Kenedix Retail REIT Corporation

Financial Results for the 4th Financial Period ended Mar. 2017

May 19, 2017



Kawamachi Yahagi Mall

KENEDIX
Retail REIT Corporation

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Totsuka-Fukaya Shopping Center (Land)

01

Summary of 3rd public offering

Security Code
3453



Summary of the offering

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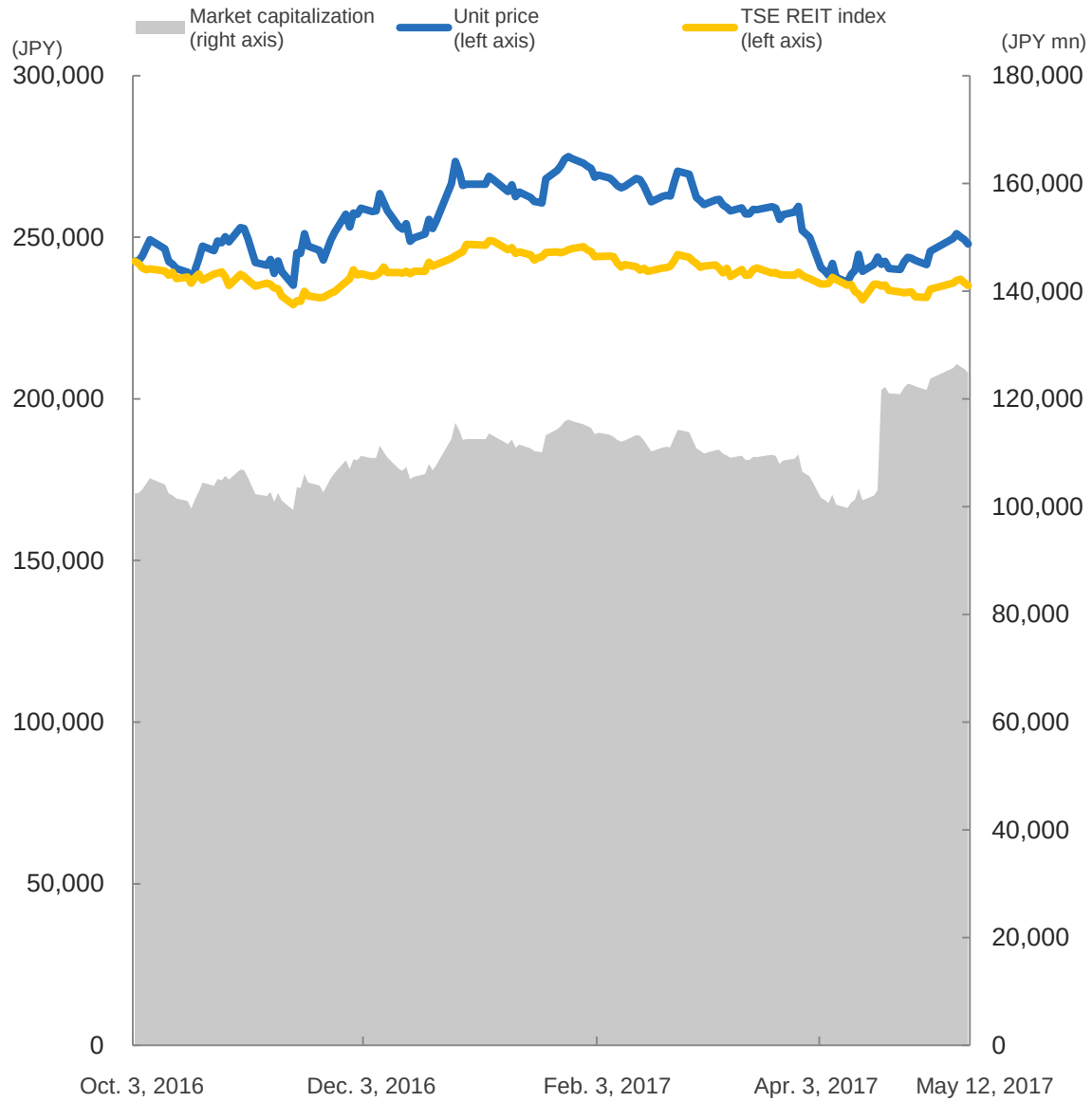
Overview

Offering structure	Global offering Domestic and international (Reg.S + 144A)
Offering size	Domestic: JPY 9,439 mn International: JPY 8,524 mn Over-allotment (OA): JPY 930 mn
Number of units issued	85,250 units (including OA 4,000 units) Domestic: 48,592 units International: 36,658 units
Total number of units outstanding (after 3rd PO)	507,700 units
Offer price	JPY 232,537
Net proceeds	JPY 19,142 mn
Launch date	March 31, 2017
Pricing date	April 11, 2017
Application period	April 12 to April 13, 2017
Payment date	April 18, 2017

Unit price and market capitalization



Portfolio summary

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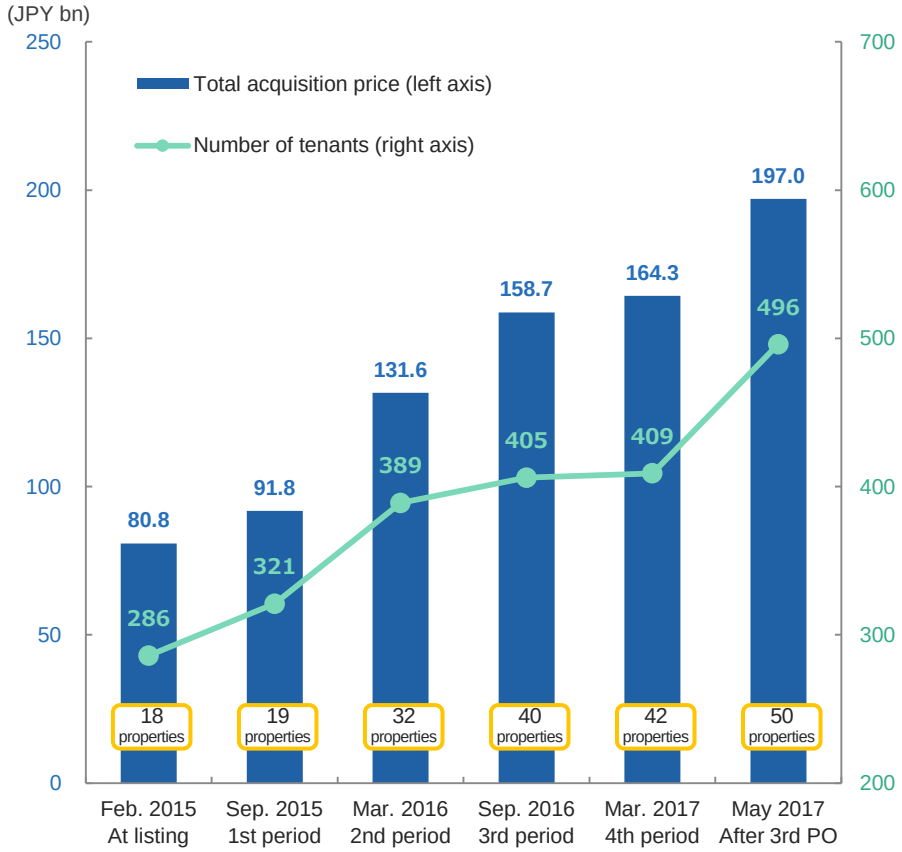
Appraisal value/NOI yield/occupancy rate

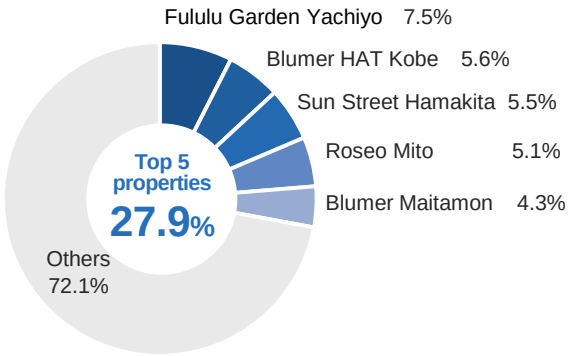
Total appraisal value	Appraisal NOI yield	NOI yield after depreciation	Occupancy rate
JPY 208.8 bn	5.3%	4.4%	99.7%

Acquisition price/number of tenants/number of properties

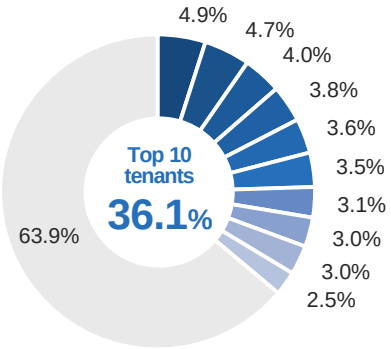


Characteristics of KRR's portfolio

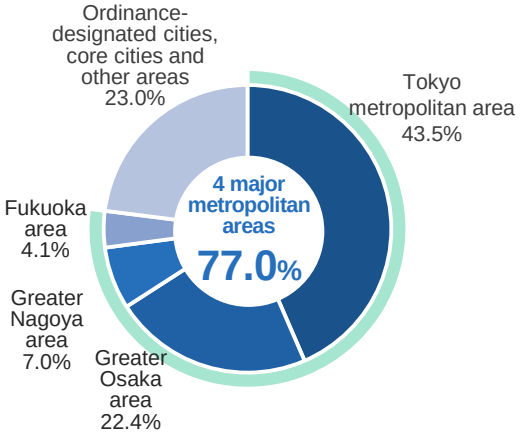
Top 5 properties (by acquisition price)



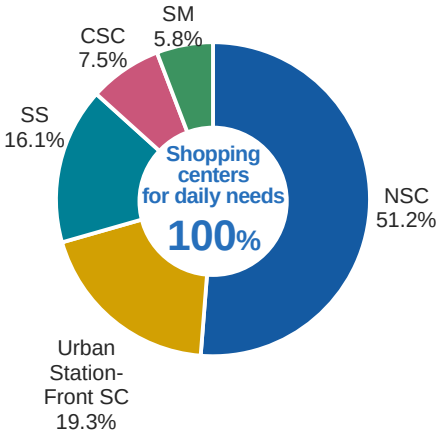
Top 10 tenants (by annual fixed rent)



Location



Types of retail property



Note 1: "Appraisal value", "NOI yield", "Occupancy rate" and other figures on portfolio are as of Mar. 31, 2017, for the 50 properties acquired by the date of this material.
Note 2: "Appraisal NOI Yield" is calculated by dividing appraisal NOI from the latest appraisal reports by acquisition price. "NOI yield after depreciation" is based on the forecast for the fiscal period ending Sep. 30, 2017.
Note 3: "Occupancy rate" and "number of tenants" at listing are figures as of Sep. 30, 2014.

