bank, Ltd.	-	360,000	-	360,000				
	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000				
	Mitsubishi UFJ Trust and Banking Corporation	-	200,000	-	200,000				
	Sumitomo Mitsui Banking Corporation (Note 6)	-	1,000,000	1,000,000	-	0.430	April 27, 2018		
Sumitomo Mitsui Trust Bank, Ltd. (Note 7)	-	8,500,000	8,500,000	-	0.430	July 31, 2018			
Sub Total	11,470,000	16,270,000	15,070,000	12,670,000					
Current Portion of Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,300,000	-	-	2,300,000	0.545	February 10, 2018	(Note 4)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	350,000	-	-	350,000				
	Sub Total	3,850,000	-	-	3,850,000				
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020	(Note 4)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Mitsubishi UFJ Trust and Banking Corporation	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	550,000	-	-	550,000				
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	The Gunma Bank, Ltd.	400,000	-	-	400,000				
	The Musashino Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	350,000	-	-	350,000				
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.865	February 10, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Aozora Bank, Ltd.	450,000	-	-	450,000				
	Resona Bank, Ltd.	450,000	-	-	450,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Banking Corporation	2,600,000	-	-	2,600,000	0.978	February 10, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800,000	-	-	800,000				
	Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 5)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	750,000	-	-	750,000	0.534	March 31, 2019		
	Aozora Bank, Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	400,000	-	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	200,000	-	-	200,000				
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.975	March 31, 2023		
Sumitomo Mitsui Trust Bank, Ltd.	600,000	-	-	600,000					
Mizuho Bank, Ltd.	400,000	-	-	400,000					
Resona Bank, Ltd.	400,000	-	-	400,000					
Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000					
Mitsubishi UFJ Trust and Banking Corporation	400,000	-	-	400,000					
Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	0.994	March 31, 2023			

Classification	Lender	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Balance at the end of period (Thousands of yen)	Average interest rate (Note 1) (Note 2) (%)	Payment due date (Note 3)	Use	Remarks
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019	(Note 4)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	550,000	-	-	550,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	The Musashino Bank, Ltd.	250,000	-	-	250,000				
	Mitsubishi UFJ Trust and Banking Corporation	450,000	-	-	450,000	0.987	March 31, 2023		
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 5)	1,500,000	-	-	1,500,000	1.013	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	1.110	March 31, 2024		
	Mizuho Bank, Ltd.	1,150,000	-	-	1,150,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000				
	Sumitomo Mitsui Trust Bank, Ltd.	650,000	-	-	650,000				
	Resona Bank, Ltd.	500,000	-	-	500,000				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000	0.368	September 30, 2019		
	Mizuho Bank, Ltd.	710,000	-	-	710,000				
	Sumitomo Mitsui Trust Bank, Ltd.	620,000	-	-	620,000				
	Sumitomo Mitsui Trust Bank, Ltd.	450,000	-	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 5)	890,000	-	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	2,670,000	-	-	2,670,000	0.932	April 21, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	-	-	890,000	0.888	October 31, 2025		
	The Gunma Bank, Ltd. (Note 5)	500,000	-	-	500,000	0.550	September 30, 2021		
	Development Bank of Japan Inc. (Note 5)	2,000,000	-	-	2,000,000	1.049	January 31, 2027		
	Mizuho Trust & Banking Co., Ltd. (Note 5)	1,000,000	-	-	1,000,000	1.049			
	Resona Bank, Ltd.	500,000	-	-	500,000	1.002			
	Sumitomo Mitsui Banking Corporation	-	2,600,000	-	2,600,000	0.485	January 31, 2027		
	Aozora Bank, Ltd.	-	500,000	-	500,000				
	Mitsubishi UFJ Trust and Banking Corporation	-	400,000	-	400,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	300,000	-	300,000				
	Resona Bank, Ltd.	-	300,000	-	300,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	600,000	-	600,000	0.400	April 27, 2021		
	Development Bank of Japan Inc. (Note 5)	-	500,000	-	500,000	0.553			
	Mizuho Bank, Ltd. (Note 5)	-	400,000	-	400,000	0.553			
	Mizuho Trust & Banking Co., Ltd. (Note 5)	-	200,000	-	200,000	0.553			
	Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.772	October 31, 2024		
	Sumitomo Mitsui Trust Bank, Ltd.	-	400,000	-	400,000				
	Aozora Bank, Ltd.	-	400,000	-	400,000				
	Resona Bank, Ltd.	-	300,000	-	300,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	600,000	-	600,000	0.696	October 31, 2024		
	Mizuho Bank, Ltd. (Note 5)	-	600,000	-	600,000	0.815			
Development Bank of Japan Inc. (Note 5)	-	500,000	-	500,000	0.814				
Mizuho Trust & Banking Co., Ltd. (Note 5)	-	200,000	-	200,000	0.814				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	500,000	-	500,000	0.903	October 31, 2026			
Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	1.033	May 18, 2027			
Sumitomo Mitsui Trust Bank, Ltd.	-	500,000	-	500,000					
Resona Bank, Ltd.	-	400,000	-	400,000					
Development Bank of Japan Inc. (Note 5)	-	500,000	-	500,000	1.050	May 18, 2027			
Mizuho Bank, Ltd. (Note 5)	-	500,000	-	500,000	1.049				
Mizuho Trust & Banking Co., Ltd. (Note 5)	-	300,000	-	300,000	1.050				
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	500,000	-	500,000	0.670	September 29, 2023			
Sumitomo Mitsui Trust Bank, Ltd.	-	1,500,000	-	1,500,000	0.918	September 30, 2026			
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	-	500,000	-	500,000	0.930	September 29, 2027			
Mizuho Bank, Ltd. (Note 5)	-	1,500,000	-	1,500,000	1.029				
Sumitomo Mitsui Trust Bank, Ltd.	-	1,500,000	-	1,500,000	1.100	September 29, 2028			
	Sub Total	57,380,000	19,000,000	-	76,380,000				
	Total	72,700,000	35,270,000	15,070,000	92,900,000				

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

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

Note 3: All the repayment methods of debt financing except for the following Note6 and Note7 are lump-sum repayments on the due date.

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

Note 5: Borrowings at a fixed rate.

Note 6: Prepayment was made on May 31, 2017.

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