KENEDIX
Retail REIT Corporation

Kenedix Retail REIT Corporation

Financial Results

for the 5th Financial Period ended September 30, 2017

November 15, 2017



Resora Obu Shopping Terrace

Contents

01

KRR highlights and updates

- Continued emphasis on increasing unitholder value P4
- Distribution per unit P5
- NAV per unit and appraisal value P6
- Portfolio summary P7
- Leasing overview P8
- Financial highlights P10

02

Providing better retail properties for consumers and society

- Tenants supported by consumers are less affected by e-commerce P12
- Retail properties with delivery functions P13
- Installation of delivery boxes (PUDO stations) P14
- ESG (Environmental, Social, and Governance) initiatives P15
- Recognitions and certifications on ESG P16

03

Financial results and forecasts

- Summary of balance sheets P18
- Summary of statements of income and retained earnings P19
- Financial forecasts: 6th and 7th fiscal periods P20
- Summary of earnings performance of the individual properties P21

04

Implementing growth strategies

- Acquisition of Resora Obu Shopping Terrace P23
- Sale of K's Denki Nakagawa Tomita (Land) P24
- Strong support from the Kenedix Group and Alliance Companies P25
- Pipelines of Sponsor and Alliance Companies P26
- Active management strategies P27
- Renewal project at MONA Shin-Urayasu P28
- Changing in layout at Blumer HAT Kobe P29

05

Shift from GMS to shopping centers for daily needs

- Investments focusing on shopping center for daily needs P31
- Advantages of shopping centers for daily needs over GMS P32
- Primary characteristics of shopping centers for daily needs P33
- Retail market trends: GMS vs. Specialty stores P34

01

KRR highlights and updates

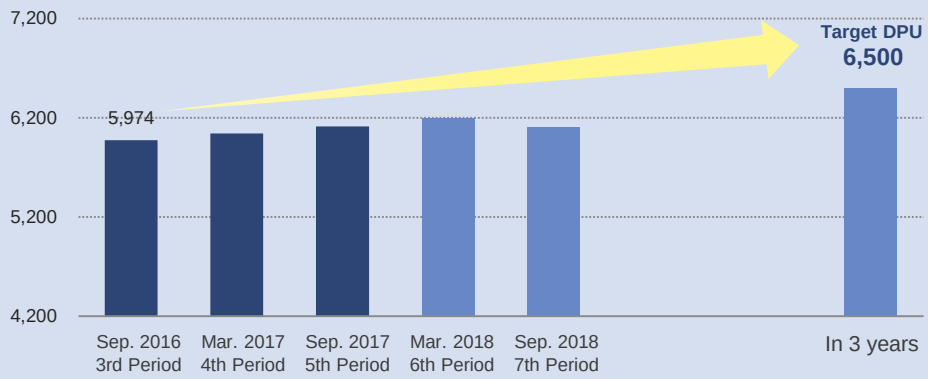
Security Code
3453



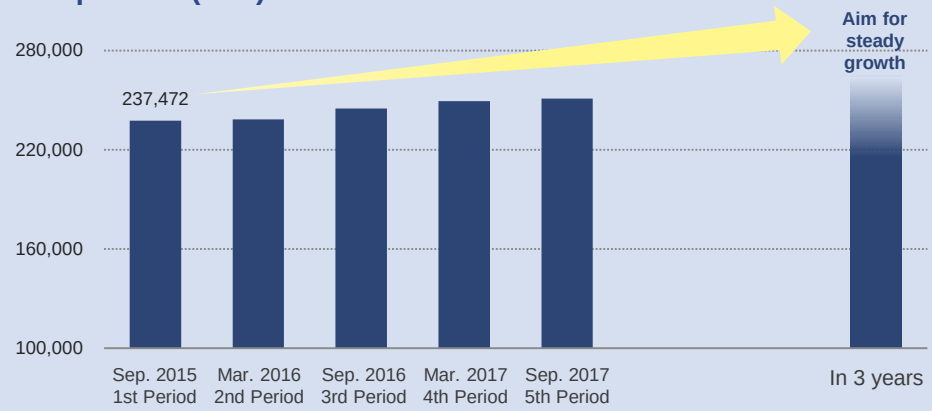
Continued emphasis on increasing unitholder value

