Translation of Japanese Original

FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED SEPTEMBER 30, 2016 (REIT)
(April 1, 2016 to September 30, 2016)

November 16, 2016

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 26, 2016
Planned start of distribution payments: December 15, 2016
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, 2016 (April 1, 2016 to September 30, 2016)

(1) Business Results

(Percentages show period-on-period changes)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
Fiscal period ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
September 30, 2016	6,374	15.0	2,973	5.2	2,519	3.7	2,518	3.7
March 31, 2016	5,541	8.6	2,826	14.7	2,428	25.2	2,427	25.6

	Net Income per Unit	Return on Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
Fiscal period ended	Yen	%	%	%
September 30, 2016	6,069	2.8	1.5	39.5
March 31, 2016	6,846	3.5	1.9	43.8

(2) Distribution

	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	Distrubution Ratio to Net Assets
Fiscal period ended	Yen	Yen	Yen	Millions of Yen	Millions of Yen	Millions of Yen	%	%
September 30, 2016	5,974	5,888	86	2,523	2,487	36	98.8	2.6
March 31, 2016	6,846	6,834	12	2,432	2,427	4	100.0	3.0

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 is calculated as follows (rounded to the nearest tenth).
Payout Ratio = Total Distributions (Excluding Excess of Earnings) /Net Income × 100
When calculated as follows, the payout ratio is 100.2% for the fiscal period ended March 31, 2016 and 100.2% for the fiscal period ended September 30, 2016.
Payout Ratio = Total Distributions (Including Excess of Earnings) /Net Income × 100

(3) Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Asset Value per Unit
As of	Millions of Yen	Millions of Yen	%	Yen
September 30, 2016	179,360	96,739	53.9	228,996
March 31, 2016	150,009	80,034	53.4	225,291

(4) Cash Flows

	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
Fiscal period ended	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
September 30, 2016	3,234	(27,162)	25,901	13,229
March 31, 2016	4,570	(38,295)	36,829	11,255

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2. EARNINGS FORECASTS FOR THE FISCAL PERIODS ENDING MARCH 31, 2017 (October 1, 2016 to March 31, 2017) AND SEPTEMBER 30, 2017 (April 1, 2017 to September 30, 2017)

(Percentages show period-on-period changes)

	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)
Fiscal period ending		%		%		%		%	Yen	Yen	Yen
March 31, 2017	6,398	0.4	3,007	1.2	2,547	1.1	2,546	1.1	6,027	13	6,040
September 30, 2017	6,451	0.8	2,925	(2.7)	2,464	(3.3)	2,463	(3.3)	5,830	13	5,843

Reference: Forecasted net income per unit (Forecasted net income / Forecasted average number of investment units during period)
For the fiscal period ending March 31, 2017: 6,027 yen For the fiscal period ending September 30, 2017: 5,830 yen

Note : Distributions per unit are calculated based on the number of investment units issued and outstanding totaled 422,250 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, 2016: 422,450 units

As of March 31, 2016: 355,250 units

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

As of September 30, 2016: 0 units

As of March 31, 2016: 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.

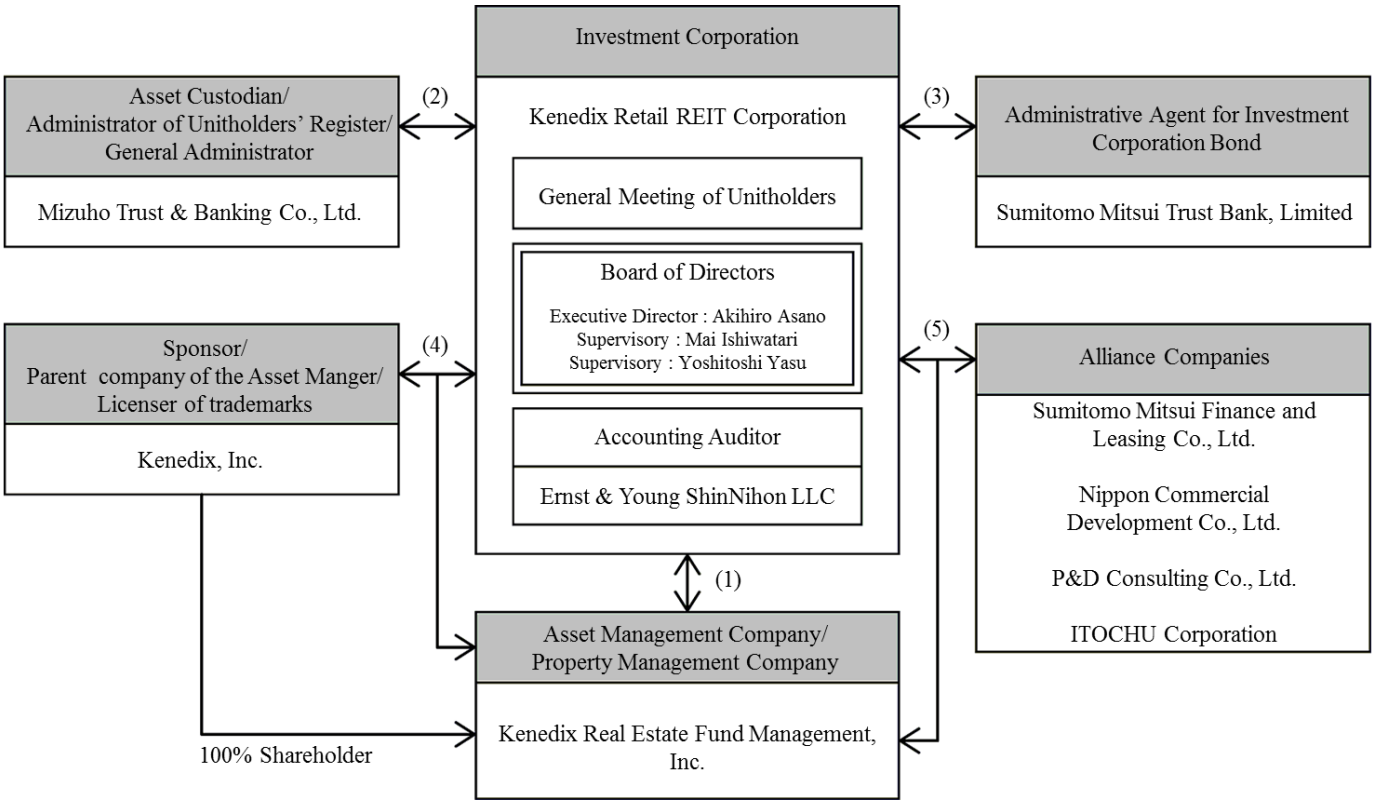
* Remarks on appropriate use of forecasts of performance and other special notes

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, 2017 and September 30, 2017" on page 11 for calculation, and our judgment as of November 16, 2016. 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

Management structure of KRR as of November 16, 2016 is as follows.



(1) Asset management agreement / Property management agreement

(2) Asset custodian agreement / Unitholders' registry agreement / General administration agreement

(3) Fiscal, issuing and paying agency agreement

(4) Memorandum of Understanding / Trademark license agreement

(5) Alliance agreements

Note 1: Kenedix, Inc. is the parent company (referring to the parent company stipulated in Article 8, paragraph 3 of Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No.59 of the year 1963, including amendments thereafter)) of the Asset Management Company. Kenedix, Inc. is deemed a specified related company of KRR (referring to the specified related company stipulated in Article 12, paragraph 3 of the Cabinet Office Ordinance on Disclosure of Information, etc. on Specified Securities (Ordinance of the Ministry of Finance No. 22 of the year 1993, including amendments thereafter)).

Note 2: Yoshiyuki Wada resigned as supervisory director on June 30, 2016 and Yoshitoshi Yasu was appointed as new supervisory director on July 1, 2016.

Note 3: KRR entered into an alliance agreement with ITOCHU Corporation on August 10, 2016. KRR also entered into an amendment agreement with Nippon Commercial Development Co., Ltd. on August 10, 2016 to amend the alliance agreement signed in November, 2014.

2. Investment Policies and Status of Asset Management

(1) Investment Policies

As there have been no significant changes from policies described in "Investment Policy," "Investment Properties" and "Distribution Policy" in the Securities Registration Statement (submitted on June 29, 2016; prepared in Japanese only), the disclosure is omitted.

(2) Status of Asset Management

(Overview of the Period ended September 30, 2016)

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, 2016 was 422,450 units.

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

Note: For 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 2016 was positive 0.7% on an annualized basis, indicating positive figures for two consecutive quarters. However, uncertainty in economy remains due to economic slowdown in developing countries, appreciation of yen and movements regarding Brexit.

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, although there were some effects of bad weather.

The financial environment remained unstable due to global market events such as economic slowdown in China and UK decision of Brexit, and appreciation of yen. In addition, although decline in interest rates following the introduction of negative interest rate policy by the Bank of Japan in January 2016 temporarily pushed the TSE REIT Index up, the market got weak as expectation of additional monetary easing receded with concerns over side effects of negative interest rate policy. On the other hand, in the real estate market, J-REITs continue to purchase a substantial number of properties because of monetary easing and brisk equity raising activities by J-REITs.

iii) Management Performance

(A) Acquisition of Assets

KRR acquired and started the operations of the following trust beneficiary interests in real estate (one property acquired on April 20, 2016 with acquisition price of 1,724 million yen, five properties acquired on April 21, 2016 with acquisition price of 21,393 million yen and one property acquired on April 22, 2016 with acquisition price 4,010 million yen). As a result, the portfolio at the end of the period under review (September 30, 2016) consists 40 properties with the total acquisition price of 158,766 million yen.

Property number	Property type (Note 1)	Property name	Location (City or Ward, Prefecture)	Acquisition price (million yen) (Note 2)	Acquisition date
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	April 21, 2016
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	April 20, 2016
T-17	SM	Life Kameido	Koto-ku, Tokyo	1,450	April 21, 2016
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	April 21, 2016
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	7,140	April 21, 2016
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	5,720	April 21, 2016

R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	4,010	April 22, 2016
Total				27,127	

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, 2016). 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 99.7%. Furthermore, the portfolio is diversified in terms of tenants as there are 405 end-tenants (Note 2) in our retail properties.

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

Note 2: The number of end-tenants isthe sum of the number of end-tenants in a pass-through-type master lease and the number of master leassees in a sub-lease-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 sold a total of 64,000 newly issued units offered in Japan and overseas on April 20 2016, and raised 15,856 million yen to acquire properties. In addition, 3,200 units were issued through third-party allotment on May 18, 2016, raising 792 million yen that was used to prepay a portion of borrowing for acquisition of properties. Due to these activities, unitholders' capital increased to 94,256 million yen as of September 30, 2016.

(Debt Finance)

During the fiscal period under review, KRR borrowed for the acquisition of properties and used the proceeds from the issuance of newly issued units through third-party allotment for the early repayment of debt. Consequently, debt totaled 69,300 million yen at the end of the fiscal period under review (September 30, 2016).

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

The below are borrowings at the end of the fiscal period.