Portfolio highlights

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1 Retail trade areas that benefit from increases in population

- Densely populated retail trade areas with a large consumer base
- Potential for population growth from nearby large-scale housing development projects

2 Located in the four major metropolitan areas or ordinance-designated cities

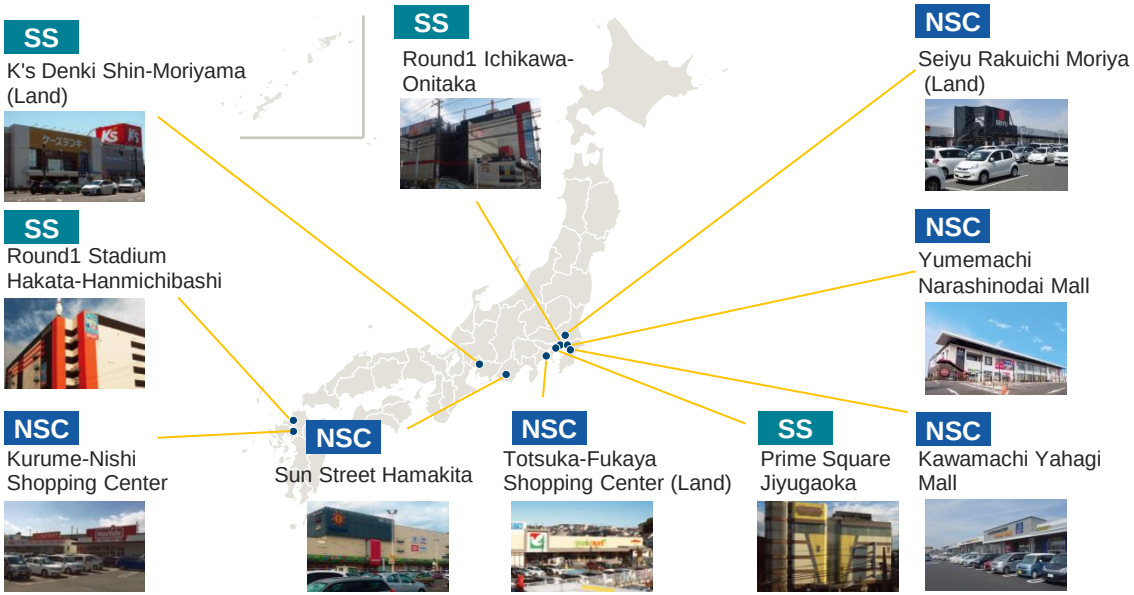
- Our most recently acquired properties are predominantly located in the four major metropolitan areas or ordinance-designated cities, where population movement is relatively stable

3 Tenant mix attractive to customers

- Quality tenants at our properties offer a diverse range of goods and services that are closely tied to the day-to-day needs of customers

4 Newly-constructed properties

- Acquisition of properties developed by our Sponsor and Alliance Companies



Retail trade area population growth rate +3.8%

Properties located in the four major metropolitan areas or ordinance-designated cities 9 properties

Properties opened within the past five years 4 properties

Note: "Retail trade area population growth rate" is calculated as the growth rate of population within a three-km radius of each property from 2005 to 2010, according to the national census in 2010.

Properties related to 3rd PO

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Properties	Acquisition price (JPY mn)	Appraisal value (JPY mn)	Appraisal NOI yield (%)	Location	Core tenant	Acquisition channels	Retail trade area population increase (%)
Yumemachi Narashinodai Mall	3,416	3,520	5.2	Tokyo metropolitan area (approx. 35 min to Otemachi Station)	Nojima Corporation	Sponsor	+4.2
Sun Street Hamakita	10,746	10,890	5.8	Ordinance-designated cities, core cities and other areas	Seiyu GK	Sponsor	+7.7
Kawamachi Yahagi Mall	3,097	3,220	5.2	Tokyo metropolitan area (approx. 40 min to Tokyo Station)	Landrome Japan, Ltd.	Sponsor	+6.1
Totsuka-Fukaya Shopping Center (Land)	4,170	4,290	4.6	Tokyo metropolitan area (approx. 10 min to Yokohama Station)	Royal Home Center Co., Ltd.	Alliance Company	+1.3
Prime Square Jiyugaoka	2,820	2,850	4.1	Tokyo metropolitan area (approx. 9 min to Shibuya Station)	Central Sports Co., Ltd.	Proprietary	+2.5
Kurume-Nishi Shopping Center	1,515	1,600	6.0	Fukuoka area (approx. 34 min to Hakata Station)	Maxvalu Kyushu Co., Ltd.	Proprietary	+0.1
Round1 Stadium Hakata-Hanmichibashi	5,020	5,190	5.7	Fukuoka area (approx. 3 min to Hakata Station)	Round One Corporation	Alliance Company	+8.4
Round1 Ichikawa-Onitaka	1,880	1,970	5.2	Tokyo metropolitan area (approx. 28 min to Tokyo Station)	Round One Corporation	Alliance Company	+3.5
Seiyu Rakuichi Moriya (Land) (acquired in Jan. 2017)	4,111	4,190	4.1	Ordinance-designated cities, core cities and other areas (approx. 32 min to Akihabara Station)	Seiyu GK	Proprietary	+13.3
K's Denki Shin-Moriyama (Land) (acquired in Nov. 2016)	1,370	1,410	4.4	Greater Nagoya area (approx. 17 min to Nagoya Station)	Undisclosed	Alliance Company	+2.1
Total / Average	**38,145**	**39,130**	**5.2**	**---**	**---**	**Sponsor : 3 Alliance Companies : 4**	**+3.8**

Note: "Appraisal value" of the properties are based on the appraisal report at the time of acquisition.

Update of new properties

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Sun Street Hamakita

- Seiyu's transformation from a GMS to a specialized grocery supermarket
- Opening of Home Center Valor (Apr. 27, 2017)





Kawamachi Yahagi Mall

- Opening with full occupancy (Apr. 20, 2017)
- First acquisition of a SC developed by Kenedix





Seiyu Rakuichi Moriya (Land)

- Renewal of Seiyu, the grocery supermarket
- Replacement of Seiyu's subleasing tenants





Leasing overview

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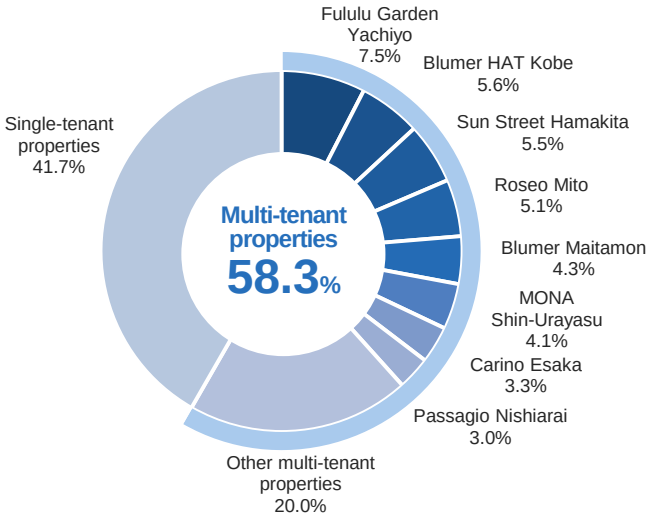
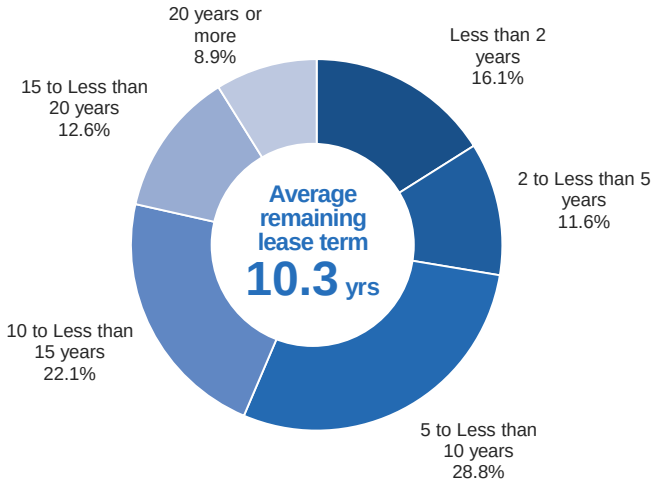
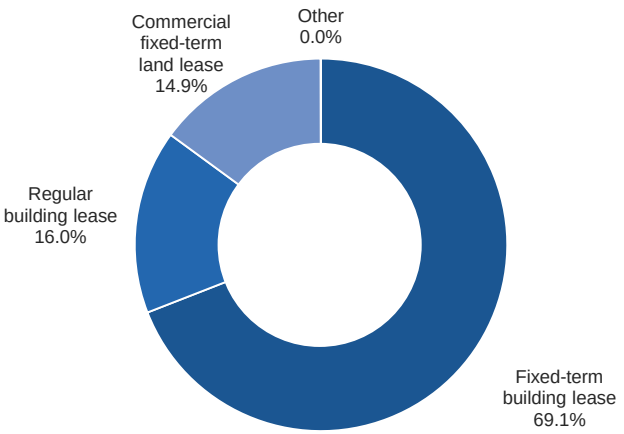
Multi-tenant properties (based on acquisition prices)



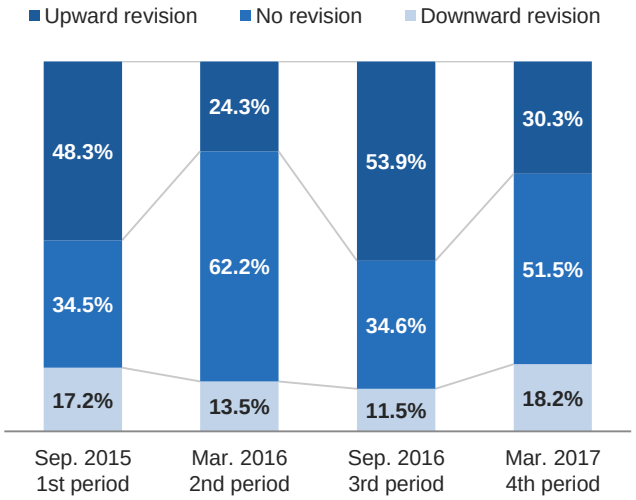
Remaining lease term (by annual fixed rent)