KENEDIX
Retail REIT Corporation

Distribution per unit (JPY)



NAV per unit (JPY)



Continued emphasis on increasing unitholder value

1 AUM growth

- Achieved the target AUM of "**JPY 200 bn** in 3 years from the time of IPO"
- Continue to aim for AUM growth (**JPY 300 bn** in 2 to 3 years)
- Give **extra consideration to impact on LTV ratio and unitholder value** when funding for property acquisitions

2 LTV control (40% to 45%)

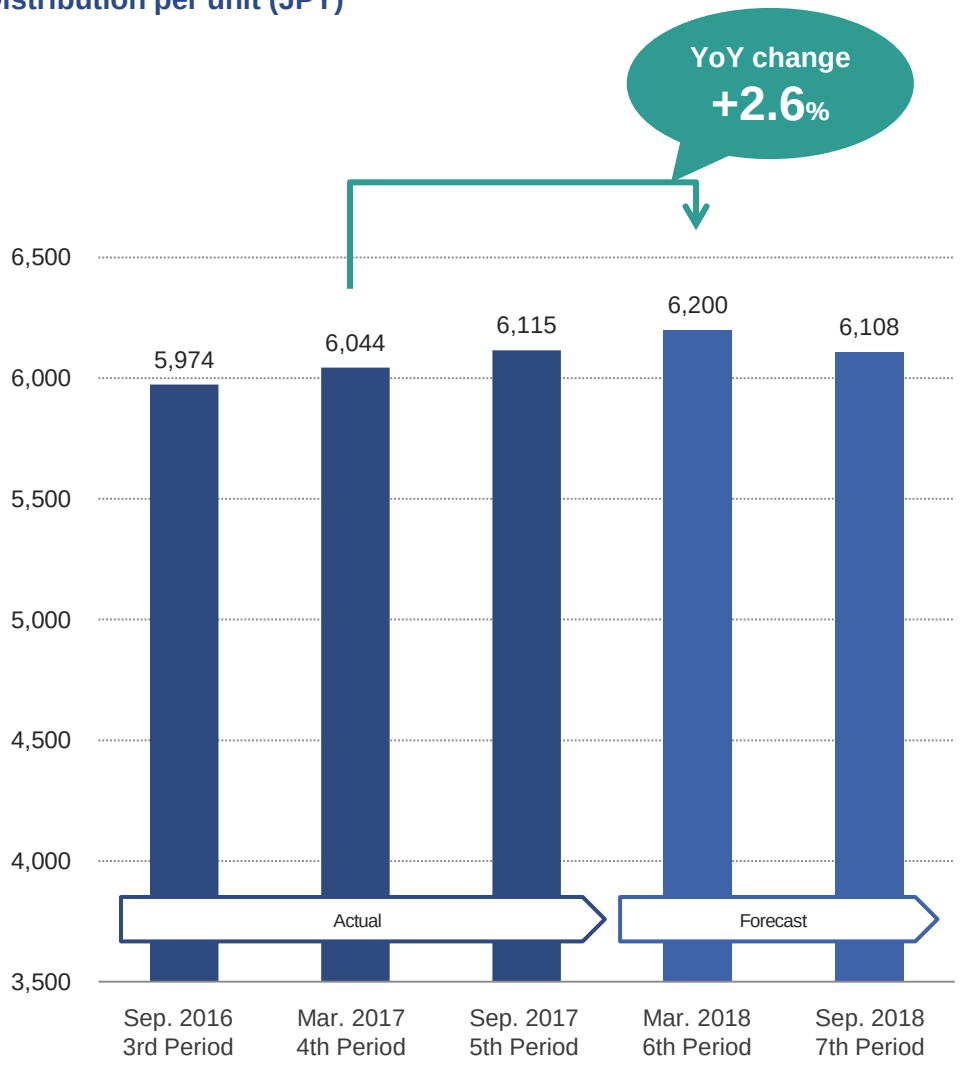
- LTV as of the end of the financial period ended Sep. 2017 is **42.6%**
- Acquisition capacity of **JPY 10 bn** when LTV ratio is raised to 45%
- Expect **DPU to increase to JPY 6,500** when JPY 10 bn properties with the same NOI yield after depreciation as the existing portfolio are acquired with debts at the current average interest rate