Series	Lender	Amount (in thousands of yen)	Interest rate	Drawdown date	Repayment date (Note 1)	Repayment method	Remarks
6-A-1	Sumitomo Mitsui Banking Corporation	4,140,000	JBA 1-month JPY TIBOR + 0.45%	April 21, 2016	April 21, 2017	Full on maturity	Unsecured/ Unguaranteed

6-A-2	Mizuho Bank, Ltd.	360,000	JBA 1-month JPY TIBOR + 0.45%	April 21, 2016	April 21, 2017	Full on maturity	Unsecured/ Unguaranteed
6-B-1	Mizuho Bank, Ltd.	710,000	0.36800% (Note 2)	April 21, 2016	September 30, 2019		
6-B-2	Sumitomo Mitsui Trust Bank, Ltd.	620,000					
6-C	Sumitomo Mitsui Trust Bank, Ltd.	450,000	0.80300% (Note 2)	April 21, 2016	September 30, 2024		
6-D	Development Bank of Japan Inc.	890,000	0.76031% (Note 3)	April 21, 2016	September 30, 2024		
6-E	Sumitomo Mitsui Banking Corporation	2,670,000	0.93200% (Note 2)	April 21, 2016	April 21, 2026		
6-F (Note 4)	Sumitomo Mitsui Banking Corporation	800,000	JBA 1-month JPY TIBOR + 0.45%	April 21, 2016	April 21, 2017		
7-A	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,070,000	JBA 1-month JPY TIBOR + 0.45%	April 22, 2016	April 21, 2017		
7-B	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	890,000	0.88800% (Note 2)	April 22, 2016	October 31, 2025		

Note 1: The repayment date will be the following business day in case such date falls on a day that is not a business day or the preceding business day in case such date falls in the next calendar month.

Note 2: These borrowings are floating interest rates. However, we have entered into interest rate swap agreements to hedge the risks of interest rate volatility. These rates are the interest rates including the effect of the swaps (i.e., fixed interest rates).

Note 3: These borrowings are fixed rates.

Note 4: As for Series 6-F, there was no balance as of September 30, 2016 as it was prepaid in full on May 31, 2016. The repayment of Series 6-F was funded by net proceeds from the sale of new investment units through a third-party allotment with a May 18, 2016 payment date.

As a result, the average remaining years to maturity is 4.6 years, the weighted average interest rate is 1.00%, the long-term debt ratio is 82.6% and the LTV ratio (note), is 42.5%.

Note: The LTV ratio, or loan-to-value ratio, is the ratio of the total amount of borrowings, corporate bonds and tenant leasehold and security deposits (net of amounts reserved for return of tenant leasehold and security deposits), to the total assets minus amounts reserved for return of tenant leasehold and security deposits.

(Credit Ratings)

The status of the credit ratings as of September 30, 2016 is as follows.

Credit Rating Agency	Details of the Ratings	
Japan Credit Rating Agency, Ltd. (JCR)	Long-Term Issuer Rating	A (Outlook: Stable)

(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.

iv) Results of Operations

For this period, revenue was 6,374 million yen, operating income was 2,973 million yen, ordinary income was 2,519 million yen and net income was 2,518 million yen.

Furthermore, in accordance with the distribution policy in the KRR Articles of Incorporation, KRR made a distribution (excluding excess of earnings) of 2,487,385,600 yen which is almost equivalent to the earnings as defined in Article 136-1 of Act of Investment Trust and Investment Corporations 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 (including the distributions in excess of earnings) was 5,888 yen.

Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in the KRR Articles of Incorporation, KRR made a distribution in excess of earnings for the 36,330,700 yen allowance for temporary adjustment (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No.47 of 2006, including subsequent amendments.)) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws in association with the amortization of fixed-term land lease rights (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) and the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges. This resulted in a distribution in excess of earnings per unit of 86 yen.

Consequently, the distribution per unit for the fiscal period, including this excess distribution, was 5,974 yen (of which the distribution in

excess of earnings per unit was 86 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 economic slowdown in China, movements regarding Brexit, the direction of U.S. financial policies, the inauguration of the new U.S. President, etc. We also need to pay attention to changes in domestic economic environment, such as appreciation of yen and effects of "Quantitative and Qualitative Monetary Easing with Yield Curve Control" including the negative interest rate policy.

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 strong appetite of J-REITs and other investors to acquire properties. The Bank of Japan's monetary easing measures will help provide continuous supply of adequate funds in the real estate market. However, investors should also 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.

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 1). 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 (Note 2). 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, its location, the property's profitability and the tenant mix. By using this selection process results, 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 1: The Kenedix Group consists of Kenedix, Inc. and its subsidiaries and affiliates.

Note 2: KRR newly entered into an alliance agreement with ITOCHU Corporation on August 10, 2016.

(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

<u>"One-stop" asset management and property management services</u>

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.

<u>Continuously implementing a retail property management cycle through our in-house property management services</u>

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)

(A) Acquisition of Assets

KRR acquired an asset (acquisition price of 1,370 million yen).

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

Property number	Property type	Property name	Location	Seller	Acquisition price (million yen)	Appraisal value (million yen)	Acquisition date
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	Nippon Commercial Development Co., Ltd.	1,370	1,410	November 1, 2016
Total			-	-	1,370	1,410	-

KRR also acquired a silent partnership equity interest (Acquisition price: 100,000 thousand yen) of JRP8 G.K., which acquired trust beneficiary interest of Yumemachi Narashinodai Mall, to secure flexible growth opportunities in the future as well as opportunities for additional revenues on October 31, 2016. Kenedix, Inc. acquired the rest of the silent partnership equity interest of JRP8 G.K. Consequently, JRP8 G.K. is deemed a related party under the Investment Trust Law.

(B) Asset under Construction

A new building with approximately 397.98 m^2 gross floor area (Note 1) (hereinafter the "restaurant building") is being constructed on the underutilized site of Unicus Ina, a property owned by KRR. KRR expects the total construction cost for the restaurant building (Note 2) to be approximately 90 million yen and plans to complete the construction by mid-January 2017.

Note 1: "Gross floor area" indicates the gross floor area written on verification notice of building construction on August 29, 2016.

Note 2: "Total construction cost" indicates the estimate cost of the construction cost (excluding consumption taxes) as of September 30, 2016, provided the construction contract and the design and supervision consignment contract etc. that have signed. The total construction cost may change due to the change of the construction plan, etc.

(C) Financing

KRR borrowed funds on October 3, 2016 for the repayment of the borrowings that the repayment date came.

Series	Lender	Amount (in thousands of yen)	Interest rate	Drawdown date	Repayment date (Note 1)	Repayment method	Remarks
8 (Note 2)	Sumitomo Mitsui Banking Corporation	4,500,000	JBA 1-month JPY TIBOR + 0.45%	October 3, 2016	October 3, 2017	Full on maturity	Unsecured/ Unguaranteed

Note 1: The repayment date will be the following business day in case such date falls on a day that is not a business day or the preceding business day in case such date falls in the next calendar month.

Note 2: The balance as of October 31, 2016 was 3,900,000 thousand yen as 600,000 thousand yen was prepaid on October 31, 2016. The repayment was made using part of funds raised by investment corporation bonds with a payment date of October 31, 2016.

(D) Issuance of Investment Corporation Bonds

KRR decided to issue investment corporation bonds adopted at the board of directors' meeting held on September 29, 2016 and the payment was completed on October31, 2016. The details are provided as follows.

Name of investment corporation bonds	Kenedix Retail REIT Corporation 1st Series Unsecured Investment Corporation Bonds (Ranking *pari passu* among the specified investment corporation bonds) (The aforementioned investment corporation bonds shall hereafter be referred to as the "1st Series Bonds.") Kenedix Retail REIT Corporation 2nd Series Unsecured Investment Corporation Bonds (Ranking pari passu among the specified investment corporation bonds) (The aforementioned investment corporation bonds shall hereafter be referred to as the "2nd Series Bonds.") Hereafter, in the "(D) Issuance of Investment Corporation Bonds", the 1st Series Bonds and the 2nd Series Bonds will collectively be referred to as the "Investment Corporation Bonds." There will be no particular mention as to which bond, if the item is common to both the 1st Series Bonds and the 2nd Series Bonds.
Total amount of the bonds	Total amount: 2.0 billion yen Breakdown: 1st Series Bonds: 1.0 billion yen 2nd Series Bonds: 1.0 billion yen
Interest rate	1st Series Bonds: 0.200% per annum 2nd Series Bonds: 0.600% per annum
Payment date	October 31, 2016
Collateral / Guarantee	No collateral or guarantee is applicable, and no assets are specifically reserved as collateral for the Investment Corporation Bonds.
Redemption method and maturity	1st Series Bonds: Friday, October 29, 2021 2nd Series Bonds: Friday, October 30, 2026 The Investment Corporation Bonds may be purchased and cancelled at any time after the payment date, except for the case of service regulations and other rules that the statutory or depository otherwise stipulates. If the maturity date of the Investment Corporation Bonds falls on the bank holiday, the payment will be brought forward to the previous bank business day.
Ratings	A (Japan Credit Rating Agency, Ltd.)
Fiscal agent, issuing agent and paying agent	Sumitomo Mitsui Trust Bank, Ltd.
Use of funds	Total amount raised (approximate net balance) was 1,980 million yen. 1,380 million yen was used for the acquisition of K's Denki Shin-Moriyama (Land) on November 1, 2016 and certain related costs pertaining to the acquisition, and 600 million yen was used for partial prepayment of borrowings with drawdown date of October 3, 2016.

ii) Earnings Forecasts

For the fiscal period ending March 31, 2017 (From October 1, 2016 to March 31, 2017) and the fiscal period ending September 30, 2017 (From April 1, 2017 to September 30, 2017), the earnings forecasts are estimated as set forth below.

Fiscal period ending March 31, 2017

Operating revenues	6,398 million yen
Operating Income	3,007 million yen
Ordinary income	2,547 million yen
Net Income	2,546 million yen
Distributions per unit	6,040 yen
Of the above, distributions in excess of earnings	13 yen

Fiscal period ending September 30, 2017

Operating revenues	6,451 million yen
Operating Income	2,925 million yen
Ordinary income	2,464 million yen
Net Income	2,463 million yen
Distributions per unit	5,843 yen
Of the above, distributions in excess of earnings	13 yen

Please refer to "Assumptions for the Earnings Forecasts for the Fiscal Periods Ending March 31, 2017 and September 30, 2017" 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, 2017