Lease contract type (by annual fixed rent)

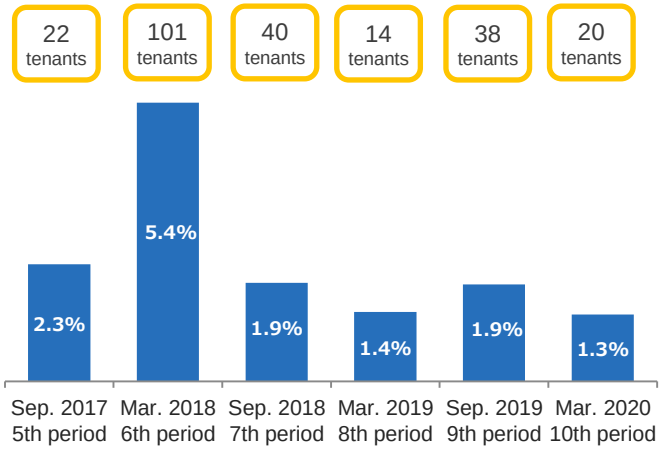


Rent revisions (based on number of revisions)



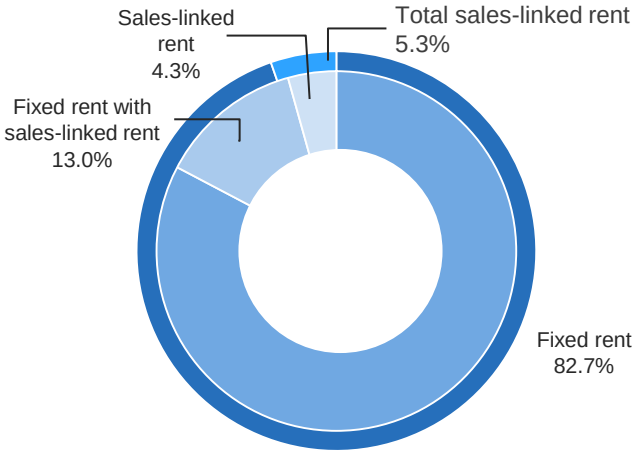
Lease expiry (by annual fixed rent)

# of tenants and % of lease expiry in each period (Note 2)



Rent type (fixed/sales-linked rent)

Based on actual rent (Oct. 2016 – Mar. 2017)



Note 1: The figures are as of Mar. 31, 2017, based on the 50 properties acquired by the date of this material. The figures of "Rent type" and "Rent revisions" are as of 4th period based on the 42 properties acquired by Mar. 31, 2017.
Note 2: Based on the contractual rent determined in the lease contract, including regular building leases.

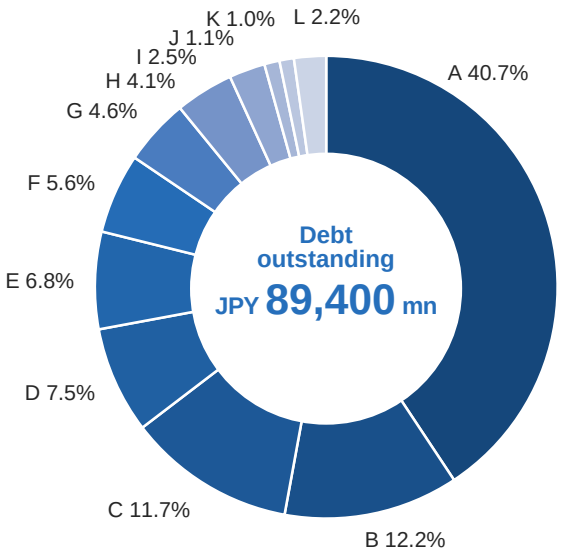
Financial highlights（after prepayment on May 31, 2017）

KENEDIX Retail REIT Corporation

Financial highlights

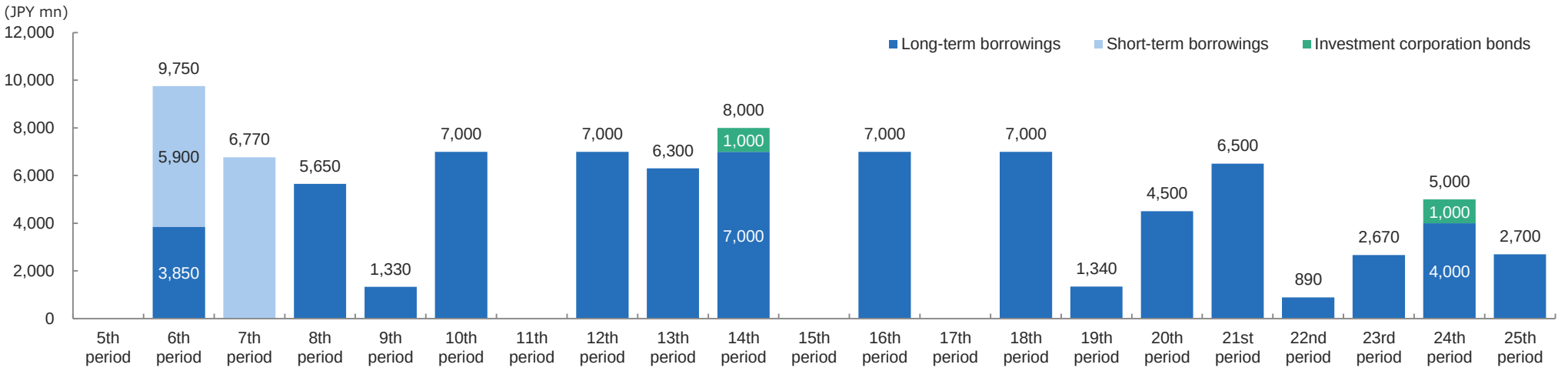
Long-term debt ratio **85.8%**	Proportion of fixed interest debt **85.8%**
Average interest rate **0.96%**	Average remaining years to maturity **4.7 years**
Japan Credit Rating Agency (JCR) **A (Positive)**	Commitment credit lines **JPY 2.0 bn**

Breakdown of debt outstanding by lender and investment corporation bonds



		Balance (JPY mn)
A	Sumitomo Mitsui Banking Corporation	36,370
B	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,910
C	Development Bank of Japan Inc.	10,490
D	Mizuho Bank, Ltd.	6,670
E	Sumitomo Mitsui Trust Bank, Ltd.	6,070
F	Resona Bank, Ltd.	5,000
G	Mizuho Trust & Banking Co.,Ltd.	4,150
H	Aozora Bank, Ltd.	3,640
I	Mitsubishi UFJ Trust and Banking Corporation	2,250
J	The Musashino Bank, Ltd.	950
K	The Gunma Bank, Ltd.	900
L	Investment corporation bonds	2,000

Staggered maturities of interest-bearing debts



Memo

02

Financial results and forecasts

Security Code
3453



Operating highlights

Operating highlights

External Growth **Jan. 2017**
Acquisition of Seiyu Rakuichi Moriya (Land)

External Growth **Apr. – May 2017**
Acquisition of 8 properties

Internal Growth **Jan. 2017**
Property expansion at Unicus Ina

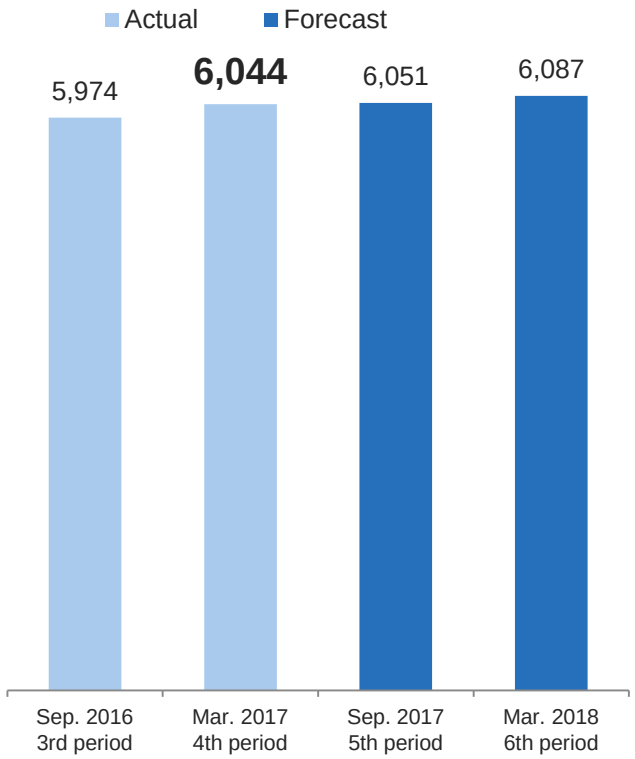
Internal Growth **Oct. 2016 – Mar. 2017**
1.4% growth in tenants' revenue from the previous year

Financial Strategy **Dec. 2016**
Upward revision of long-term issuer credit rating outlook

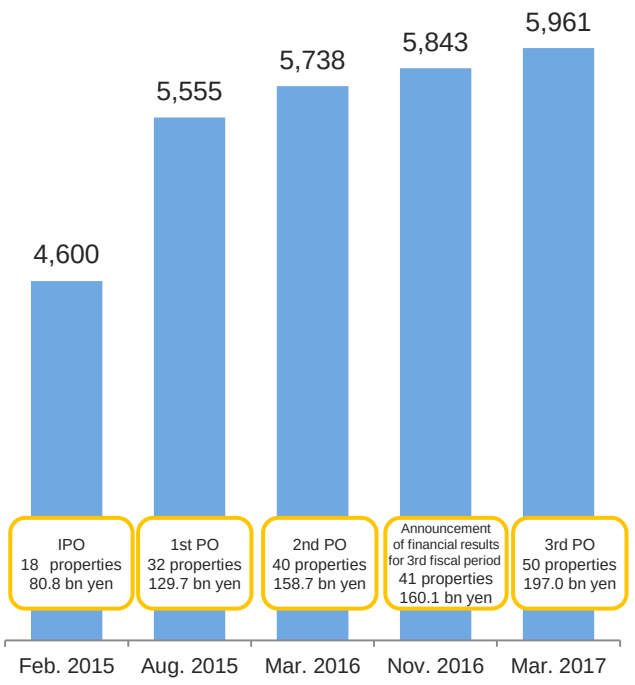
Financial Strategy **Apr. 2017**
Established commitment lines