3 Property sale and renovations

- Decided to **sell K's Denki Nakagawa Tomita (Land)** as it could be sold significantly higher than appraisal value and book value
- Expect to **offset decrease in NOI** resulting from "decrease in revenue due to down-time" and "increase in expenses" related to renovations of MONA Shin-Urayasu by **gain on sale**
- Make a comprehensive decision depending on the conditions of individual properties and the portfolio

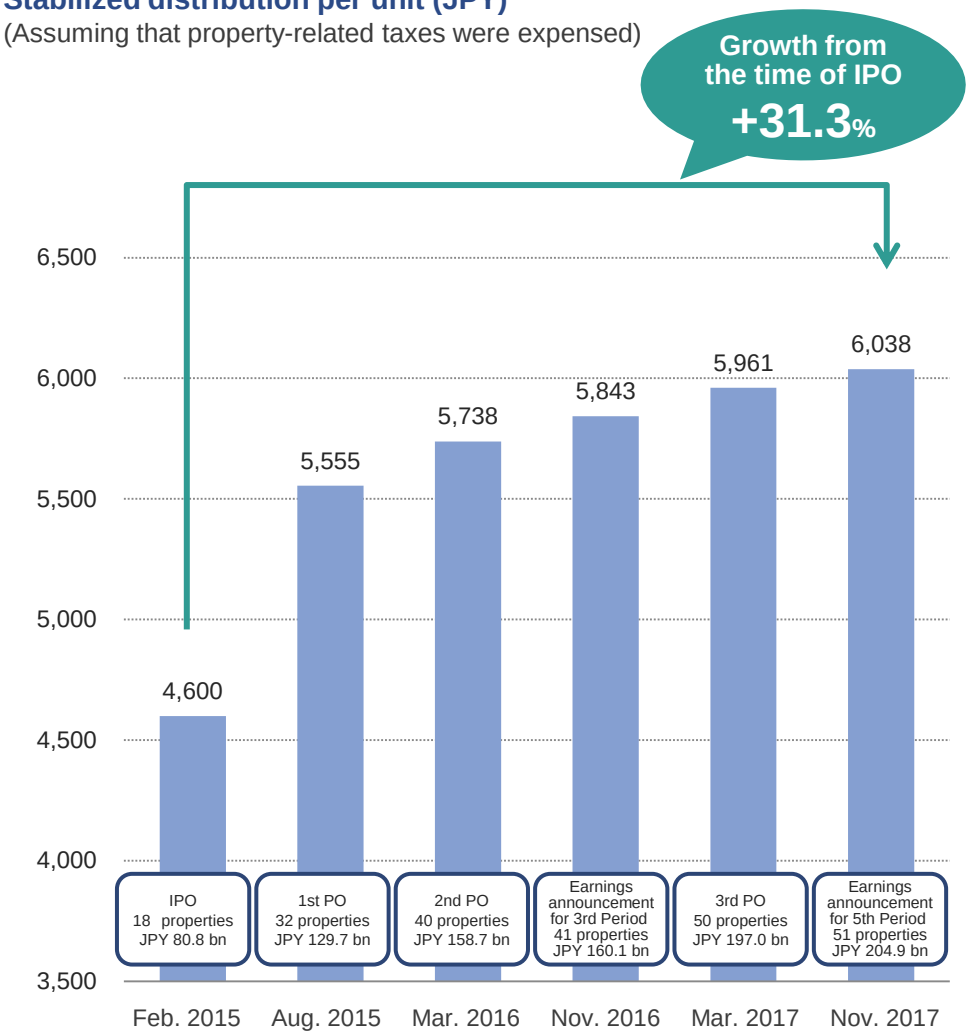
Distribution per unit

Distribution per unit (JPY)