Item	Assumptions
Calculation period	・The 4th fiscal period: October 1, 2016 to March 31, 2017 (182 days) ・The 5th fiscal period: April 1, 2017 to September 30, 2017 (183 days)
Property portfolio	・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 41 assets, which are 40 existing assets (the "existing assets") as of September 30, 2016 and an asset acquired on November 1, 2016 (the "asset acquired in the fourth fiscal period"), by the end of the fiscal period ending September 30, 2017. ・The actual property portfolio may change due to the acquisition of new properties other than the asset acquired in the fourth fiscal period or the disposal of owned properties, etc.
Operating revenues	・Operating revenues of the existing assets are based on leasing agreements as of September 30, 2016, trend of tenants, real estate market trends and other factors. ・Operating revenue of the asset acquired in the fourth fiscal period is based on its operating revenues calculated by the information provided by the sellers, leasing agreements as of September 30, 2016, trend of tenants, real estate market trends and other factors. ・Dividends of 2 million yen and 5 million yen are assumed for the fiscal periods ending March 31, 2017 and September 30, 2017 respectively from the silent partnership equity interest acquired on October 31, 2016. ・Operating revenues are based on the assumption that there will be no rent in arrears or non-payments by the tenant.
Operating Expenses	・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 720 million yen, and 724 million yen are assumed for the fiscal periods ending March 31, 2017 and September 30, 2017 respectively, using the straight-line depreciation method. ・482 million yen and 563 million yen of property related tax are expected to be expensed during the fiscal periods ending March 31, 2017 and September 30, 2017 respectively. For the 9 properties acquired after January 1, 2016, property-related taxed are not expensed in the fiscal period ending March 31, 2017 because KRR reimbursed the seller, pursuant to the purchase agreement, for the pro rata portion of the property-related taxes. ・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	・The amortization of offering-related costs are expected to be expensed 76 million yen and 76 million yen for the fiscal periods ending March 31, 2017, and September 30, 2017, 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, 376 million yen and 376 million yen are expected for the fiscal periods ending March 31, 2017, and September 30, 2017, respectively.
Borrowings and Investment Corporation Bonds	・As of today, KRR has an outstanding balance of 68,700 million yen in borrowings and 2,000 million yen in investment corporation bonds . ・The LTV ratio is expected to be 42.9% and 42.9% at the end of the period ending March 31, 2017 and September 30, 2017, respectively. (rounded to the nearest tenth) ・The LTV ratio has been calculated according to the following formula: LTV ratio =(Borrowings + Corporate bonds + Tenant leasehold and security deposits - Amounts reserved for return of tenant leasehold and security deposits) / (Total assets - Amounts reserved for return of tenant leasehold and security deposits)
Investment units	・The forecasts are based on our assumption of 422,450 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, 2017.
Distributions per unit (excluding excess of earnings per unit)	・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, 2017 and September 30, 2017. ・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	・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). ・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 13 yen per unit and 13 yen per unit in the periods ending March 31, 2017 and September 30, 2017, respectively.
Other	・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, 2016; prepared in Japanese only), the disclosure is omitted.

3. Financial Statements

(1) Balance Sheets

(in thousands of yen)

		Second Fiscal Period (As of March 31, 2016)	Third Fiscal Period (As of September 30, 2016)
Assets			
Current assets			
Cash and deposits		3,882,955	4,367,293
Cash and deposits in trust		10,341,252	11,615,129
Operating accounts receivable		192,030	206,398
Prepaid expenses		33,750	112,712
Consumption taxes receivable		510,522	477,707
Other		-	432
Total current assets		14,960,512	16,779,673
Non-current assets			
Property, plant and equipment			
Construction in progress		-	35,243
Buildings in trust		33,894,083	42,409,745
Accumulated depreciation		(1,043,077)	(1,707,093)
Buildings in trust, net	*1	32,851,006	40,702,651
Structures in trust		1,584,525	1,808,630
Accumulated depreciation		(68,990)	(106,872)
Structures in trust, net	*1	1,515,535	1,701,758
Machinery and equipment in trust		29,194	203,295
Accumulated depreciation		(1,720)	(6,582)
Machinery and equipment in trust, net		27,473	196,712
Tools, furniture and fixtures in trust		47,611	51,813
Accumulated depreciation		(3,413)	(6,700)
Tools, furniture and fixtures in trust, net	*1	44,198	45,112
Land in trust	*1	99,044,234	118,225,350
Construction in progress in trust		5,583	12,015
Total property, plant and equipment, net		133,488,032	160,918,844
Intangible assets			
Leasehold right in trust		528,555	524,576
Other		2,164	1,883
Total intangible assets		530,719	526,460
Investments and other assets			
Lease and guarantee deposits		10,000	10,000
Lease and guarantee deposits in trust		36,015	36,035
Long-term prepaid expenses		583,023	651,956
Long-term deposits		124,960	124,960
Total investments and other assets		753,998	822,951
Total non-current assets		134,772,750	162,268,256
Deferred assets			
Organization costs		35,435	30,369
Investment unit issuance costs		240,764	281,763
Total deferred assets		276,199	312,132
Total assets		150,009,463	179,360,062

(in thousands of yen)

		Second Fiscal Period (As of March 31, 2016)	Third Fiscal Period (As of September 30, 2016)
Liabilities			
Current liabilities			
Operating accounts payable		606,400	453,515
Short-term loans payable		6,500,000	12,070,000
Accounts payable-other		285,470	267,670
Accrued expenses		6,520	7,108
Income taxes payable		932	1,081
Advances received		748,176	859,300
Deposits received		136,468	122,669
Total current liabilities		8,283,968	13,781,345
Non-current liabilities			
Long-term loans payable		51,000,000	57,230,000
Tenant leasehold and security deposits		-	2,500
Tenant leasehold and security deposits in trust	*1	10,633,432	11,518,586
Asset retirement obligations		23,045	23,190
Other		34,382	64,677
Total non-current liabilities		61,690,859	68,838,953
Total liabilities		69,974,828	82,620,298
Net assets			
Unitholders' equity			
Unitholders' capital		77,606,649	94,256,390
Deduction from unitholders' capital			
Allowance for temporary difference adjustments	*2	-	(4,263)
Total deduction from unitholders' capital		-	(4,263)
Unitholders' capital, net		77,606,649	94,252,127
Surplus			
Unappropriated retained earnings		2,427,985	2,518,802
Total surplus		2,427,985	2,518,802
Total unitholders' equity		80,034,634	96,770,929
Valuation and translation adjustments			
Deferred gains or losses on hedges		-	(31,166)
Total valuation and translation adjustments		-	(31,166)
Total net assets	*3	80,034,634	96,739,763
Total liabilities and net assets		150,009,463	179,360,062

(2) Statements of Income and Retained Earnings

(in thousands of yen)

		Second Fiscal Period (From October 1, 2015 to March 31, 2016)	Third Fiscal Period (From April 1, 2016 to September 30, 2016)
Operating revenues			
Rent revenue-real estate	*1	4,656,391	5,405,789
Other lease business revenue	*1	884,665	968,378
Total operating revenues		5,541,057	6,374,168
Operating expenses			
Expenses related to rent business	*1	2,235,833	2,860,183
Asset management fees		405,144	438,769
Asset custody fees		4,658	6,375
Administrative service fees		16,454	21,792
Directors' compensation		4,500	4,500
Other operating expenses		48,444	69,052
Total operating expenses		2,715,035	3,400,673
Operating income		2,826,021	2,973,494
Non-operating income			
Interest income		937	51
Interest on refund		715	251
Total non-operating income		1,652	303
Non-operating expenses			
Interest expenses		275,159	306,343
Financing-related expenses		59,213	65,780
Amortization of organization costs		5,066	5,066
Amortization of investment unit issuance costs		59,244	76,922
Total non-operating expenses		398,683	454,113
Ordinary income		2,428,991	2,519,684
Income before income taxes		2,428,991	2,519,684
Income taxes			
Current		1,075	1,088
Total income taxes		1,075	1,088
Net income		2,427,915	2,518,595
Retained earnings brought forward		70	206
Unappropriated retained earnings		2,427,985	2,518,802

(3) Statements of Changes in Net Assets

Second Fiscal Period (From October 1, 2015 to March 31, 2016) (in thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	57,857,000	1,933,270	1,933,270	59,790,270	59,790,270
Changes of items during the period					
Issuance of new investment units	19,749,649			19,749,649	19,749,649
Dividends from surplus		(1,933,200)	(1,933,200)	(1,933,200)	(1,933,200)
Net income		2,427,915	2,427,915	2,427,915	2,427,915
Total changes of items during the period	19,749,649	494,714	494,714	20,244,364	20,244,364
Balance at the end of the period	*1 77,606,649	2,427,985	2,427,985	80,034,634	80,034,634

Third Fiscal Period (From April 1, 2016 to September 30, 2016) (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	77,606,649	-	-	77,606,649	2,427,985	2,427,985	80,034,634
Changes of items during the period							
Issuance of new investment units	16,649,740			16,649,740			16,649,740
Dividends from surplus					(2,427,778)	(2,427,778)	(2,427,778)
Distributions in excess of earnings from allowance for temporary difference adjustments		(4,263)	(4,263)	(4,263)			(4,263)
Net income					2,518,595	2,518,595	2,518,595
Net changes of items other than unitholder's equity							
Total changes of items during the period	16,649,740	(4,263)	(4,263)	16,645,477	90,817	90,817	16,736,294
Balance at the end of the period	*1 94,256,390	(4,263)	(4,263)	94,252,127	2,518,802	2,518,802	96,770,929

	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	-	-	80,034,634
Changes of items during the period			
Issuance of new investment units			16,649,740
Dividends from surplus			(2,427,778)
Distributions in excess of earnings from allowance for temporary difference adjustments			(4,263)
Net income			2,518,595
Net changes of items other than unitholder's equity	(31,166)	(31,166)	(31,166)
Total changes of items during the period	(31,166)	(31,166)	16,705,128
Balance at the end of the period	(31,166)	(31,166)	96,739,763

(4) Statements of Cash Distributions

(yen)

		Second Fiscal Period (From October 1, 2015 to March 31, 2016)	Third Fiscal Period (From April 1, 2016 to September 30, 2016)
I.	Retained earnings at the end of period	2,427,985,431	2,518,802,609
II.	Distributions in excess of earnings	4,263,000	36,330,700
	Of which, allowance for temporary difference adustments	4,263,000	36,330,700
III.	Total distributions	2,432,041,500	2,523,716,300
	Distributions per unit	6,846	5,974
	Of which, distributions of earnings	2,427,778,500	2,487,385,600
	Of which, distributions of earnings per unit	6,834	5,888
	Of which, allowance for temporary difference adjustments	4,263,000	36,330,700
	Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)	12	86
IV.	Retained earnings brought forward to the next period	206,931	31,417,009
Method of calculating distribution amount		In accordance with the policy described in Article 39-1 of its Articles of Incorporation, KRR determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its profits as the maximum amount. Following this policy, KRR has decided that it shall distribute 2,427,778,500 yen which is the maximum integral multiple of 355,250 units issued and outstanding as the distribution of earnings. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of 4,263,000 yen for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights.	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. Following this policy, KRR has decided that it shall distribute 2,487,385,600 yen which is almost the entire amount of income as defined in Article 136-1 of the Investment Trust Act. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 39-2 of KRR's Articles of Incorporation. Furthermore, in accordance with the policy for "Distribution of Money in Excess of Profits" as stated in Article 39-2 of KRR's Articles of Incorporation, KRR made a distribution in excess of earnings of 36,330,700 yen for allowance for temporary difference adjustments (as defined in Article 2-2-30 of the Ordinance on Accountings of Investment Corporations) for the purpose of reflecting the effect on distributions of the difference in earnings calculated under Japanese GAAP and Japanese tax laws (as defined in Article 2-2-30 (a) of the Ordinance on Accountings of Investment Corporations) in association with the amortization of fixed-term land leasehold rights and of the item deducted from net asset (as defined in Article 2-2-30 (b) of the Ordinance on Accountings of Investment Corporations) in association with deferred losses on hedges.