Financial Strategy **Apr. – May 2017**
3rd PO since IPO

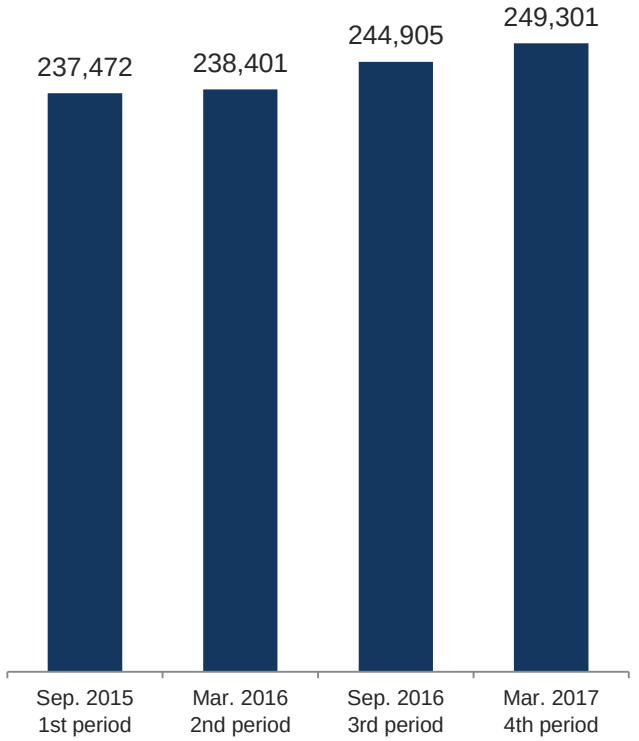
Distribution per unit (JPY)



Distribution per unit (JPY)
(Assuming that property-related taxes were expensed)



NAV per unit (JPY)



Note: NAV per unit at the end of each financial period = (net assets + unrealized appraisal gains/losses on the entire portfolio at the end of each financial period) / (total number of investment units issued at the end of each financial period)

Summary of balance sheets (JPY mn)

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	Sep. 2016 3rd period	Mar. 2017 4th period	Change JPY mn	Change %
Current assets	16,779	17,061	+281	+1.7%
Property, plant and equipment	160,918	166,261	+5,342	+3.3%
Intangible assets	526	522	-3	-0.7%
Investments and other assets	822	944	+121	+14.7%
Total Non-current assets	162,268	167,728	+5,459	+3.4%
Deferred assets	312	247	-64	-20.6%
Total assets	**179,360**	**185,037**	**+5,677**	**+3.2%**
Current liabilities	13,781	17,380	+3,599	+26.1%
Non-current liabilities	68,838	70,833	+1,994	+2.9%
Total liabilities	**82,620**	**88,213**	**+5,593**	**+6.8%**
Total net assets	**96,739**	**96,823**	**+83**	**+0.1%**
Total liabilities and net assets	**179,360**	**185,037**	**+5,677**	**+3.2%**
LTV	**38.6%**	**40.4%**	**---**	**---**

Factors in change of current assets

1.	Increase in cash and deposits	+85
2.	Decrease in consumption taxes receivable	-477
3.	Others	-82

Factors in change of non-current assets

1.	Increase in PP&E mainly due to acquisition of assets (net)	+5,342
2.	Increase in investment securities	+101
3.	Others	+15

Factors in change of deferred assets

1.	Decrease in investment unit issuance costs (net)	-76
2.	Investment corporation bond issuance costs (net)	+17
3.	Other (amortization of organization costs)	-5

Factors in change of current liabilities

1.	Current portion of long-term loans payable	+3,850
2.	Decrease in short-term loans payable	-600
3.	Others	+349

Factors in change of non-current liabilities

1.	Issuance of investment corporation bonds	+2,000
2.	Others	-5

Factors in change of net assets

1.	Increase in allowance for temporary difference adjustment	-36
2.	Increase in unappropriated retained earnings	+65
3.	Deferred gains or losses on hedges	+54

Summary of statements of income and retained earnings (JPY mn)

KENEDIX Retail REIT Corporation

	Sep. 2016	Mar. 2017		Changes	
	3rd period Actual (A)	4th period Forecast (B)	4th period Actual (C)	C - A	C - B
Rent revenue – real estate	5,405	5,520	5,524	+118	+4
Other lease business revenue	968	875	902	-65	+27
Dividends income	–	2	3	+3	+0
Operating revenues	**6,374**	**6,398**	**6,430**	**+56**	**+32**
Property related expenses (excl. depreciation)	2,146	2,080	2,096	-49	+15
NOI	**4,228**	**4,315**	**4,331**	**+102**	**+15**
Depreciation	714	720	721	+7	+1
NOI after depreciation	**3,513**	**3,595**	**3,612**	**+98**	**+14**
Other operating expenses	540	589	591	+51	+1
Operating income	**2,973**	**3,007**	**3,021**	**+47**	**+13**
Non-operating income	0	–	0	+0	+0
Non-operating expenses	454	460	464	+10	+3
Ordinary income	**2,519**	**2,547**	**2,556**	**+37**	**+9**
Net income	**2,518**	**2,546**	**2,552**	**+34**	**+6**
DPU (JPY)	**5,974**	**6,040**	**6,044**	**+70**	**+4**

Factors for changes from forecast

Operating revenues	
Restoring reimbursement	+28
Utility charge reimbursement	-13
Operating expenses	
Repairs and maintenance (incl. restoring)	+38
Brokerage fee	+10
Utilities	-30
Non-operating expenses	
Interest expenses and financing-related expenses	+5
Others	-1
Distribution per unit (JPY)	
DPU (excluding excess of earnings) (JPY)	+17
DPU in excess of earnings (JPY)	-13

Factors for changes from 3rd period

Operating revenues	
Rent revenue – real estate from 40 properties(Note)	+81
Other lease business revenue from 40 properties(Note)	-65
Operating revenues from two properties(Note)	+37
Operating expenses	
Operating expenses for 40 properties acquired by the end of 3rd period	-51

Note: “40 properties” are the properties acquired by the end of 3rd period and “two properties” are the properties acquired in 4th period.

Financial forecasts: 5th fiscal period (ending Sep. 2017) (JPY mn)

KENEDIX Retail REIT Corporation

Key financial information	Mar. 2017 4th period (Actual)	Sep. 2017 5th period (Forecast)	Changes
Operating revenues	**6,430**	**7,655**	**+1,225**
Operating expenses	3,409	4,037	+627
Operating income	**3,021**	**3,618**	**+597**
Non-operating expenses	464	550	+86
Interest expenses & financing-related expenses	382	448	+65
Amortization of investment unit issuance costs	76	96	+19
Ordinary income	**2,556**	**3,067**	**+510**
Net income	**2,552**	**3,067**	**+514**
DPU	**6,044**	**6,051**	**+7**

Related key indicator	Mar. 2017 4th period (Actual)	Sep. 2017 5th period (Forecast)	Changes
NOI	**4,331**	**5,134**	**+803**
NOI yield (%)(Note1)	5.3%	5.3%	---
Depreciation	721	868	+146
NOI after depreciation	3,609	4,266	+656
NOI yield after depreciation (%)(Note1)	4.4%	4.4%	---
FFO(Note2)	3,358	4,038	+680
CAPEX	276	666	+390
LTV (%)	**40.4%**	**40.5%**	**---**

Note 1: Property taxes for the properties acquired in 2016 are not expected to be expensed in the 5th fiscal period.
Note 2: FFO = Net income + Depreciation + Amortization - Gain on sale of property + Loss on sale of property

Factors for changes from previous period (from 4th period)

Operating revenues		
Rent revenue – real estate from 40 properties(Note3)	·····	-5
Rent revenue – real estate from two properties(Note3)	·····	+91
Rent revenue – real estate from eight properties(Note3)	·····	+942
Utility charge reimbursement	·····	+194
Operating expenses		
PM fees / facility management fees	·····	+86
Utilities	·····	+190
Taxes	·····	+80
Repairs and maintenance (incl. restoring)	·····	+22
Rent expenses	·····	+41
Operating income	·····	**+596**

Breakdown of NOI (Net Operating Income)

Rental and other operating revenues (A)		
Rent revenue – real estate	·····	6,553
Utility charge reimbursement	·····	650
Other revenues	·····	447
Property-related expenses (B) (excl. depreciation)		
PM fees / facility management fees	·····	777
Utilities	·····	629
Taxes	·····	563
Repairs and maintenance (incl. restoring)	·····	180
Sales and promotion	·····	182
Others	·····	181
NOI（A-B）	·····	**5,134**

Note 3: “40 properties” are the properties acquired by the end of 3rd period , “two properties” are the properties acquired in 4th period, and “eight properties” are the properties acquired in 5th period.

Financial forecasts: 6th fiscal period (ending Mar. 2018) (JPY mn)

KENEDIX Retail REIT Corporation

Key financial information	Sep. 2017 5th period (Forecast)	Mar. 2018 6th period (Forecast)	Changes
Operating revenues	**7,655**	**7,682**	**+26**
Operating expenses	4,037	4,050	-12
Operating income	**3,618**	**3,631**	**+13**
Non-operating expenses	550	545	-4
Interest expenses & financing-related expenses	448	454	+6
Amortization of investment unit issuance costs	96	84	-11
Ordinary income	**3,067**	**3,085**	**+18**
Net income	**3,067**	**3,085**	**+18**
DPU	**6,051**	**6,087**	**+36**

Related key indicator	Sep. 2017 5th period (Forecast)	Mar. 2018 6th period (Forecast)	Changes
NOI	**5,134**	**5,220**	**+85**
NOI yield (%)(Note 1)	5.3%	5.3%	---
Depreciation	868	871	+2
NOI after depreciation	4,266	4,349	+82
NOI yield after depreciation (%)(Note 1)	4.4%	4.4%	---
FFO(Note 2)	4,038	4,048	+9
CAPEX	666	513	-152
LTV (%)	**40.5%**	**40.5%**	**---**

Note 1: Property taxes for the properties acquired in 2016 are not expected to be expensed in the 5th and 6th fiscal period.
Note 2: FFO = Net income + Depreciation + Amortization - Gain on sale of property + Loss on sale of property

Factors for changes from previous period (from 5th period)

Operating revenues		
Rent revenue – real estate from 40 properties(Note 3)	·····	-21
Rent revenue – real estate from two properties(Note 3)	·····	0
Rent revenue – real estate from eight properties(Note 3)	·····	+155
Utility charge reimbursement	·····	-79
Operating expenses		
PM fees / facility management fees	·····	+15
Utilities	·····	-56
Repairs and maintenance (incl. restoring)	·····	-38
Brokerage fee	·····	+17
Operating income	·····	**+13**

Breakdown of NOI (Net Operating Income)

Rental and other operating revenues (A)		
Rent revenue – real estate	·····	6,687
Utility charge reimbursement	·····	570
Other revenues	·····	424
Property-related expenses (B) (excl. depreciation)		
PM fees / facility management fees	·····	793
Utilities	·····	572
Taxes	·····	563
Repairs and maintenance (incl. restoring)	·····	141
Sales promotion	·····	186
Others	·····	203
NOI（A-B）	·····	**5,220**

Note 3: “40 properties” are the properties acquired by the end of 3rd period , “two properties” are the properties acquired in 4th period, and “eight properties” are the properties acquired in 5th period.