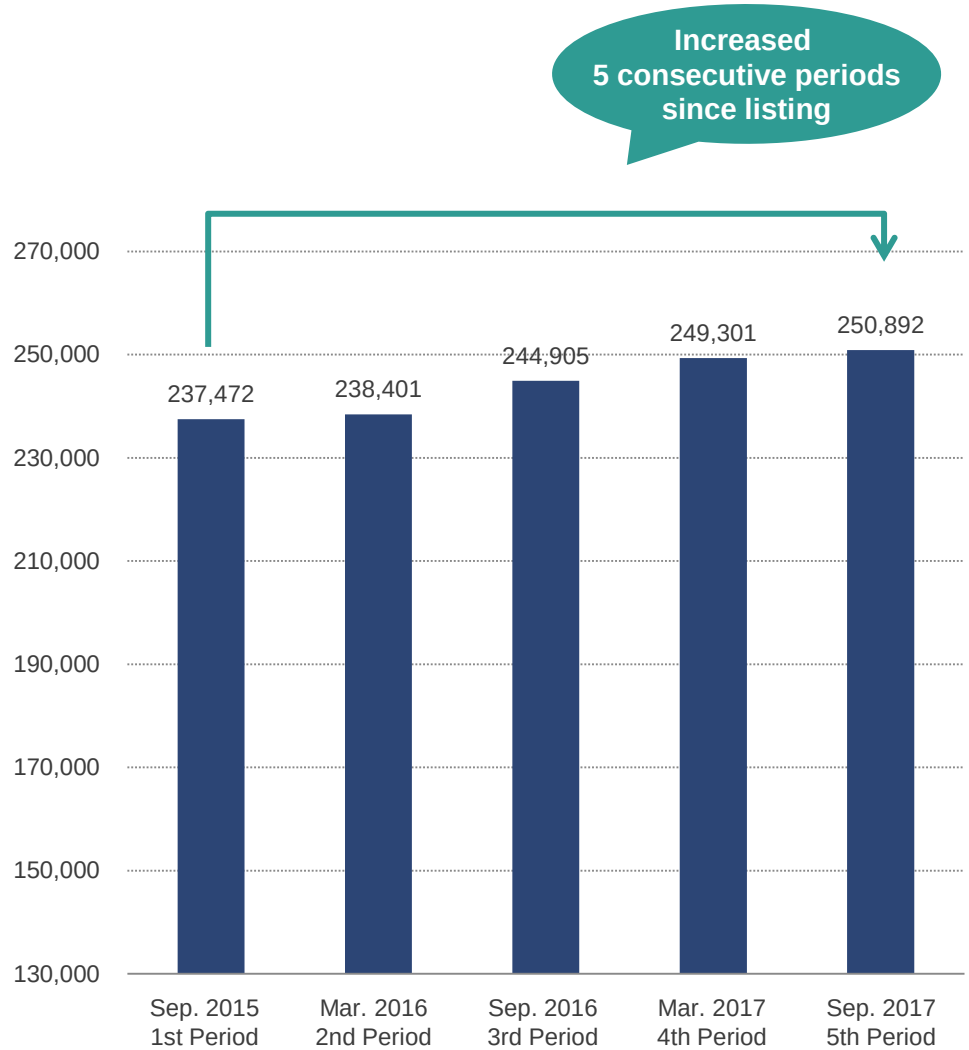
Stabilized distribution per unit (JPY)

(Assuming that property-related taxes were expensed)