(5) Statements of Cash Flows

(in thousands of yen)

		Second Fiscal Period (From October 1, 2015 to March 31, 2016)	Third Fiscal Period (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities			
Income before income taxes		2,428,991	2,519,684
Depreciation and amortization		566,142	714,452
Amortization of organization costs		5,066	5,066
Amortization of investment unit issuance costs		59,244	76,922
Interest income		(937)	(51)
Interest expenses		275,159	306,343
Decrease (increase) in operating accounts receivable		(28,262)	(14,367)
Decrease (increase) in consumption taxes receivable		1,561,226	32,815
Decrease (increase) in prepaid expenses		(16,987)	(78,961)
Increase (decrease) in operating accounts payable		94,580	(25,321)
Increase (decrease) in accounts payable-other		25,738	(19,393)
Increase (decrease) in advances received		229,469	111,123
Increase (decrease) in deposits received		(223,486)	(13,799)
Decrease (increase) in long-term prepaid expenses		(164,503)	(68,932)
Other		36,767	(4,103)
Subtotal		4,848,210	3,541,476
Interest income received		937	51
Interest expenses paid		(272,051)	(305,756)
Income taxes paid		(6,464)	(940)
Net cash provided by (used in) operating activities		4,570,631	3,234,831
Net cash provided by (used in) investing activities			
Purchase of property, plant and equipment		-	(35,243)
Purchase of property, plant and equipment in trust		(40,463,688)	(28,233,179)
Purchase of intangible assets in trust		(361,455)	-
Payments for lease and guarantee deposits in trust		(30,695)	(20)
Proceeds from tenant leasehold and security deposits		-	2,500
Repayments of tenant leasehold and security deposits in trust		(286,205)	(314,140)
Proceeds from tenant leasehold and security deposits in trust		2,185,372	1,202,094
Proceeds from restricted bank deposits in trust		661,625	215,676
Net cash provided by (used in) investing activities		(38,295,047)	(27,162,312)
Net cash provided by (used in) financing activities			
Proceeds from short-term loans payable		7,700,000	6,370,000
Payments in short-term loans payable		(3,200,000)	(800,000)
Proceeds from long-term loans payable		14,650,000	6,230,000
Proceeds from issuance of investment units		19,611,147	16,531,819
Payments of dividends		(1,931,323)	(2,430,448)
Net cash provided by (used in) financing activities		36,829,824	25,901,371
Net increase (decrease) in cash and cash equivalents		3,105,407	1,973,891
Cash and cash equivalents at the beginning of the period		8,150,002	11,255,410
Cash and cash equivalents at the end of the period	*1	11,255,410	13,229,301

(6) Notes on Assumption of Going Concern

Not applicable

(7) Summary of Significant Accounting Policies

1.Method of depreciation of non-current assets	(1) Property, plant and equipment (including trust assets) The straight-line method is applied. Useful lives of the assets ranging are as follows: Buildings: 2 to 70 years Structures: 8 to 59 years Machinery and equipment: 10 to 25 years Tools, furniture and fixtures: 4 to 10 years (2) Intangible assets (including trust assets) The straight-line method is applied. (3) Long-term prepaid expenses The straight-line method is applied.
2. Accounting for deferred assets	(1) Organization costs Organization costs are amortized over a period of 5 years under the straight-line method. (2) Investment unit issuance costs Investment unit issuance costs are amortized over a period of 3 years under the straight-line method.
3. Accounting for revenues and expenses	Accounting for property-related taxes Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities. When KRR purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to 73,320 thousand yen and 106,443 thousand yen as of March 31, 2016 and September 30, 2016, respectively.
4. Method of hedge accounting	(1) Hedge accounting method Deferral hedge accounting is applied. However, the special treatment is applied for the interest-rate swap agreements that meet the criteria for special treatment. (2) Hedging instruments and hedged items Hedge instruments Interest-rate swap transactions Hedged items Interest payments on debts (3) Hedging policy KRR enters into derivative transactions based on its risk management policies with the objective of hedging risks provided in its Articles of Incorporation. (4) Method of assessing the effectiveness of hedging 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.
5. Scope of cash and cash equivalents on statements of cash flows	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.
6. Other significant accounting policies for the preparation of financial statements	(1) Accounting method for trust beneficiary interests in real estate and other assets 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. Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet. 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 (2) Accounting method for consumption taxes 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.

(Additional Information)
(Notes to Allowance for Temporary Difference Adjustments Additions and Reversals)
Second Fiscal Period (From October 1, 2015 to March 31, 2016)
For the Statements of Cash Distributions, KRR allocated an addition of 4,263 thousand yen to the allowance for temporary difference adjustments concerning the amortization of leasehold right in trust and the amount in excess of depreciation with regard to leasehold rights of Sunny Noma. KRR plans to reverse a corresponding amount when Sunny Noma is disposed.

Third Fiscal Period (From April 1, 2016 to September 30, 2016)
1. Reasons, related assets and allowance

(in thousands of yen)

Related assets, etc.	Reason	Allowance for temporary difference adjustments
Buildings in trust, Leasehold right in trust	Amortization of leasehold right in trust and the amount in excess of depreciation	5,491
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	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 the hedging instruments, the corresponding amount is scheduled to be reversed.

(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	Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
Buildings in trust	2,797,203	2,755,048
Structures in trust	55,538	53,947
Tools, furniture and fixtures in trust	-	2,962
Land in trust	7,811,297	7,811,297
Total	10,664,039	10,623,255

Secured liabilities	Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
Tenant leasehold and security deposits in trust	3,691,291	3,468,617
Total	3,691,291	3,468,617

* 2. Allowance for temporary difference adjustments

Second Fiscal Period (As of March 31, 2016)
Not applicable.

Third Fiscal Period (As of September 30, 2016)
1. Reasons, related assets, initial amount and allowance

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	4,263	-	4,263	-	4,263	-

2. Method of reversal

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

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

(in thousands of yen)

Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
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)

	Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
A. Rental and other operating revenues:		
Rent revenue-real estate:		
Rental revenues	3,761,328	4,393,233
Rental revenues from limited proprietary rights of land	598,355	680,862
Common area charges	296,707	331,693
Subtotal	4,656,391	5,405,789
Other lease business revenue:		
Parking space rental revenues	162,060	163,358
Utility charge reimbursement	453,733	540,060
Miscellaneous	268,871	264,959
Subtotal	884,665	968,378
Total rental and other operating revenues	5,541,057	6,374,168
B. Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	637,809	684,963
Utilities	495,520	523,159
Taxes	216	482,449
Repairs and maintenance	201,226	150,915
Insurance	10,531	12,341
Trust fees	14,499	17,294
Depreciation	565,861	714,171
Others	310,168	274,888
Total property-related expenses	2,235,833	2,860,183
C. Net operating income from real estate rental business (A-B)	3,305,224	3,513,984

(Notes to Statements of Changes in Net Assets)

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

	Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
Total number of authorized investment units	5,000,000 units	5,000,000 units
Total number of investment units issued and outstanding	355,250 units	422,450 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)

	Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
Cash and deposits	3,882,955	4,367,293
Cash and deposits in trust	10,341,252	11,615,129
Restricted bank deposits in trust (Note)	(2,968,798)	(2,753,121)
Cash and cash equivalents	11,255,410	13,229,301

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)

	Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
Due within 1 year	10,500	10,500
Due after 1 year	209,548	204,298
Total	220,048	214,798

Operating lease transactions (Lessor)

Future minimum lease income

(in thousands of yen)

	Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
Due within 1 year	4,184,868	5,754,371
Due after 1 year	37,858,429	47,304,424
Total	42,043,297	53,058,796

(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 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.

Borrowings, which are made primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 9 years and 7 months as of September 30, 2016, the end of the third 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. 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 volatility 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. 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).

Second Fiscal Period

As of March 31, 2016

(in thousands of yen)

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	3,882,955	3,882,955	-
(2) Cash and deposits in trust	10,341,252	10,341,252	-
Total	14,224,208	14,224,208	-
(1) Short-term loans payable	6,500,000	6,500,000	-
(2) Long-term loans payable	51,000,000	51,377,832	377,832
(3) Tenant leasehold and security deposits in trust	3,509,658	3,546,858	37,200
Total	61,009,658	61,424,691	415,033
Derivative transactions	-	-	-

Third Fiscal Period
As of September 30, 2016

(in thousands of yen)

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	4,367,293	4,367,293	-
(2) Cash and deposits in trust	11,615,129	11,615,129	-
Total	15,982,422	15,982,422	-
(1) Short-term loans payable	12,070,000	12,070,000	-
(2) Long-term loans payable	57,230,000	57,710,245	480,245
(3) Tenant leasehold and security deposits in trust	3,408,166	3,443,698	35,531
Total	72,708,166	73,223,944	515,777
Derivative transactions	(31,166)	(31,166)	-

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, their carrying amount approximates fair value.

(2) 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) 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	Second Fiscal Period As of March 31, 2016
Tenant leasehold and security deposits in trust	7,123,774
Total	7,123,774

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, these financial instruments are not included in the above quantitative information.

(in thousands of yen)

Classification	Third Fiscal Period As of September 30, 2016
Tenant leasehold and security deposits	2,500
Tenant leasehold and security deposits in trust	8,110,419
Total	8,112,919

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, these financial instruments are not included in the above quantitative information.

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

Second Fiscal Period
As of March 31, 2016

(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	3,882,955	-	-	-	-	-
Cash and deposits in trust	10,341,252	-	-	-	-	-
Total	14,224,208	-	-	-	-	-

Third Fiscal Period
As of September 30, 2016

(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	4,367,293	-	-	-	-	-
Cash and deposits in trust	11,615,129	-	-	-	-	-
Total	15,982,422	-	-	-	-	-

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

Second Fiscal Period
As of March 31, 2016

(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	6,500,000	-	-	-	-	-
Long-term loans payable	-	3,850,000	5,650,000	7,000,000	7,000,000	27,500,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	763,938
Total	6,935,430	4,285,430	6,085,430	7,435,430	7,435,430	28,263,938

Third Fiscal Period
As of September 30, 2016

(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	12,070,000	-	-	-	-	-
Long-term loans payable	-	3,850,000	6,980,000	7,000,000	7,000,000	32,400,000
Tenant leasehold and security deposits in trust	435,430	435,430	435,430	435,430	435,430	546,223
Total	12,505,430	4,285,430	7,415,430	7,435,430	7,435,430	32,946,223

(Notes to Derivative Transactions)

(1) Transactions not subject to hedge accounting

Second Fiscal Period (As of March 31, 2016) and Third Fiscal Period (As of September 30, 2016): Not applicable

(2) Transactions subject to hedge accounting

Second Fiscal Period
As of March 31, 2016

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)	Maturing after 1 year	Fair value (in thousands of yen)	Calculation method for applicable fair value
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	44,900,000	44,900,000	*	-

*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) Long-term loans payable".)

Third Fiscal Period
As of September 30, 2016

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)	Maturing after 1 year	Fair value (in thousands of yen)	Calculation method for applicable fair value
Principle method	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	5,340,000	5,340,000	(31,166)	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	44,900,000	*	-
			50,240,000	50,240,000	(31,166)	

*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) Long-term loans payable".)