Memo

03

Management policies in 2-3 years



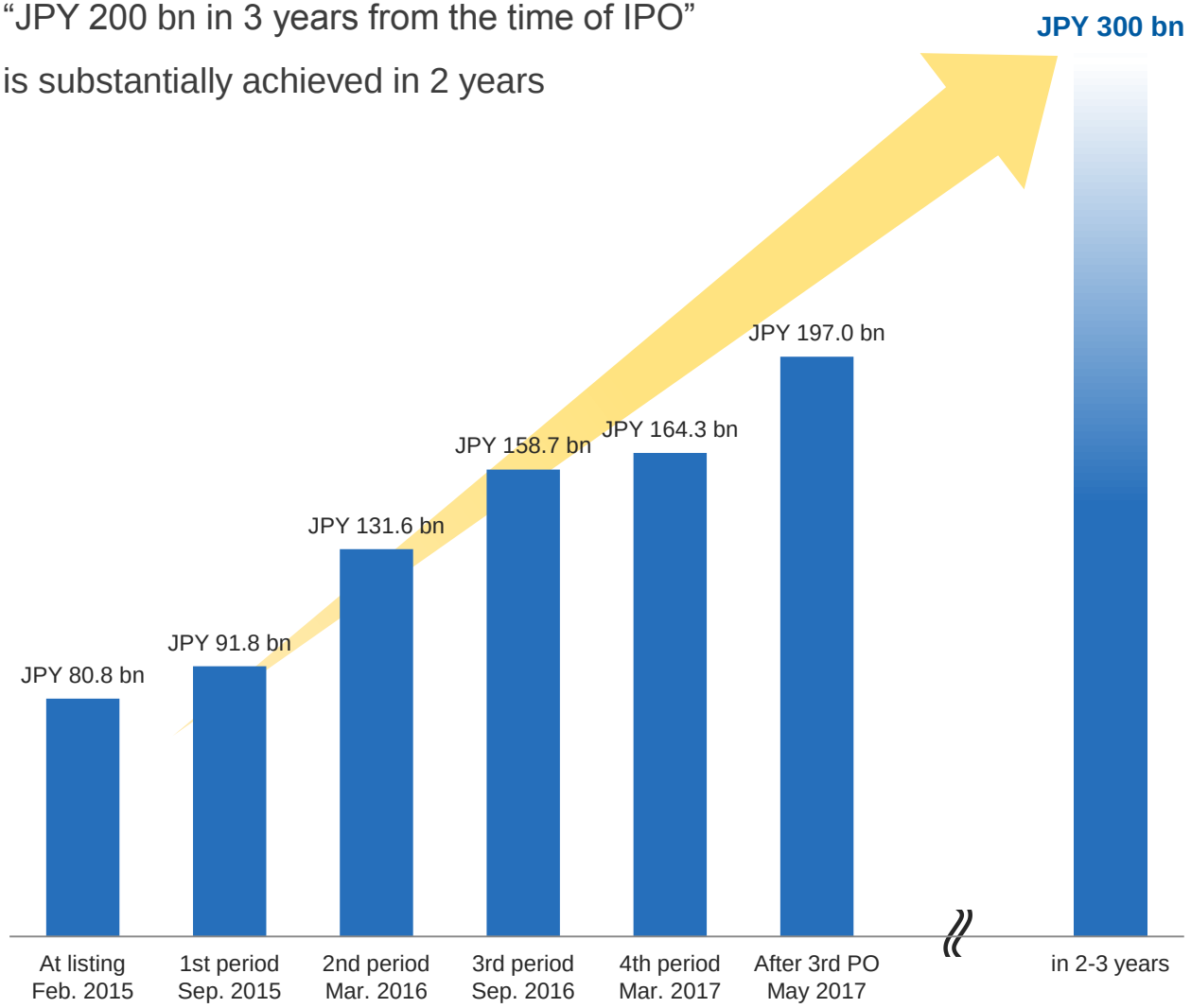
Security Code
3453

Growth road map

AUM target of

“JPY 200 bn in 3 years from the time of IPO”