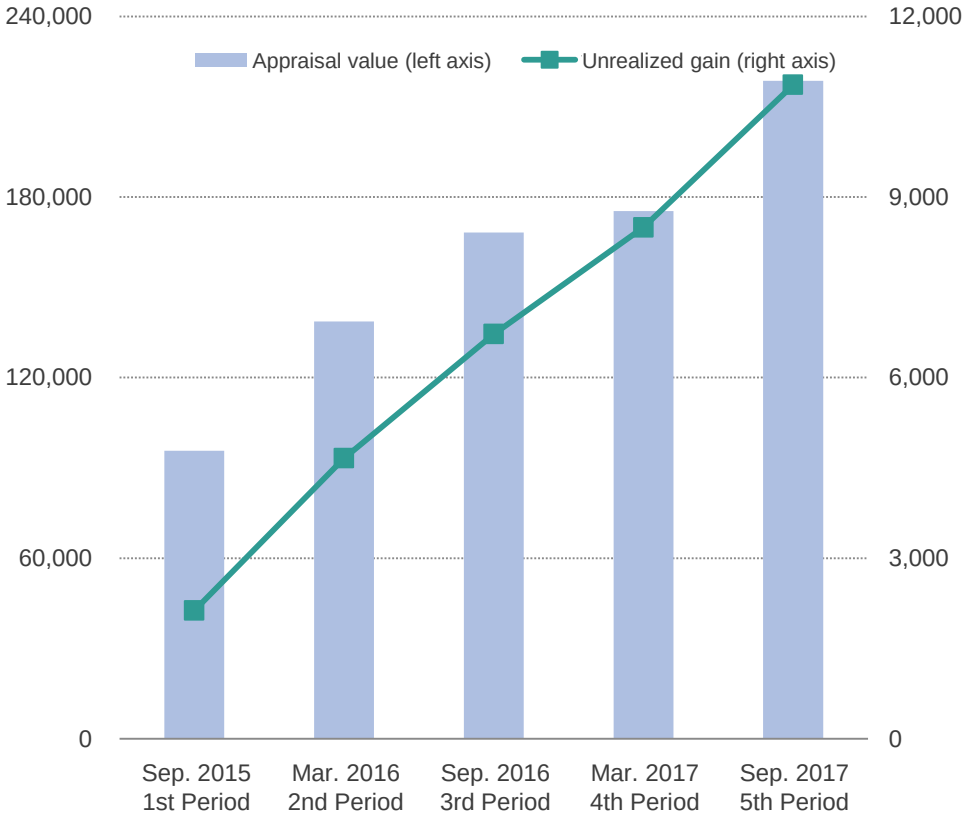


NAV per unit and appraisal value

NAV per unit (JPY)