(Notes to the Related-Party Transactions)

1. Parent Company, major corporate unitholders and other
Second Fiscal Period (From October 1, 2015 to March 31, 2016) and Third Fiscal Period (From April 1, 2016 to September 30, 2016): Not applicable

2. Affiliated companies and other
Second Fiscal Period (From October 1, 2015 to March 31, 2016) and Third Fiscal Period (From April 1, 2016 to September 30, 2016): Not applicable

3. Fellow subsidiary companies and other
Second Fiscal Period (From October 1, 2015 to March 31, 2016) and Third Fiscal Period (From April 1, 2016 to September 30, 2016): Not applicable

4. Directors, major individual unitholders and other
Second Fiscal Period (From October 1, 2015 to March 31, 2016) and Third Fiscal Period (From April 1, 2016 to September 30, 2016): Not applicable

(Notes to the Tax-Effect Accounting)

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

(in thousands of yen)

	Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
Deferred tax assets:		
Enterprise tax payable	22	23
Amortization of leasehold right in trust	2,932	4,189
Depreciation	1,055	1,508
Asset retirement obligations	7,280	7,325
Deferred gains or losses on hedges	-	9,845
Subtotal deferred tax assets	11,290	22,892
Valuation allowance	(11,290)	(22,892)
Total deferred tax assets	-	-

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

(unit: %)

	Second Fiscal Period As of March 31, 2016	Third Fiscal Period As of September 30, 2016
Statutory tax rate	32.31	31.74
Deductible cash distributions	(32.35)	(31.79)
Others	0.08	0.09
Effective tax rate	0.04	0.04

(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)

	Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
Balance at the beginning of the period	22,901	23,045
Accretion adustment	143	144
Balance at the end of the period	23,045	23,190

(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)

Second Fiscal Period (From October 1, 2015 to March 31, 2016)

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.

Third Fiscal Period (From April 1, 2016 to September 30, 2016)

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)

		Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
Book value			
	Balance at the beginning of the period	93,575,397	134,016,587
	Changes during the period	40,441,190	27,426,833
	Balance at the end of the period	134,016,587	161,443,421
Fair value at the end of the period		138,674,000	138,164,000

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 second fiscal period, the principal increase was acquisitions of real estate trust beneficiary interests in 14 properties totaling 40,195,716 thousand yen, and the additional acquisition of real estate trust beneficiary interest amounting to 383,790 thousand yen and the principal decrease was depreciation amounting to 565,717 thousand yen and during the third fiscal period, the principal increase was the acquisitions of real estate trust beneficiary interests in 7 properties totaling 27,834,390 thousand yen and the principal decrease was depreciation amounting to 714,026 thousand yen.
Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers.

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

(Notes to Per Unit Information)

	Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
Net asset value per unit	225,291 yen	228,996 yen
Net income per unit	6,846 yen	6,069 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:

	Second Fiscal Period From October 1, 2015 to March 31, 2016	Third Fiscal Period From April 1, 2016 to September 30, 2016
Net income (in thousands of yen)	2,427,915	2,518,595
Net income not attributable to ordinary unitholders (in thousands of yen)	-	-
Net income attributable to ordinary unitholders (in thousands of yen)	2,427,915	2,518,595
Weighted average number of units during the period (units)	354,622	414,983

(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)

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: 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 the Investment Corporation

At KRR's first General Meeting of Unitholders held on June 13, 2016, Yoshiyuki Wada resigned as supervisory director and Yoshitoshi Yasu was appointed as new supervisory director as of July 1, 2016. Furthermore, Akihiro Asano as executive director and Mai Ishiwatari as supervisory director were reappointed as of July 1, 2016. In addition, Koichiro Nobata of the Asset Management Company was appointed as alternate executive director and Satoshi Hiyama was appointed as alternate supervisory director at the General Meeting of Unitholders in order to avoid the case of having fewer directors than that designated by relevant regulatory requirements.

Appointed: Supervisory Director, Yoshitoshi Yasu (as of July 1, 2016)

Retired: Supervisory Director, Yoshiyuki Wada (as of June 30, 2016)

(2) Resignation/Appointment of the Director of the Asset Management Company

Not applicable

5. Reference Information

(1) Component of Assets

Type of Specified Asset	Property type	Areas (Note 1)	Second fiscal period as of March 31, 2016		Third fiscal period as of September 30, 2016	
			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	64,434	43.0	71,159	39.7
		Greater Osaka area	41,499	27.7	45,117	25.2
		Greater Nagoya area	5,444	3.6	12,636	7.0
		Fukuoka area	1,513	1.0	1,499	0.8
		Ordinance-designated cities, core cities and other areas	21,125	14.1	30,995	17.3
	Other retail properties	-	-	-	-	-
Total of Trust Beneficiary Interests in Real Estate			134,016	89.3	161,408	90.0
Bank Deposits and Other Assets			15,992	10.7	17,951	10.0
Total Assets			150,009	100.0	179,360	100.0

	Second fiscal period as of March 31, 2016		Third fiscal period as of September 30, 2016	
	Amount (Millions of Yen)	Ratio (%) (Note 3)	Amount (Millions of Yen)	Ratio (%) (Note 3)
Total Liabilities (Note 4)	69,974	46.6	82,620	46.1
Total Net Assets (Note 4)	80,034	53.4	96,739	53.9
Total Assets	150,009	100.0	179,360	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: "Total Liabilities" and "Total Net Assets" are those on the balance sheets.

(2) Overview of the Portfolio

i) Overview of Assets Owned

The following summarizes the real estate or the real estate properties in trust owned by KRR as of September 30, 2016.

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	14,984	15,200	14,848	9.4
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Trust beneficiary interest in real estate	8,373	8,560	8,063	5.1
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Trust beneficiary interest in real estate	5,915	6,370	5,850	3.7
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Trust beneficiary interest in real estate	5,431	5,740	5,390	3.4
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Trust beneficiary interest in real estate	4,394	4,510	4,379	2.8
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Trust beneficiary interest in real estate	3,998	4,300	4,000	2.5
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Trust beneficiary interest in real estate	3,637	3,800	3,600	2.3
T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Trust beneficiary interest in real estate	2,576	2,720	2,586	1.6
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Trust beneficiary interest in real estate	4,890	5,280	4,815	3.0
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Trust beneficiary interest in real estate	3,210	3,440	3,169	2.0
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Trust beneficiary interest in real estate	3,043	3,010	3,000	1.9
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Trust beneficiary interest in real estate	1,726	1,740	1,700	1.1
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,462	1,460	1,442	0.9
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Trust beneficiary interest in real estate	779	799	760	0.5
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	Trust beneficiary interest in real estate	3,493	3,780	3,360	2.1
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	Trust beneficiary interest in real estate	1,802	1,900	1,724	1.1
T-17	SM	Life Kameido	Koto-ku, Tokyo	Trust beneficiary interest in real estate	1,473	1,500	1,450	0.9
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Trust beneficiary interest in real estate	8,465	8,990	8,389	5.3
O-2	SM	Central Square Takadono (Land)	Osaka, Osaka	Trust beneficiary interest in real estate	2,727	2,930	2,685	1.7
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Trust beneficiary interest in real estate	2,157	2,440	2,140	1.3
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Trust beneficiary interest in real estate	11,538	11,600	11,000	6.9
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	Trust beneficiary interest in real estate	6,587	6,590	6,555	4.1
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	Trust beneficiary interest in real estate	6,469	6,940	6,450	4.1
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	Trust beneficiary interest in real estate	1,327	1,310	1,280	0.8
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	Trust beneficiary interest in real estate	497	500	487	0.3
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Trust beneficiary interest in real estate	1,572	1,650	1,505	0.9
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	Trust beneficiary interest in real estate	3,772	3,810	3,723	2.3
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	2,351	2,540	2,311	1.5
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Trust beneficiary interest in real estate	2,170	2,280	2,174	1.4
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Trust beneficiary interest in real estate	907	960	889	0.6
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	Trust beneficiary interest in real estate	7,206	7,220	7,140	4.5
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Trust beneficiary interest in real estate	1,499	1,520	1,497	0.9
R-1	NSC	Roseo Mito	Mito, Ibaraki	Trust beneficiary interest in real estate	10,079	10,900	10,046	6.3

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)
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Trust beneficiary interest in real estate	1,486	1,550	1,469	0.9
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Trust beneficiary interest in real estate	903	924	898	0.6
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Trust beneficiary interest in real estate	4,370	5,060	4,180	2.6
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	Trust beneficiary interest in real estate	3,342	3,310	3,252	2.0
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Trust beneficiary interest in real estate	856	861	830	0.5
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	Trust beneficiary interest in real estate	5,761	5,910	5,720	3.6
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	Trust beneficiary interest in real estate	4,193	4,260	4,010	2.5
Total					161,443	168,164	158,766	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 (one of the addresses for those that have multiple addresses) 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). In addition, for Roseo Mito, acquisition price includes 371 million yen (excluding expenses and taxes and rounded down to the nearest million yen) on the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the secondhand shop building (property expansion).

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

ii) Overview of tenants as of March 31, 2016

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	76,751.87	99.6	49	1,074,347	3,589
T-2	MONA Shin-Urayasu	9,568.31	9,145.66	95.6	1(71)	599,669	624
T-3	Passaggio Nishiarai	10,546.25	10,342.77	98.1	1(41)	398,548	233
T-4	Daikanyama Address Dixsept	5,056.39	4,966.98	98.2	1(26)	361,186	327
T-5	Unicus Ina	13,044.37	13,044.37	100.0	1	263,472	136
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	207
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	148
T-17	Life Kameido	2,929.58	2,929.58	100.0	1	- (Note 7)	- (Note 7)
O-1	Blumer Maitamon	30,037.11	29,757.73	99.1	49	684,484	414
O-2	Central Square 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	24,185.02	23,968.51	99.1	1(41)	648,448	826
O-5	Carino Esaka	7,540.58	7,474.92	99.1	1(30)	296,611	244
O-6	COMBOX Komyoike	25,530.44 (Note 8)	25,530.44	100.0	1	452,523 (Note 9)	459 (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	269
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)
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)
F-1	Sunny Noma	2,814.67	2,814.67	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)
R-1	Roseo Mito	48,296.15	48,161.79	99.7	1(22)	690,130	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	65,019.74	99.1	1(26)	383,911	324
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	286
	Total	674,491.03	672,177.32	99.7	405	10,420,077	11,518

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, 2016. 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, 2016 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, 2016, 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, 2016. 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, 2016 (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 sub-leases 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, 2016 (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 2016 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 2016 by the ownership ratio (93.20%).