is substantially achieved in 2 years



New AUM target of

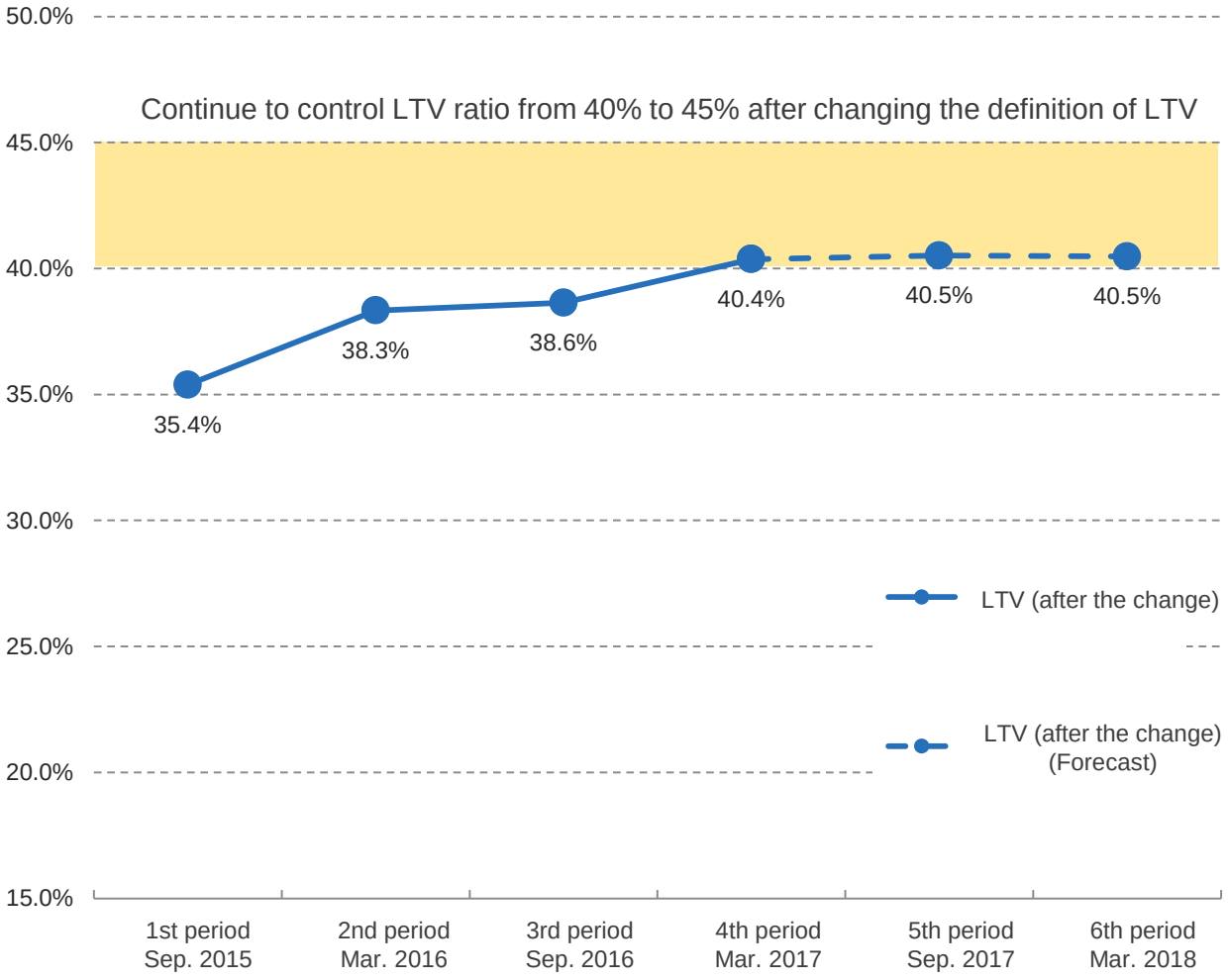
300 bn yen

Changing of the LTV definition

KENEDIX
Retail REIT Corporation

Changed the definition of LTV to adopt the equation used by most other J-REITs

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



Acquisition capacity of

18 bn yen

when LTV ratio is raised to 45%

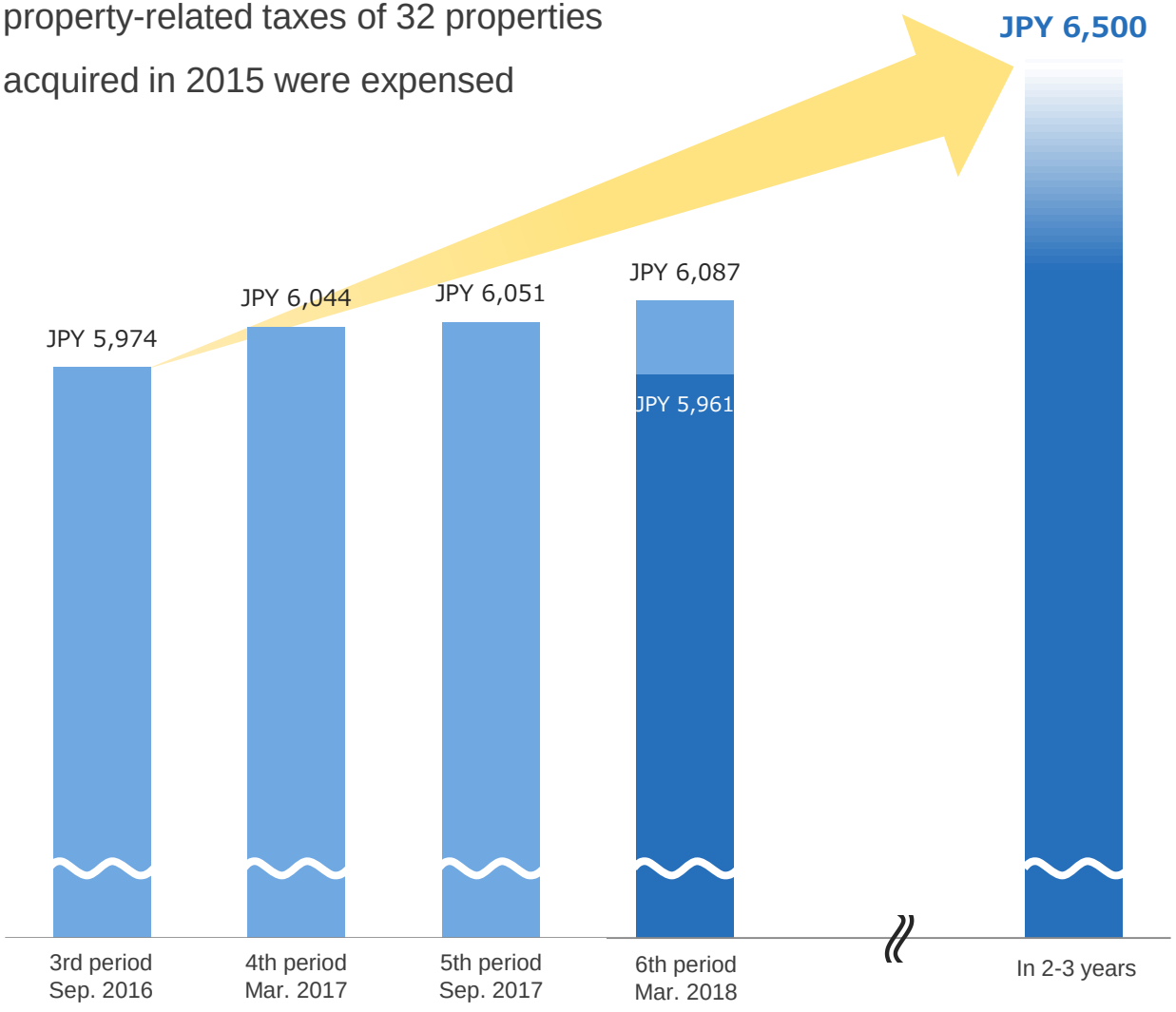
LTV ratios before and after the definition change from 1st period to 3rd period

	1st period	2nd period	3rd period
LTV (before the change)	40.6%	42.7%	42.5%
LTV (after the change)	35.4%	38.3%	38.6%

(Definition before the change)
LTV ratio = (Loans payable + Investment corporation 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)

Target DPU

Steady DPU growth after the 3rd period when property-related taxes of 32 properties acquired in 2015 were expensed



Target DPU of

6,500 yen per fiscal period

Assuming that property-related taxes are expensed and excluding gains on sales of properties

Views on property sales and renovations

KENEDIX
Retail REIT Corporation

AUM growth

Continue AUM growth with large and diverse acquisition pipelines

Flexible property sales

Consider flexible property sales when possibility of sales in good condition is visible

Strategic renovations

Use gains on property sales for strategic renovation aiming to “maintain competitiveness of properties” to stabilize DPU in mid- to long-term

Focus to achieve

AUM target

and

DPU target

Memo

04

Implementation of growth strategies

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Strong support from the Kenedix Group and our Alliance Companies

Kenedix Retail REIT Corporation ("KRR")

Asset Management

Property Management

Kenedix Real Estate Fund Management, Inc. ("KFM")

	KRR	KFM
Pipeline support	○	○
Warehousing	○	○
Leasing	○	○
Property Management	○	○
Environmentally-friendly technology/knowhow	○	
Personnel support	○	○
Right to use trademarks	○	
Evaluation/advisory on operations		○

Sponsor

- Kenedix, Inc

サポート会社

- Sumitomo Mitsui Finance and Leasing Co., Ltd.
- Nippon Commercial Development Co., Ltd
- P&D Consulting Co., Ltd
- ITOCHU Corporation

Note: Kenedix, Inc., the asset manager of the retail property development fund jointly created by ITOCHU Corporation ("Kenedix – ITOCHU Fund"), agrees to provide preferential access to potential acquisition opportunities regarding the fund, to KRR and KFM.

Pipelines of Sponsor and Alliance Companies

KENEDIX Retail REIT Corporation

1st Project of the retail property development fund

Location: Kanagawa Pref. (planned completion in autumn 2017)



Unicus Urawamisono (Land)

Location: Saitama, Saitama (opened in Mar. 2017)



Supermarket

Location: Itabashi, Tokyo (expected to open in autumn 2017)



Across Plaza Urayasu Higashino (Land)

Location: Urayasu, Chiba (expected to open in winter 2017)



Note 1: The illustrations above are completion images based on design drawings and may differ from the actual buildings after completion.
Note 2: These are the properties the underlying land of which is owned by Alliance Companies, and confirmed by both our Alliance Companies and Kenedix Retail REIT as the properties that meet our investment criteria.
As of May 19, 2017, we have no plans to acquire these properties and there is no guarantee that we can acquire these properties in the future.

Active management strategies

KENEDIX
Retail REIT Corporation

Value added “one-stop” asset management and property management services

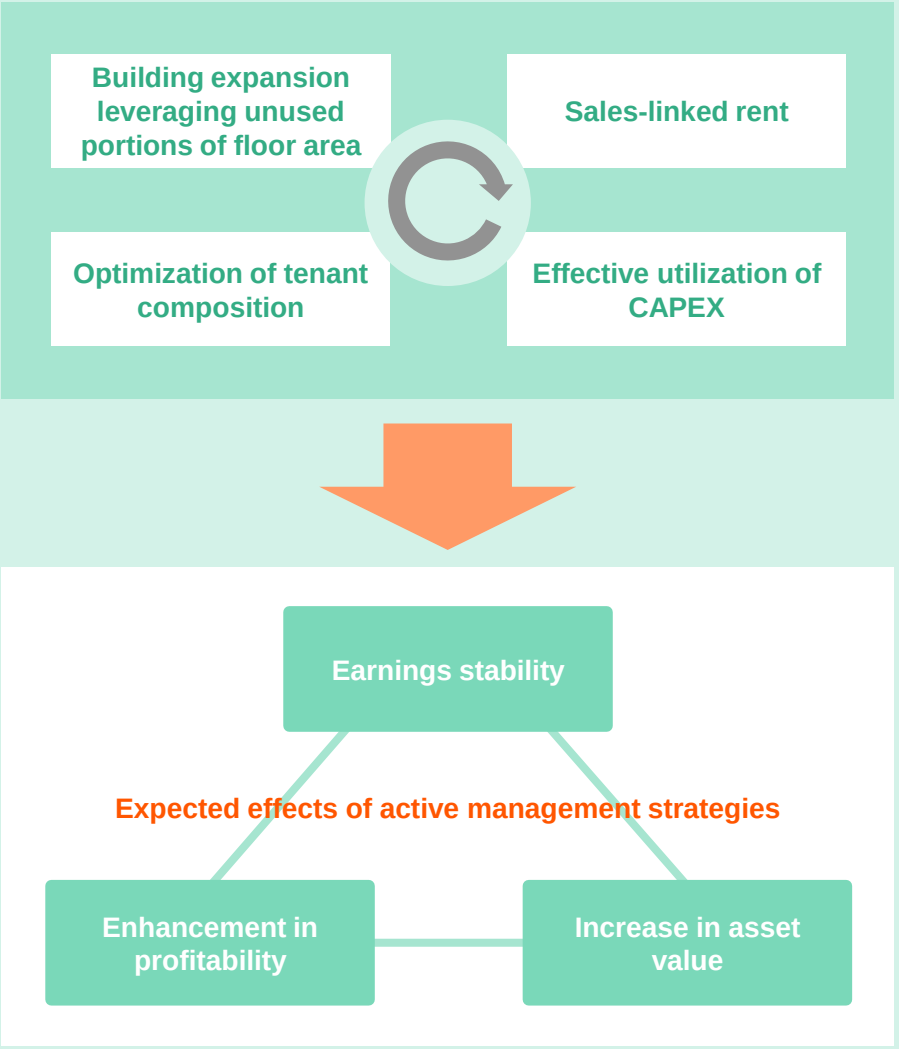
Asset management services
Build and manage a stable/consistent portfolio

Strengthened collaboration

Property management services
Interact directly with tenants



Seek internal growth through property management



Relatively large renovations

KENEDIX
Retail REIT Corporation

Jan. 2017 Completion of restaurant building
Property expansion at Unicus Ina

- Constructed a building on underutilized space
- Opening of Hamazushi, a sushi restaurant
- Total construction cost: JPY 91 million



Jul. 2017 Planned for completion
Renewal project at MONA Shin-Urayasu (1st phase)

- Increase attractiveness through environmental improvement
- Renewing signboards and floor maps by renewing signboards and floor maps
- Replacement of the supermarket
- Estimated renovation cost: JPY 134 million



To be considered
Renewal project at Fululu Garden Yachiyo

- Changing of tenant composition
- Renewal of interior and exterior
- Estimated renovation cost: To be determined





Jun. 2017 Planned for completion
Changing in layout at Blumer HAT Kobe

- Changing in layout with reduction in the space of the existing tenant with low rent
- Increase rent revenues by contracting of new tenants
- Estimated renovation cost: JPY 85 million



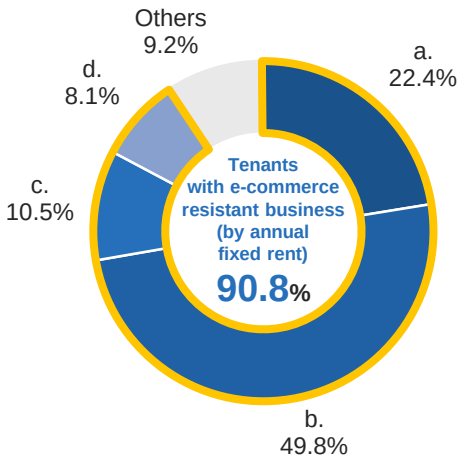
To be considered
Renewal project at MONA Shin-Urayasu (2nd phase)

- Changing of tenant composition
- Renewal of internal environment
- Estimated renovation cost: To be determined