Appraisal value and unrealized gain（JPY mn）



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

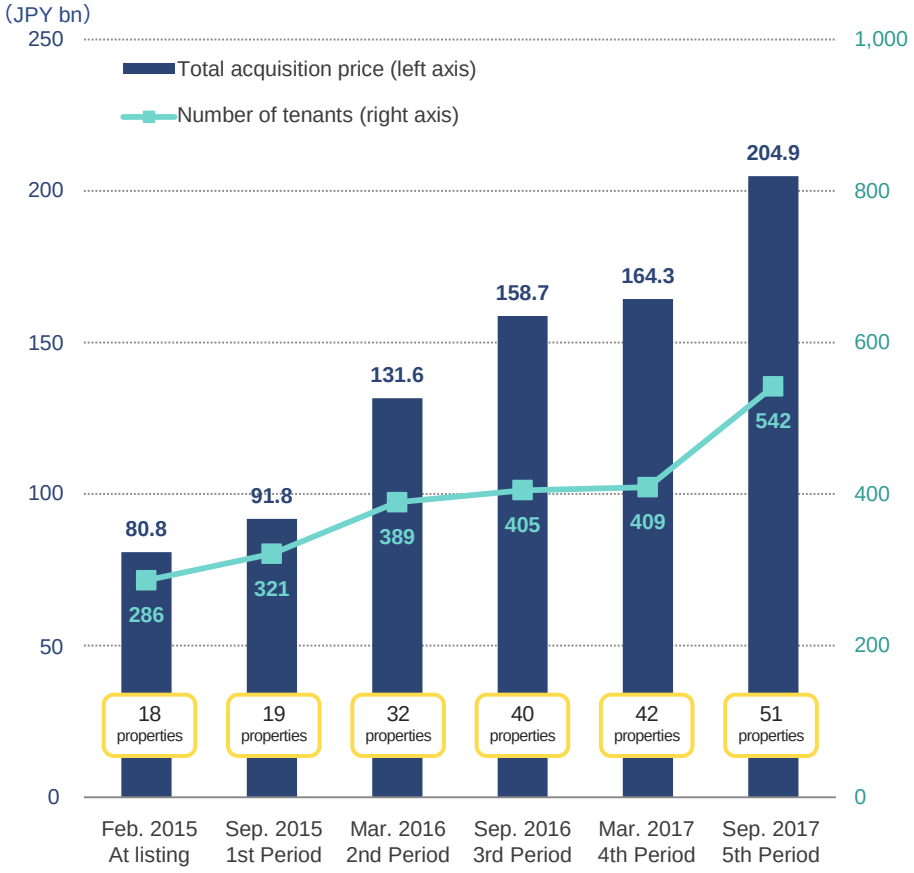
Portfolio summary

KENEDIX
Retail REIT Corporation

Appraisal value, NOI yield, occupancy rate

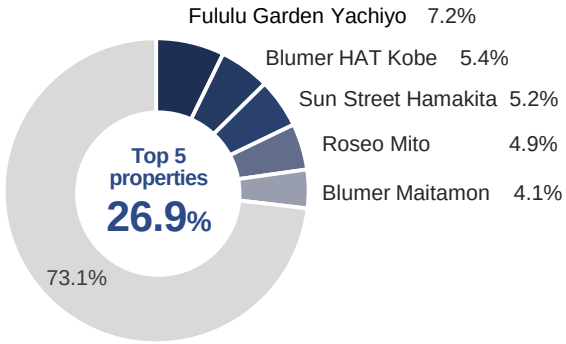
Total appraisal value	Appraisal NOI yield	NOI yield after depreciation	Occupancy rate
JPY 218.6 bn	5.4%	4.4%	99.6%

AUM, number of tenants, number of properties

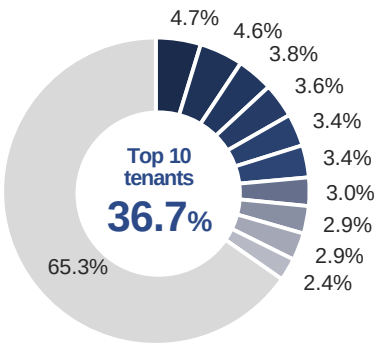


Characteristics of KRR portfolio

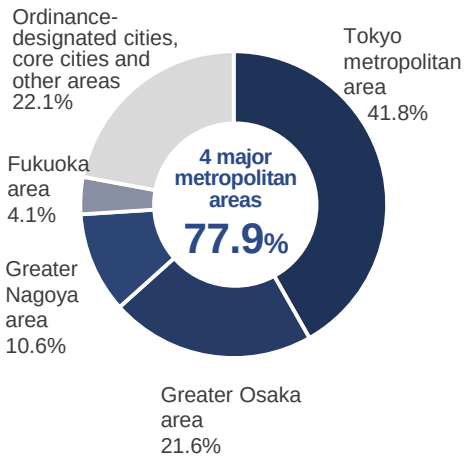
Top 5 properties (by acquisition price)



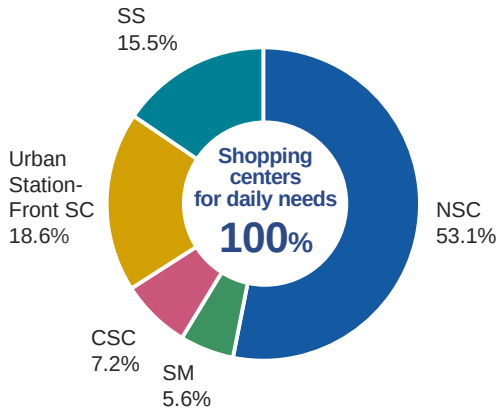
Top 10 tenants (by annual fixed rent)