iii) 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, 2016	15,200	21,000	15,300	4.7	15,100	4.5	4.9	760	5.1
T-2	MONA Shin-Urayasu	Japan Real Estate Institute	Sep. 30, 2016	8,560	6,850	8,620	5.2	8,500	4.9	5.4	490	6.1
T-3	Passaggio Nishiarai	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	6,370	8,750	6,510	4.4	6,310	4.2	4.6	292	5.0
T-4	Daikanyama Address Dixsept	Japan Real Estate Institute	Sep. 30, 2016	5,740	4,810	5,830	3.8	5,640	3.6	4.0	224	4.2
T-5	Unicus Ina	Japan Real Estate Institute	Sep. 30, 2016	4,510	3,980	4,540	5.2	4,480	4.8	5.3	240	5.5
T-6	Yorktown Kita-Kaname	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	4,300	2,560	4,350	5.0	4,280	4.8	5.2	215	5.4
T-7	Unicus Yoshikawa	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	3,800	4,820	3,860	4.8	3,770	4.6	5.0	185	5.2
T-8	Sports Club Renaissance Fujimidai	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	2,720	1,730	2,760	4.7	2,700	4.5	4.9	128	5.0
T-9	Super Viva Home Iwatsuki (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	5,280	-	-	-	5,280	(year 1-16) 4.7 (year 17-36.2) 4.8	-	207	4.3
T-10	K's Denki Shonan-Fujisawa (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	3,440	-	-	-	3,440	(year 1-11) 4.5 (year12-31.1) 4.6	-	159	5.0
T-11	Unicus Kamisato (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	3,010	-	-	-	3,010	(year 1-14) 4.7 (year 15-29) 4.8 (year 30-39) 4.9	-	138	4.6
T-12	Unicus Konosu (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	1,740	-	-	-	1,740	(year 1-14) 4.6 (year 15-29) 4.7 (year 30-39) 4.8	-	77	4.6
T-13	Inageya Yokohama Minamihonjuku (Land)	Japan Real Estate Institute	Sep. 30, 2016	1,460	-	-	-	1,460	4.0	4.6	64	4.5
T-14	Gourmet City Chiba-Chuo	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	799	1,080	796	5.2	800	5.0	5.4	43	5.8
T-15	Nakamachidai Tokyu Store	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	3,780	2,850	3,830	4.7	3,760	4.5	4.9	182	5.4
T-16	Central Wellness Club Nagatsuta Minamidai	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	1,900	2,420	1,910	5.1	1,900	4.9	5.3	98	5.7
T-17	Life Kameido	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	1,500	1,920	1,510	4.3	1,490	4.0	4.5	65	4.5
O-1	Blumer Maitamon	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	8,990	9,200	8,970	5.4	9,000	5.5	5.6	489	5.8
O-2	Central Square Takadono (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	2,930	-	-	-	2,930	(year 1-8) 4.3 (year 9-19) 4.4 (year 20-38.8) 4.5	-	128	4.8
O-3	Piago Kahma Home Center Omihachiman	Japan Real Estate Institute	Sep. 30, 2016	2,440	2,350	2,470	6.3	2,400	6.0	6.5	151	7.1

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 (%)		
O-4	Blumer HAT Kobe	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	11,600	14,500	11,700	4.9	11,500	4.7	5.1	569	5.2
O-5	Carino Esaka	Japan Real Estate Institute	Sep. 30, 2016	6,590	6,360	6,630	4.8	6,540	4.5	5.0	339	5.2
O-6	COMBOX Komyoike	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	6,940	7,740	7,090	5.2	6,880	4.9	5.4	389	6.0
O-7	Hankyu Oasis Hirakatadeguchi	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	1,310	905	1,320	5.6	1,310	5.4	5.8	75	5.9
O-8	Welcia Kishiwadakamori (Land)	Japan Real Estate Institute	Sep. 30, 2016	500	-	-	-	500	4.0	4.6	21	4.5
O-9	Life Nishi-Tengachaya	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	1,650	1,630	1,680	4.8	1,640	4.9	5.0	79	5.3
O-10	Million Town Tsukaguchi (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	3,810	-	-	-	3,810	(year 1-19) 4.3 (year 20-39.4) 4.5	-	170	4.6
N-1	Kahma Home Center Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	2,540	-	-	-	2,540	(year 1-17) 4.7 (year 18-36.7) 4.8	-	120	5.2
N-2	Valor Ichinomiya-Nishi	Japan Real Estate Institute	Sep. 30, 2016	2,280	1,870	2,290	5.2	2,260	4.9	5.4	128	5.9
N-3	K's Denki Nakagawa Tomita (Land)	The Tanizawa Sōgō Appraisal Co., Ltd.	Sep. 30, 2016	960	-	-	-	960	(year 1-17) 4.7 (year 18-36.7) 4.8	-	46	5.2
N-4	Homecenter Kohnan Sunadabashi	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	7,220	7,490	7,360	4.9	7,160	4.7	5.1	368	5.2
F-1	Sunny Noma	Japan Real Estate Institute	Sep. 30, 2016	1,520	1,270	1,550	5.1	1,480	4.9	5.5	80	5.4
R-1	Roseo Mito	Japan Real Estate Institute	Sep. 30, 2016	10,900	9,480	11,000	5.4	10,800	5.1	5.6	596	5.9
R-2	K's Denki Aomori Honten	Japan Real Estate Institute	Sep. 30, 2016	1,550	1,690	1,560	5.7	1,540	5.4	5.9	92	6.3
R-3	Super Sports Xebio Aomori-Chuo	Japan Real Estate Institute	Sep. 30, 2016	924	860	929	5.7	919	5.4	5.9	57	6.4
R-4	Ashico Town Ashikaga	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	5,060	8,100	5,060	5.4 (Building) 5.0 (Land) (Note 3)	5,060	5.2 (Building) 5.0 (Land)	5.6 (Building)	270	6.5
R-5	Yorktown Shinden-Higashi	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	3,310	5,030	3,320	5.6	3,300	5.4	5.8	195	6.0
R-6	Kasumi Technopark Sakura	Daiwa Real Estate Appraisal Co., Ltd.	Sep. 30, 2016	861	763	869	5.2	857	5.0	5.4	46	5.6
R-7	Solala Plaza	Japan Real Estate Institute	Sep. 30, 2016	5,910	4,010	5,950	4.9	5,870	4.6	5.1	287	5.0
R-8	P-1 Plaza Tenno	Japan Real Estate Institute	Sep. 30, 2016	4,260	4,350	4,260	5.3	4,250	4.9	5.4	229	5.7
Total/Average				168,164	150,368	143,824	-	167,166	-	-	8,511	5.4

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 properties.

iv) 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	0
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	0
T-4	Daikanyama Address Dixsept	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	145,352	0
T-5	Unicus Ina	HI International Consultant Co., Ltd.	Aug. 2014	118,760	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	0
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	0
T-16	Central Wellness Club Nagatsuta Minamidai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar.2016	16,888	0
T-17	Life Kameido	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar.2016	21,442	0
O-1	Blumer Maitamon	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	211,954	0
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	0
O-7	Hankyu Oasis Hirakatadeguchi	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	57,175	0
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
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	0
F-1	Sunny Noma	HI International Consultant Co., Ltd.	Aug. 2014	41,960	420
R-1	Roseo Mito	HI International Consultant Co., Ltd.	Aug. 2014 (Secondhand Shop building: Oct. 2015)	238,790	550

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)
R-2	K's Denki Aomori Honten	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	142,764	0
R-3	Super Sports Xebio Aomori-Chuo	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2014	103,012	0
R-4	Ashico Town Ashikaga	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Aug. 2015	327,264	0
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	0
R-7	Solala Plaza	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	25,430	0
R-8	P-1 Plaza Tenno	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Mar. 2016	159,757	28,423
Total				5,677,250	69,165

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.

v) Overview of seismic PML evaluation report

The following summary is based on the Portfolio Earthquake PML Evaluation Report created by the Sompo Risk Management & Health Care Inc. as of March 2016. 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 Sompo 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	4.51
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
O-1	Blumer Maitamon	1.52
O-2	Central Square Takadono (Land)	-
O-3	Piago Kahma Home Center Omihachiman	Piago 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
F-1	Sunny Noma	1.95
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 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
	Portfolio PML value (Note 2)	2.24

Note 1: PML is rounded to the nearest hundredth.

Note 2: "Portfolio PML value" is the portfolio PML value of 30 properties that excludes Super Viva Home Iwatsuki (Land), K's Denki Shonan-Fujisawa (Land), Unicus Kamisato (Land), Unicus Konosu (Land), Inageya Yokohama Minamihonjuku (Land), Central Square Takadono (Land), Welcia Kishiwadakamori (Land), Million Town Tsukaguchi (Land), Kahma Home Center Nakagawa Tomita (Land) and K's Denki Nakagawa Tomita (Land) is based on the Portfolio Earthquake PML Evaluation Report created by Sompo Risk Management & Health Care Inc. as of March 2016.

vi) 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 Architechture, Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architechture,Tokyo Branch	(Ito Yokado Yachiyo) Research Institute of Architechture,Tokyo Branch (Fululu Garden Yachiyo) Research Institute of Architechture,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	Asanuma Corporation	Asanuma Corporation	Daiwa System Co., Ltd.	Bureau Veritas Japan Co., Ltd.
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
O-1	Blumer Maitamon	Asanuma Corporation	Asanuma Corporation	Daiwa System Co., Ltd.	Bureau Veritas Japan Co., Ltd.
O-2	Central Square Takadono (Land)	-	-	-	-
O-3	Piago Kahma Home Center Omihachiman	(Piago building) Kiuchi Construction Co., Ltd. (Kahama Home Center building) Daiken Tosikaihatu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahama Home Center building) Daiken Tosikaihatu Co., Ltd.	(Piago building) Kiuchi Construction Co., Ltd. (Kahama 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.

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
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.
F-1	Sunny Noma	Nakamuta & Suenaga Designing (JV)	Nakamuta & Suenaga Designing (JV)	Nishimatsu Construction Co., Ltd., Kyushu Branch	Fukuoka City
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) 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.

Property number	Property name	Architect	Structural engineer	Construction company	Construction confirmation authority
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) Entestsu 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) Toda Corporation (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

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.

vii) 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		40	158,766	100.0
	NSC (Neighborhood Shopping Centers)	16	73,768	46.5
	SM (Super Markets)	8	11,449	7.2
	CSC Community shopping Centers)	1	14,848	9.4
	Urban Station-Front Shopping Centers	6	38,028	24.0
	SS (Specialty Store)	9	20,673	13.0
Other retail properties		-	-	-
Total		40	158,766	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		32	128,361	80.8
	Tokyo metropolitan area	17	70,136	44.2
	Greater Osaka area	10	44,214	27.8
	Greater Nagoya area	4	12,514	7.9
	Fukuoka area	1	1,497	0.9
Ordinance-designated cities, core cities and other areas		8	30,405	19.2
Total		40	158,766	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	-	-	-
5 years or more but less than 10 years	12	44,828	33.3
10 years or more	18	89,717	66.7
Total	30	134,545	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, 2016. 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	1,953	18.7
2 to less than 5 years	1,452	13.9
5 to less than 10 years	2,951	28.3
10 to less than 15 years	2,628	25.2
15 to less than 20 years	793	7.6
20 years or more	640	6.1
Total	10,420	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, 2016 (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, 2016 (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 sub-leases 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	66.6
Regular building lease	20.0
Commercial fixed-term land lease	13.3
Other	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	81.9
Fixed rent with sales-linked rent	13.1
Sales-linked fixed	4.9
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, 2016 and September 30, 2016, rounded to the nearest tenth. As a result, simple aggregation of "ratio" figures may not be the same as the total figure.

viii) 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 fourth 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-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Roof waterproof	From October 2016 to March 2017	67	-	-
O-5	Carino Esaka	Suita, Osaka	Elevator and escalator renewal	From October 2016 to March 2017	59	-	-
T-2	MONA Shin-Urayasu	Urayasu, Chiba	PMAC replacement	From October 2016 to March 2017	51	-	-
T-5	Unicus Ina	Kitaadachi-gun, Saitama	Exterior wall painting	From October 2016 to March 2017	46	-	-
O-1	Blumer Maitamon	Kobe, Hyogo	LED installation to common area	From October 2016 to March 2017	41	-	-

Note: The construction of a new restaurant building in Unicus Ina is not including in the above list because it involves an acquisition of a new building. Please see Section 2. Investment Policies and Status of Asset Management, (Reference Material), (B) Asset under construction for details.