Limited e-commerce penetration in daily needs market

KENEDIX Retail REIT Corporation

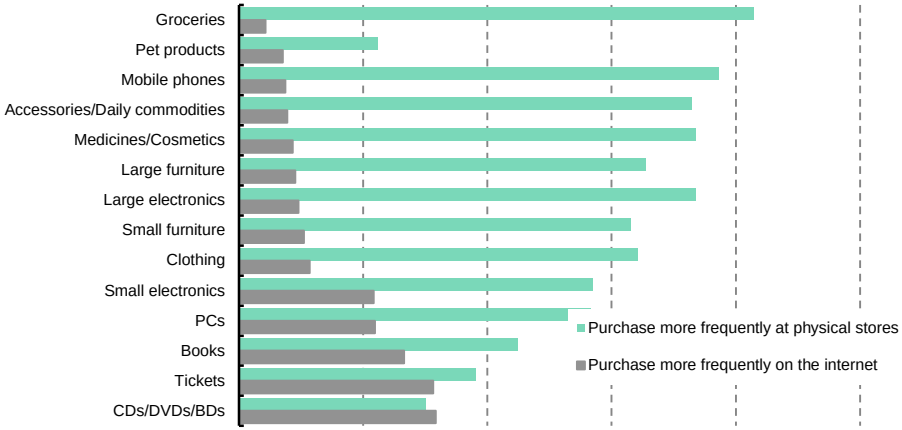
Tenants with e-commerce resistant business (by annual fixed rent)



a.	Businesses difficult to replace by e-commerce (Note 1)	**22.4%**
b.	Businesses where customers show preference for purchasing products at physical stores (Note 2)	**49.8%**
c.	Master lessees whose sub-lessees primarily operate businesses falling under category a and b	**10.5%**
d.	Businesses that require physical visits to stores or handle products that consumers highly desire to evaluate in person (Note 3)	**8.1%**

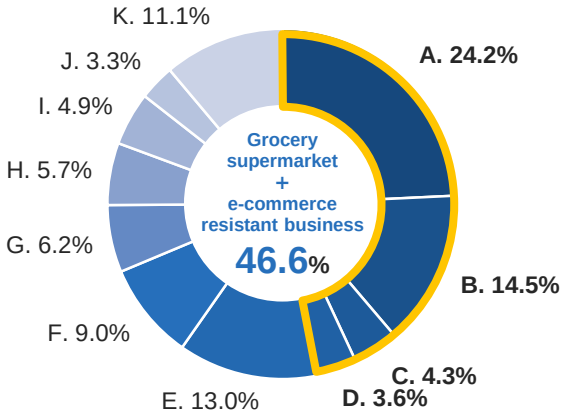
Tendency to purchase daily needs such as grocery in physical store

Consumers' preference: physical stores vs. online shopping



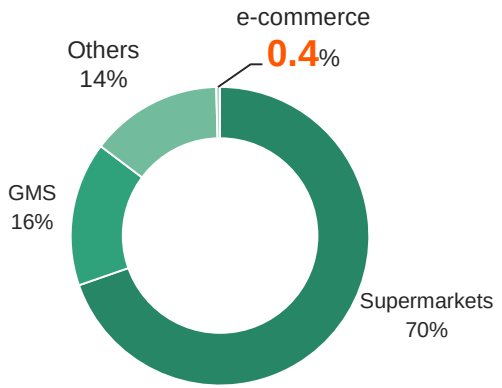
Source: Ministry of Internal Affairs and Communications (2016)

Percentage of tenants' category (based on rents)



A.	**Groceries**	---	**24.2%**
B.	**Service businesses**	---	**14.5%**
C.	**Sports clubs**	---	**4.3%**
D.	**Restaurants**	---	**3.6%**
E.	Other retailers	---	13.0%
F.	Home & garden	---	9.0%
G.	Consumer electronics	---	6.2%
H.	Clothing	---	5.7%
I.	GMS	---	4.9%
J.	Interior goods	---	3.3%
K.	Others	---	11.1%

Low % of online shopping attributed to total expenditure on groceries



Source: New Supermarket Association of Japan (2015)

Note 1: "a" refers to businesses including medical services, hair salons, photography studios, for-profit schools and study centers, leisure facilities, restaurants and health clubs that cannot be replaced by e-commerce.
Note 2: "b" refers to businesses where 50% or more of the respondents to the survey conducted by the Ministry of Internal Affairs and Communications titled "Product types for online shopping or physical stores" indicated their preference for purchasing products at a physical store and where 15% or fewer indicated their preference for purchasing such products on the internet.
Note 3: "d" refers to businesses that require physical visits to stores or handle products that consumers highly desire to evaluate in person (sporting goods, prescription eyewear, second-hand products, shoes, musical instruments and interior products)

CSR and environmental initiatives

DBJ Green Building Certification

DBJ Green Building 2016

T-1 Fululu Garden Yachiyo



Properties with outstanding environmental and social awareness

DBJ Green Building 2016

T-2 MONA Shin-Urayasu
O-4 Blumer HAT Kobe
R-1 Roseo Mito
R-4 Ashico Town Ashikaga

Properties with excellent environmental and social awareness

DBJ Green Building 2016

T-3 Passaggio Nishiarai
T-5 Unicus Ina
T-7 Unicus Yoshikawa
O-1 Blumer Maitamon

Properties with high environmental and social awareness

GRESB Real Estate Assessment 2016

GRESB ★★★☆☆ 2016

Awarded a “Green Star” Rating at its first participation in 2016

Received high evaluation on both “implementation and measurement” and “management and policy”

Earned three star (out of five star)

Help enliven local communities

Seek to enhance the medium to long term asset value of our retail properties by attracting tenants engaged in service businesses and holding local events at our properties to enliven the local community



Summer Festival at Uniscus Ina


Kamisato farmer’s market (Unicus Kamisato)

CSR initiatives

We agreed to provide part of Unicus Yoshikawa as a temporary gathering area in cases of disaster such as floods


Unicus Yoshikawa (aerial photo)



Signing of agreement

05

Shift from GMS to shopping centers for daily needs



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Investments focusing on shopping centers for daily needs

KENEDIX
Retail REIT Corporation

"Daily / Neighborhood" type

Our focus: Neighborhood, community and other shopping centers for daily needs

"Weekend / Destination" type

The majority of portfolio properties of other listed retail-focused J-REITs

Small ⟷ Trade area ⟷ **Large**

High ⟷ Frequency of customer visits ⟷ **Low**

Property types		Characteristics	Trade area
NSC	Neighborhood Shopping Centers	Shopping centers with a supermarket as an anchor or core tenant	3-5km
SM	Supermarkets	Stand-alone stores that primarily provide groceries	3km
CSC	Community Shopping Centers	Larger Shopping centers than NSC, with a supermarket as an anchor or core tenant	5-10km
Urban Station-Front		Shopping centers in the immediate vicinity of an urban public transportation station	3-5km
SS	Specialty Stores	Specialty stores such as drug stores, convenience stores, health clubs or electronic appliance stores	1-10km

Large-scale suburban retail properties

RSC (Regional Shopping Center**)**

GMS (General Merchandise Store**)**

Stand-alone GMS is excluded from our investment criteria

Outlet malls

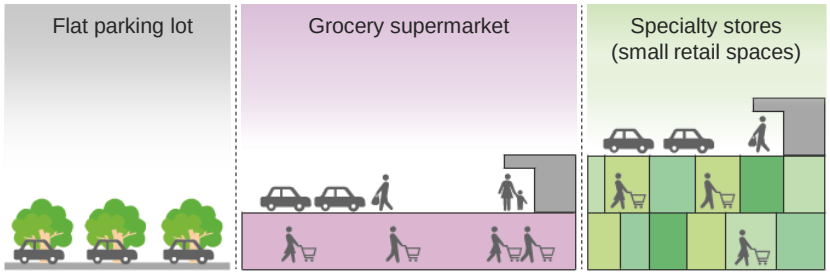
Urban retail properties featuring

High-end brand shops

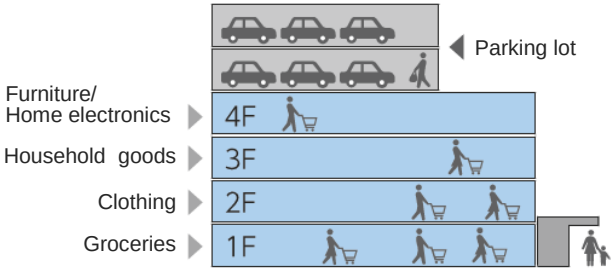
Advantages of shopping centers for daily needs over GMS（1）

KENEDIX Retail REIT Corporation

Typical shopping center for daily needs



Typical stand-alone GMS



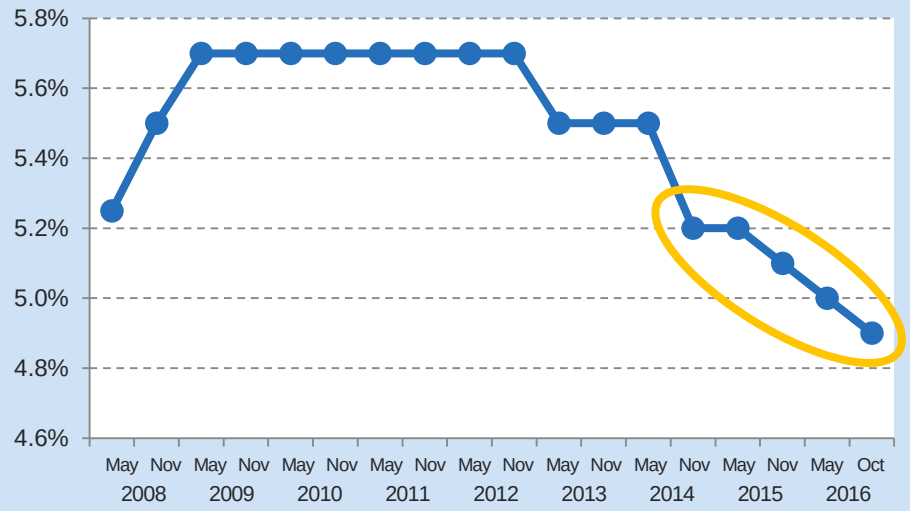
Facilities of shopping center for daily needs	VS	Facilities of stand-alone GMS
Small to Medium	Retail trade area	Medium to Large
High (low-rise building)	Ease of getting around	Low (high-rise building)
Large flat parking lot	Parking lot	Multilevel parking lot
Grocery supermarket + Specialty stores	Tenants	GMS stand-alone