(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 264 million yen. There were also expenditures of 150 million yen that were recorded as repair expenses. In total we spent 415 million yen on the projects.

Property number	Property name	Location	Purpose	Schedule	Capital expenditure (Millions of yen)
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Replacement of water generator and rooftop piping	From January 2016 to May 2016	89
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Reparement of shutter	From June 2016 to August 2016	20
O-1	Blumer Maitamon	Kobe, Hyogo	Common area refurbishment	From April 2016 to April 2016	20
T-2	MONA Shin-Urayasu	Urayasu, Chiba	Reparement of cooling tower	From March 2016 to June 2016	19
R-1	Roseo Mito	Mito, Ibaraki	Singboard and exterior wall painting	From July 2016 to September 2016	13
Other					101
Total					264

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

Not applicable

ix) Major portfolio properties

The table below shows the major property owned by KRR as of September 30, 2016. Major properties are defined as those that account for 10% or more of our total rental revenue generated from all assets held by KRR.

Property number	Property name	Number of tenants	Annual rent (Millions of yen) (Note)	Leased area (m^2)	Leasable area (m^2)
T-1	Fululu Garden Yachiyo	49	1,074	76,751.87	77,057.56

Note: Annual rent is 12 times the fixed monthly rent (including a common service charge) under a leasing contract with tenants at portfolio properties as of September 30, 2016 (excluding building leasing contracts for warehouses), rounded down to the nearest million yen. For master leases, where the master lease company sub-leases space to other tenants, the fixed monthly rent under the master lease contract is multiplied by 12, rounded down to the nearest million yen.

(3) Information Concerning Major Tenants

i) Top End-Tenants in Terms of Rent

The following summarizes top ten tenants (end-tenants or sub-lease type master leasee) as of September 30, 2016

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	104,392.38	15.5	491,707	246
YorkMart Co., Ltd.	Retail	Yorktown Kita-Kaname	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Life Corporation	Retail	A Unicus Yoshikawa, B Central Square Takadono (Land) C Life Nishi-Tengachaya	12,501.97	1.9	- (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)
Edion Corporation	Retail	Blumer Maitamon	- (Note 5)	- (Note 5)	- (Note 5)	- (Note 5)
Daiwaroyal Co., Ltd.	Real estate	COMBOX Komyoike	25,530.44	3.8	452,523	459
Toyota Tsusho Corporation	Wholesale	Homecenter Kohnan Sunadabashi	20,329.07	3.0	- (Note 5)	- (Note 5)
York Benimaru Co., Ltd.	Retail	A Ashico Town Ashikaga B Yorktown Shinden-Higashi	11,509.94	1.7	- (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, 2016, 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, 2016 (excluding warehouses for building lease agreements) for each property or property in trust, truncated to thousands of yen. In a sub-lease-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 September 30, 2016, 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, 2016 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	104,392.38	491,707	246	A Sep. 25, 2026 B Oct. 1, 2055 C Oct. 1, 2055 D Mar. 31, 2026	A Not Applicable B Not Applicable C Not Applicable D Not Applicable
Lixil Viva Corporation	Retail	A Super Viva Home Iwatsuki (Land) B Roseo Mito	- (Note)	- (Note)	- (Note)	- (Note)	- (Note)

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

【Reference】 Earnings Performance for the Individual Properties for the 3rd Fiscal Period (April 1, 2016 to September 30, 2016) : 183 days ※As of September 30, 2016

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	4,379	4,000	3,600	2,586	4,815	3,169	3,000	1,700
	Percentage of total portfolio	9.4%	5.1%	3.7%	3.4%	2.8%	2.5%	2.3%	1.6%	3.0%	2.0%	1.9%	1.1%
	Net book value (In millions of yen)	14,984	8,373	5,915	5,431	4,394	3,998	3,637	2,576	4,890	3,210	3,043	1,726
	Appraisal value at the end of period (In millions of yen)	15,200	8,560	6,370	5,740	4,510	4,300	3,800	2,720	5,280	3,440	3,010	1,740
	Percentage of total appraisal value	9.0%	5.1%	3.8%	3.4%	2.7%	2.6%	2.3%	1.6%	3.1%	2.0%	1.8%	1.0%
Lease Information	Number of tenants	49	1 (71)	1 (41)	1 (26)	1	1	1 (11)	1	1	1	1	1
	Leasable floor area (㎡)	77,057.56	9,568.31	10,546.25	5,056.39	13,044.37	(Note)	10,648.27	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Leased floor area (㎡)	76,751.87	9,145.66	10,342.77	4,966.98	13,044.37		10,648.27	3,120.87	67,325.95	15,578.58	67,854.47	19,329.00
	Occupancy ratio												
	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)	736,676	497,497	326,652	268,784	131,843		130,482				72,606	41,516
	Rental revenues	624,042	342,898	209,893	188,923	131,736		128,557				72,606	41,507
	Other operating revenues	112,633	154,599	116,758	79,861	107		1,925				-	9
	②Property-related expenses (In thousands of yen)	357,639	291,741	162,782	146,841	17,382		40,339				6,243	4,595
	Property management fees	142,528	84,007	46,928	53,084	1,800	(Note)	24,122	(Note)	(Note)	(Note)	1,200	1,200
	Taxes	70,958	22,947	35,189	11,872	10,426		14,580				4,777	3,129
	Utilities	68,764	57,765	39,024	35,379	-		-				-	-
	Repairs and maintenance	20,988	54,587	7,579	8,668	4,308		567				-	-
	Insurance	1,850	813	546	307	322		245				-	-
	Trust fees and other expenses	52,547	71,620	33,514	37,528	525		823				266	266
	③NOI (=①-②) (In thousands of yen)	379,037	205,755	163,869	121,943	114,460	106,777	90,143	64,009	103,418	79,368	66,362	36,920
	④Depreciation (In thousands of yen)	83,358	47,095	31,915	15,210	29,535	20,343	15,512	15,127	-	-	-	-
	⑤Rental operating income (=③-④) (In thousands of yen)	295,678	158,659	131,953	106,732	84,925	86,434	74,631	48,881	103,418	79,368	66,362	36,920
	⑥Capital expenditures (In thousands of yen)	40,683	138,817	13,357	5,418	7,222	252	10,920	-	-	-	-	-
	⑦NCF (=③-⑥) (In thousands of yen)	338,353	66,938	150,511	116,525	107,238	106,525	79,222	64,009	103,418	79,368	66,362	36,920
Reference	Expense ratio (=②/①)	48.5%	58.6%	49.8%	54.6%	13.2%	9.1%	30.9%	11.7%	12.7%	6.4%	8.6%	11.1%
	Property tax for the year 2016 (In thousands of yen)	141,875	45,895	70,369	23,745	20,790	14,538	29,160	11,263	27,077	7,981	9,551	6,257
	Assets pledged as collateral	○	-	-	-	-	-	-	-	-	-	-	-

【Reference】 Earnings Performance for the Individual Properties for the 3rd Fiscal Period (April 1, 2016 to September 30, 2016) : 183 days ※As of September 30, 2016

Location		Tokyo metropolitan area					Greater Osaka area						
Property No.		T-13	T-14	T-15	T-16	T-17	O-1	O-2	O-3	O-4	O-5	O-6	O-7
Property Name		Inageya Yokohama Minamihonjuku (Land)	Gourmet City Chiba-Chuo	Nakamachidai Tokyu Store	Central Wellness Club Nagatsuta Minamidai	Life Kameido	Blumer Maitamon	Central Square Takadono (Land)	Piago Kahma Home Center Omihachiman	Blumer HAT Kobe	Carino Esaka	COMBOX Komyoike	Hankyu Oasis Hirakatadeguchi
Acquisition Date		October 2, 2015	October 2, 2015	April 21, 2016	April 20, 2016	April 21, 2016	February 10, 2015	February 10, 2015	February 10, 2015	April 16, 2015	October 2, 2015	October 2, 2015	October 2, 2015
Price Information	Acquisition price (In millions of yen)	1,442	760	3,360	1,724	1,450	8,389	2,685	2,140	11,000	6,555	6,450	1,280
	Percentage of total portfolio	0.9%	0.5%	2.1%	1.1%	0.9%	5.3%	1.7%	1.3%	6.9%	4.1%	4.1%	0.8%
	Net book value (In millions of yen)	1,462	779	3,493	1,802	1,473	8,465	2,727	2,157	11,538	6,587	6,469	1,327
	Appraisal value at the end of period (In millions of yen)	1,460	799	3,780	1,900	1,500	8,990	2,930	2,440	11,600	6,590	6,940	1,310
	Percentage of total appraisal value	0.9%	0.5%	2.2%	1.1%	0.9%	5.3%	1.7%	1.5%	6.9%	3.9%	4.1%	0.8%
Lease Information	Number of tenants	1	1	1	2	1	49	1	2	1（41）	1（30）	1	1
	Leasable floor area (㎡)	4,405.41	3,488.77	5,968.71	3,996.70	2,929.58	30,037.11	4,437.07	14,313.00	24,185.02	7,540.58	25,530.44	2,960.38
	Leased floor area (㎡)	4,405.41	3,488.77	5,968.71	3,996.70	2,929.58	29,757.73	4,437.07	14,313.00	23,968.51	7,474.92	25,530.44	2,960.38
	Occupancy ratio												
	As of September 30, 2016	100.0%	100.0%	100.0%	100.0%	100.0%	99.1%	100.0%	100.0%	99.1%	99.1%	100.0%	100.0%
	As of March 31, 2016	100.0%	100.0%	-	-	-	99.5%	100.0%	100.0%	98.7%	99.1%	100.0%	100.0%
	As of September 30, 2015	-	-	-	-	-	99.5%	100.0%	100.0%	99.5%	-	-	-
Income and Retained Earnings Information	Operating periods	183days	183days	163days	164days	163days	183days	183days	183days	183days	183days	183days	183days
	①Rental and other operating revenues (In thousands of yen)	(Note)	(Note)	(Note)	53,440	(Note)	510,350	(Note)	(Note)	491,969	295,046	226,261	(Note)
	Rental revenues				52,056		363,099			367,890	200,297	226,261	
	Other operating revenues				1,384		147,251			124,079	94,749	-	
	②Property-related expenses (In thousands of yen)				3,929		232,584			221,096	115,511	33,378	
	Property management fees				2,838		59,595			66,115	40,464	1,800	
	Taxes				12		42,616			47,304	24,566	30,473	
	Utilities				294		91,763			81,859	42,819	-	
	Repairs and maintenance				302		15,025			3,044	4,540	-	
	Insurance				115		812			935	721	690	
	Trust fees and other expenses				366		22,771			21,837	2,398	414	
	③NOI（=①-②） (In thousands of yen)	31,859	19,188	84,941	49,511	32,739	277,766	63,872	74,689	270,872	179,535	192,883	36,200
	④Depreciation (In thousands of yen)	-	9,734	20,306	7,745	2,980	50,943	-	10,534	52,328	27,802	32,894	5,201
	⑤Rental operating income （=③-④） (In thousands of yen)	31,859	9,453	64,634	41,765	29,759	226,822	63,872	64,155	218,544	151,732	159,988	30,999
	⑥Capital expenditures (In thousands of yen)	-	1,184	-	-	-	21,663	-	-	5,292	2,966	-	-
	⑦NCF （=③-⑥） (In thousands of yen)	31,859	18,004	84,941	49,511	32,739	256,102	63,872	74,689	265,580	176,569	192,883	36,200
Reference	Expense ratio （=②／①）	11.4%	46.8%	18.6%	7.4%	5.8%	45.6%	7.1%	20.4%	44.9%	39.2%	14.8%	16.8%
	Property tax for the year 2016 (In thousands of yen)	5,284	11,430	14,145	12,274	8,467	85,207	6,818	29,447	94,486	49,132	60,941	7,844
	Assets pledged as collateral	-	-	-	-	-	-	-	○	-	-	-	-

【Reference】 Earnings Performance for the Individual Properties for the 3rd Fiscal Period (April 1, 2016 to September 30, 2016) : 183 days ※As of September 30, 2016

Location		Greater Osaka area			Greater Nagoya area				Fukuoka area	Ordinance-designated cities, core cities and other areas			
Property No.		O-8	O-9	O-10	N-1	N-2	N-3	N-4	F-1	R-1	R-2	R-3	R-4
Property Name		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	Sunny Noma	Roseo Mito	K's Denki Aomori Honten	Super Sports Xebio Aomori-Chuo	Ashico Town Ashikaga
Acquisition Date		October 2, 2015	January 21, 2016	April 21, 2016	February 10, 2015	February 10, 2015	February 10, 2015	April 21, 2016	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	October 2, 2015
Price Information	Acquisition price (In millions of yen)	487	1,505	3,723	2,311	2,174	889	7,140	1,497	10,046	1,469	898	4,180
	Percentage of total portfolio	0.3%	0.9%	2.3%	1.5%	1.4%	0.6%	4.5%	0.9%	6.3%	0.9%	0.6%	2.6%
	Net book value (In millions of yen)	497	1,572	3,772	2,351	2,170	907	7,206	1,499	10,079	1,486	903	4,370
	Appraisal value at the end of period (In millions of yen)	500	1,650	3,810	2,540	2,280	960	7,220	1,520	10,900	1,550	924	5,060
	Percentage of total appraisal value	0.3%	1.0%	2.3%	1.5%	1.4%	0.6%	4.3%	0.9%	6.5%	0.9%	0.5%	3.0%
Lease Information	Number of tenants	1	1	1	1	1	1	1	1	1 (22)	1	1	1 (26)
	Leasable floor area (㎡)	3,033.45	2,679.52	8,264.46	(Note)	9,447.48	(Note)	20,329.07	2,814.67	48,296.15	10,083.41	(Note)	65,616.31
	Leased floor area (㎡)	3,033.45	2,679.52	8,264.46		9,447.48		20,329.07	2,814.67	48,161.79	10,083.41		65,019.74
	Occupancy ratio												
	As of September 30, 2016	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%	100.0%	100.0%	99.1%
	As of March 31, 2016	100.0%	100.0%	-	100.0%	100.0%	100.0%	-	100.0%	100.0%	100.0%	100.0%	99.1%
	As of September 30, 2015	-	-	-	100.0%	100.0%	100.0%	-	100.0%	100.0%	100.0%	100.0%	-
Income and Retained Earnings Information	Operating periods	183days	183days	163days	183days	183days	183days	163days	183days	183days	183days	183days	183days
	①Rental and other operating revenues (In thousands of yen)		44,870							378,055			278,190
	Rental revenues		44,870							345,076			200,955
	Other operating revenues		-							32,978			77,234
	②Property-related expenses (In thousands of yen)		2,264							83,521			144,389
	Property management fees	(Note)	1,800	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)	19,028	(Note)	(Note)	38,059
	Taxes		-							27,340			25,377
	Utilities		-							26,026			61,934
	Repairs and maintenance		-							6,366			9,633
	Insurance		55							697			675
	Trust fees and other expenses		408							4,062			8,709
	③NOI (=①-②) (In thousands of yen)	10,697	42,606	78,695	60,036	64,355	22,958	183,775	40,154	294,533	46,015	28,380	133,800
	④Depreciation (In thousands of yen)	-	4,682	-	-	14,526	-	40,500	14,252	47,089	6,365	4,894	28,143
	⑤Rental operating income (=③-④) (In thousands of yen)	10,697	37,924	78,695	60,036	49,828	22,958	143,275	25,902	247,443	39,649	23,486	105,657
	⑥Capital expenditures (In thousands of yen)	-	-	-	-	-	-	-	-	13,406	-	-	-
	⑦NCF (=③-⑥) (In thousands of yen)	10,697	42,606	78,695	60,036	64,355	22,958	183,775	40,154	281,126	46,015	28,380	133,800
Reference	Expense ratio (=②/①)	19.0%	5.0%	1.6%	9.6%	18.4%	13.0%	1.3%	22.4%	22.1%	17.2%	16.4%	51.9%
	Property tax for the year 2016 (In thousands of yen)	2,073	6,507	6,884	9,869	20,218	3,949	39,652	7,455	54,675	14,392	6,501	50,750
	Assets pledged as collateral	-	○	-	-	-	-	-	-	-	-	-	-

【Reference】 Earnings Performance for the Individual Properties for the 3rd Fiscal Period (April 1, 2016 to September 30, 2016) : 183 days ※As of September 30, 2016

Location		Ordinance-designated cities, core cities and other areas				Total of 40 Properties
Property No.		R-5	R-6	R-7	R-8	
Property Name		Yorktown Shinden-Higashi	Kasumi Technopark Sakura	Solala Plaza	P-1 Plaza Tenno	
Acquisition Date		October 2, 2015	October 2, 2015	April 21, 2016	April 22, 2016	
Price Information	Acquisition price (In millions of yen)	3,252	830	5,720	4,010	158,766
	Percentage of total portfolio	2.0%	0.5%	3.6%	2.5%	100.0%
	Net book value (In millions of yen)	3,342	856	5,761	4,193	161,443
	Appraisal value at the end of period (In millions of yen)	3,310	861	5,910	4,260	168,164
	Percentage of total appraisal value	2.0%	0.5%	3.5%	2.5%	100.0%
Lease Information	Number of tenants	2	1	1	7	405
	Leasable floor area (㎡)	12,768.77	2,047.65	(Note)	12,030.83	674,491.03
	Leased floor area (㎡)	12,768.77	2,047.65		12,030.83	672,177.32
	Occupancy ratio					
	As of September 30, 2016	100.0%	100.0%	100.0%	100.0%	99.7%
	As of March 31, 2016	100.0%	100.0%	-	-	99.6%
	As of September 30, 2015	-	-	-	-	99.6%
Income and Retained Earnings Information	Operating periods	183days	183days	163days	162days	180days
	①Rental and other operating revenues (In thousands of yen)	(Note)	(Note)	(Note)	127,024	6,374,168
	Rental revenues				119,806	5,405,789
	Other operating revenues				7,217	968,378
	②Property-related expenses (In thousands of yen)				5,177	2,146,012
	Property management fees				2,642	684,963
	Taxes				14	482,449
	Utilities				200	523,159
	Repairs and maintenance				1,047	150,915
	Insurance				766	12,341
	Trust fees and other expenses				506	292,182
	③NOI（=①-②） (In thousands of yen)	95,467	22,736	135,967	121,846	4,228,155
	④Depreciation (In thousands of yen)	13,591	2,661	43,111	15,781	714,171
	⑤Rental operating income （=③-④） (In thousands of yen)	81,875	20,075	92,855	106,065	3,513,984
	⑥Capital expenditures (In thousands of yen)	3,609	-	-	-	264,794
	⑦NCF （=③-⑥） (In thousands of yen)	91,857	22,736	135,967	121,846	3,963,361
Reference	Expense ratio （=②／①）	38.0%	19.4%	23.5%	4.1%	33.7%
	Property tax for the year 2016 (In thousands of yen)	31,456	4,008	30,818	29,901	1,113,102
	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, 2016 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 2) (Note 3) (%)	Payment due date (Note 4)	Use	Remarks
Short-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,050,000	-	-	2,050,000	0.539	October 2, 2016	(Note 5)	Unsecured/ Non-guaranteed
	Sumitomo Mitsui Banking Corporation	2,450,000	-	-	2,450,000	0.539	October 2, 2016		
	Sumitomo Mitsui Banking Corporation	450,000	-	-	450,000	0.489	February 10, 2017		
	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	-	4,140,000	-	4,140,000	0.484	April 21, 2017		
	Mizuho Bank, Ltd.	-	360,000	-	360,000				
	Sumitomo Mitsui Banking Corporation (Note 7)	-	800,000	800,000	-	0.488	April 21, 2017		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,070,000	-	1,070,000	0.484	April 21, 2017		
	Sub Total	6,500,000	6,370,000	800,000	12,070,000				
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	2,300,000	-	-	2,300,000	0.545	February 10, 2018	(Note 5)	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				
	Sumitomo Mitsui Banking Corporation	2,400,000	-	-	2,400,000	0.751	February 10, 2020		
	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 6)	1,500,000	-	-	1,500,000	0.925	February 10, 2021		
	Development Bank of Japan Inc. (Note 6)	1,600,000	-	-	1,600,000	1.033	February 10, 2022		
	Sumitomo Mitsui Banking Corporation	4,600,000	-	-	4,600,000	1.366	April 16, 2025		
	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 6)	1,500,000	-	-	1,500,000	0.994	March 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,850,000	-	-	1,850,000	0.545	March 31, 2019		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	550,000	-	-	550,000				
	Sumitomo Mitsui Trust Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Ltd.	300,000	-	-	300,000				
	The Musashino Bank, Ltd.	250,000	-	-	250,000				
	Mitsubishi UFJ Trust and Banking Corporation	450,000	-	-	450,000	0.987	March 31, 2023		
	Resona Bank, Ltd.	200,000	-	-	200,000				
	The Musashino Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc. (Note 6)	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				

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 2) (Note 3) (%)	Payment due date (Note 4)	Use	Remarks
Long-Term Loans Payable	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	1.243	April 16, 2025	(Note 5)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	-	710,000	-	710,000	0.368	September 30, 2019		
	Sumitomo Mitsui Trust Bank, Ltd.	-	620,000	-	620,000				
	Sumitomo Mitsui Trust Bank, Ltd.	-	450,000	-	450,000	0.803	September 30, 2024		
	Development Bank of Japan Inc. (Note 6)	-	890,000	-	890,000	0.760	September 30, 2024		
	Sumitomo Mitsui Banking Corporation	-	2,670,000	-	2,670,000	0.932	April 21, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	890,000	-	890,000	0.888	October 31, 2025		
	Sub Total	51,000,000	6,230,000	-	57,230,000				
Total		57,500,000	12,600,000	800,000	69,300,000				

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

(Thousands of yen)

	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
Long-term loans payable	3,850,000	6,980,000	7,000,000	7,000,000	32,400,000

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

Note 3: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to 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 4: All the repayment methods of debt financing except for the following Note 7 are lump-sum repayments on the due date.

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

Note 6: Borrowings at a fixed rate.

Note 7: Prepayment was made on May 31, 2016.