Real estate value of shopping center for daily needs	VS	Real estate value of stand-alone GMS
Potential rental upside upon tenant replacement or contract renewal	Upside potential	Limited frequency of upward rent revisions
Property expansion leveraging underutilized space		
Relatively easy	Tenant replacement	Relatively difficult
Expanding market share	Potential for investment	A number of stand-alone GMSs owned by real-estate funds exited the market

Advantages of shopping centers for daily needs over GMS (2)

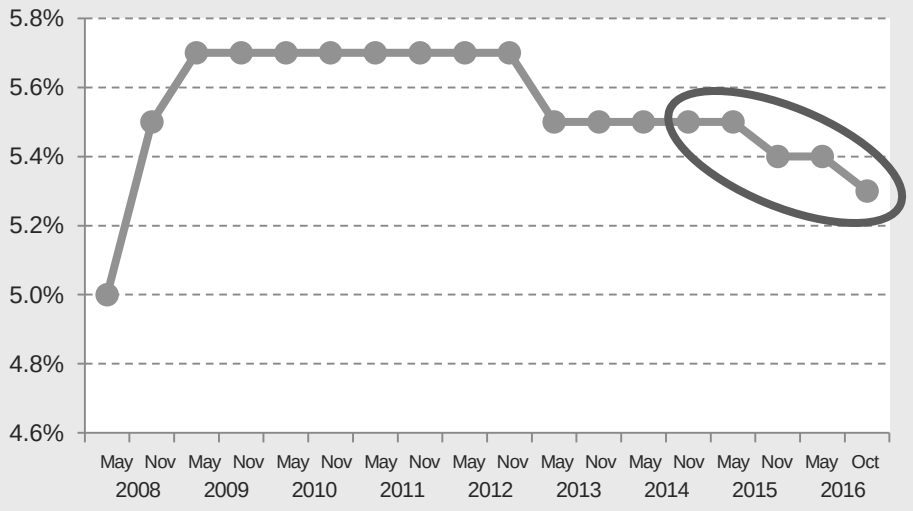
KENEDIX Retail REIT Corporation

Capitalization rates of NSC（Tokyo metropolitan area）

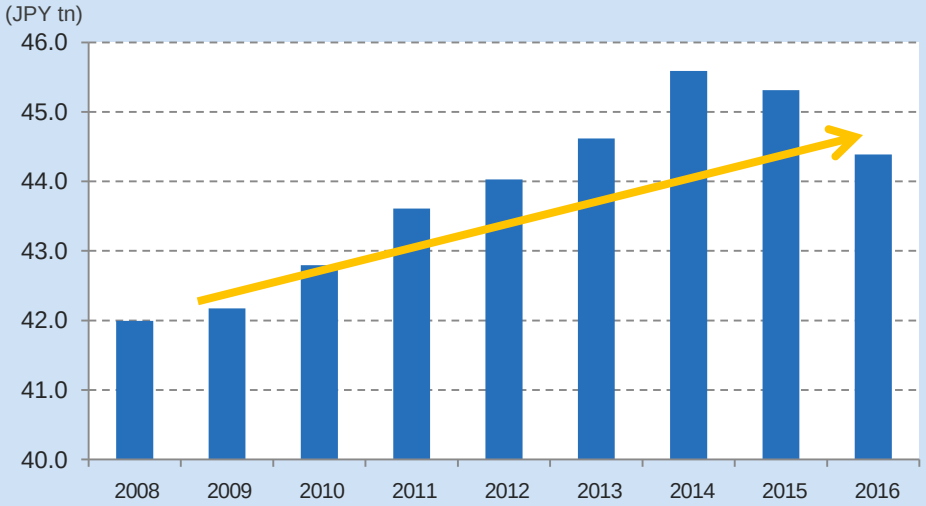


VS

Capitalization rates of GMS（Tokyo metropolitan area）

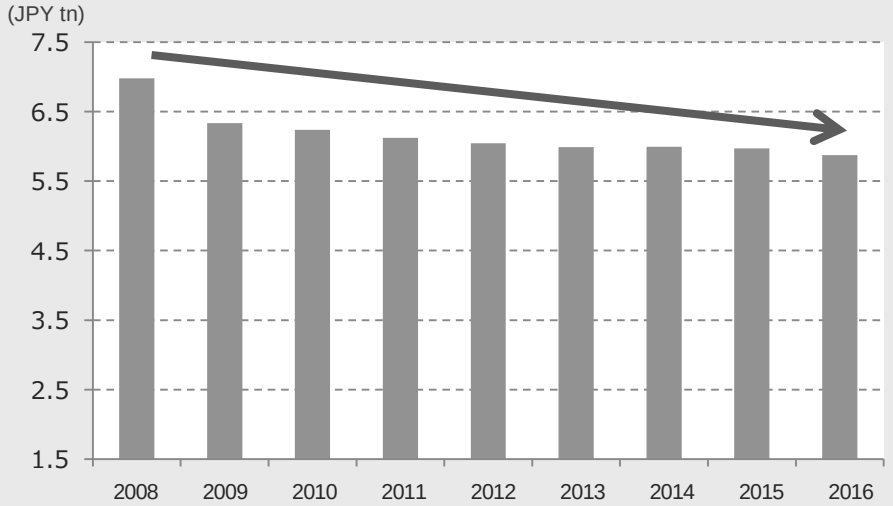


Total sales values in the Groceries



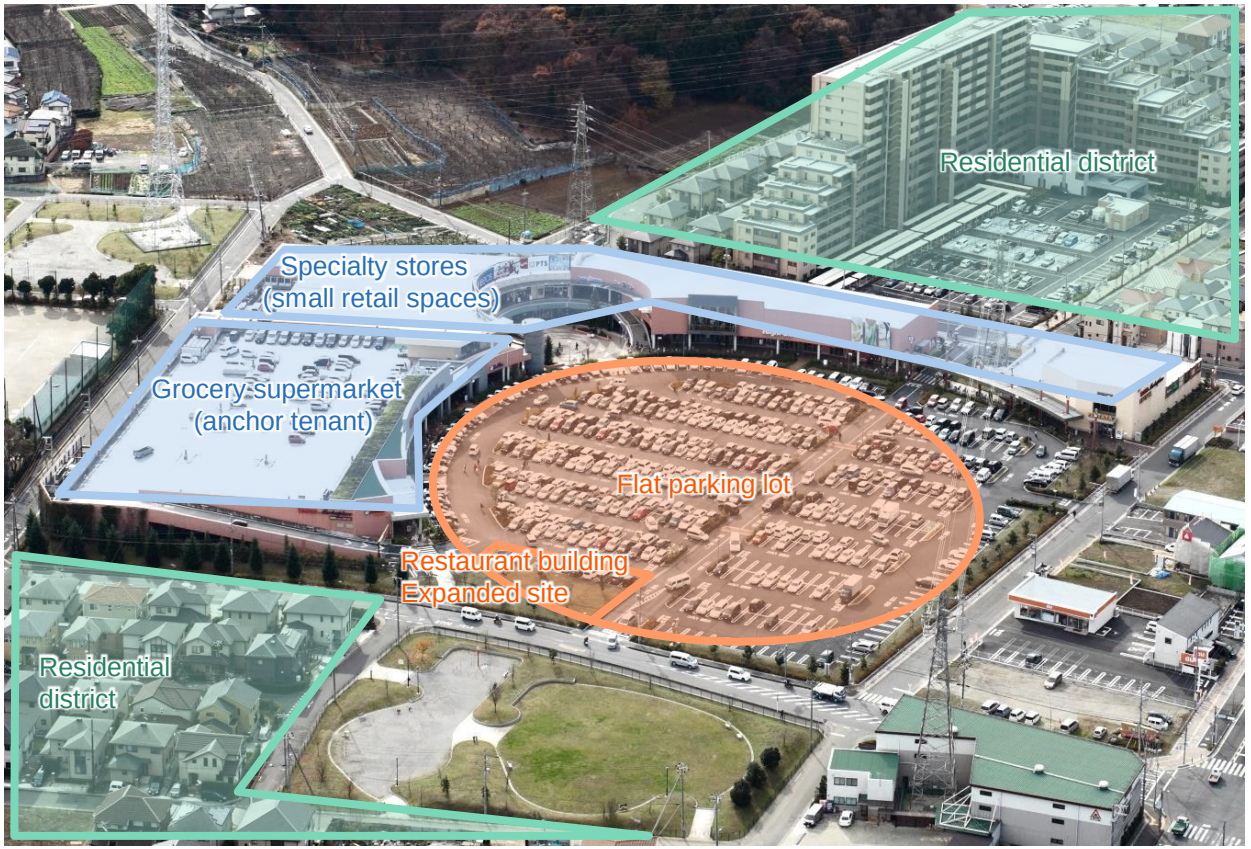
VS

Total sales values in the GMS



Primary characteristics of shopping centers for daily needs

KENEDIX Retail REIT Corporation



Location Located within residential districts

- Retail trade area population
  - 1km radius: 9,600 people
  - 3km radius: 60,000 people
  - 5km radius: 244,000 people

Tenants Providing primarily daily necessities

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



An anchor tenant with strong ability to attract customers



A group of specialty stores selected to satisfy the various needs of local residents (including clothing stores, drug stores, restaurants, a discount retailer and a dentist)

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

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


Expansion building

Expansion building	Restaurant building
Acquisition date	Jan. 16, 2017
GFA	397.98 m^2
Total construction cost	JPY 91 million

Retail market trends: GMS vs. Specialty stores

KENEDIX
Retail REIT Corporation

Buying goods at GMS

2007

(JPY bn)

	Type of store	Sales
1	Supermarket	12,961.0
2	GMS	8,602.1
3	Department store	8,283.1
4	Convenience store	7,413.9
5	Other retailers	5,743.7
6	Consumer electronics	5,719.1
7	Drug store	3,692.2
8	Clothing	3,177.7
9	Home and garden	2,835.6
10	Consumers' co-operative	2,487.0

Buying goods at specialty stores

2016

(JPY bn)

	Type of store	Sales	Change
1	Supermarket	15,517.4	+19.7%
2	Convenience store	10,105.8	+36.6%
3	GMS	7,348.3	-14.6%
4	Drug store	7,271.5	+96.9%
5	Other retailers	7,143.6	24.4%
6	Department store	6,223.4	-24.9%
7	Consumer electronics	5,438.0	-4.9%
8	Clothing	5,223.9	+64.4%
9	Home and garden	3,492.0	+23.1%
10	Consumers' co-operative	2,360.3	-5.1%

Source: Data regarding Japanese retailer earning results based on magazine “Diamond Chain Store (September 15, 2016)”

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