Location



Types of retail property

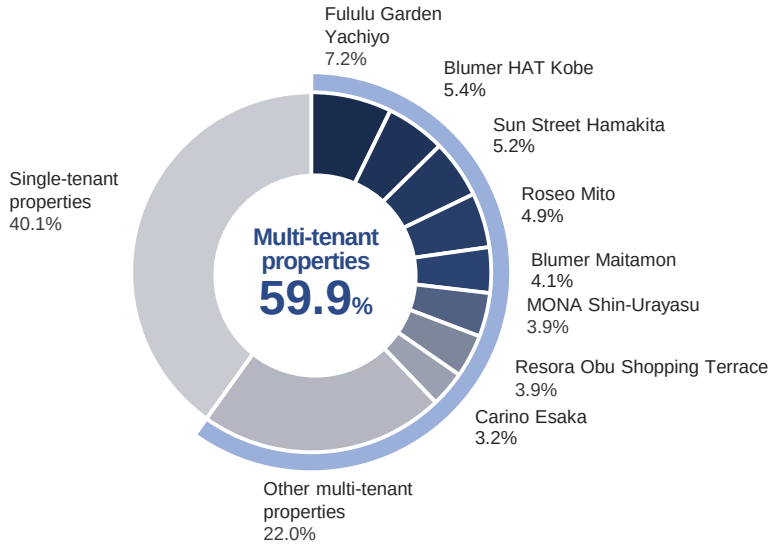


Note 1: "Appraisal value", "NOI yield", "Occupancy rate" and other figures on portfolio are as of Sep. 30, 2017, for the 51 properties acquired by the date of this material.
Note 2: "Appraisal NOI Yield" is calculated by dividing appraisal NOI from the latest appraisal reports by acquisition price. "NOI yield after depreciation" is based on the forecast for the fiscal period ended Sep. 30, 2017.
Note 3: "Occupancy rate" and "number of tenants" at listing are figures as of Sep. 30, 2014.

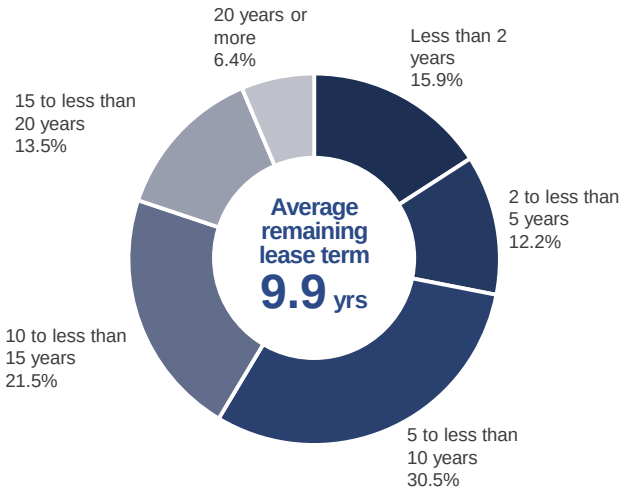
Leasing overview (1)

KENEDIX
Retail REIT Corporation

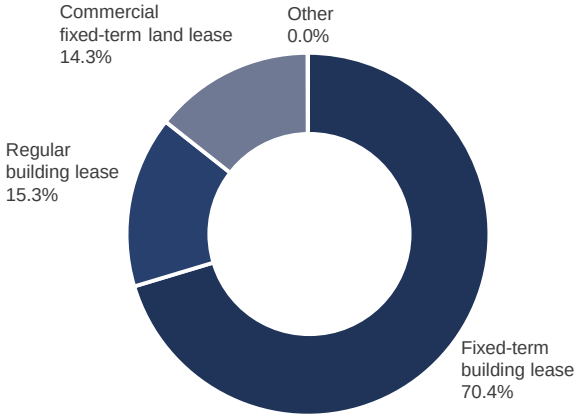
Multi-tenant properties (by acquisition prices)



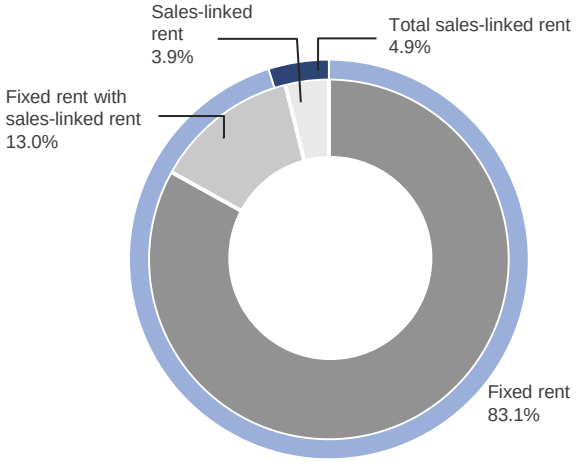
Remaining lease term (by annual fixed rent) (Note 2)



Lease contract type (by annual fixed rent) (Note 2)



Rent type (Apr. 2017-Sep. 2017)

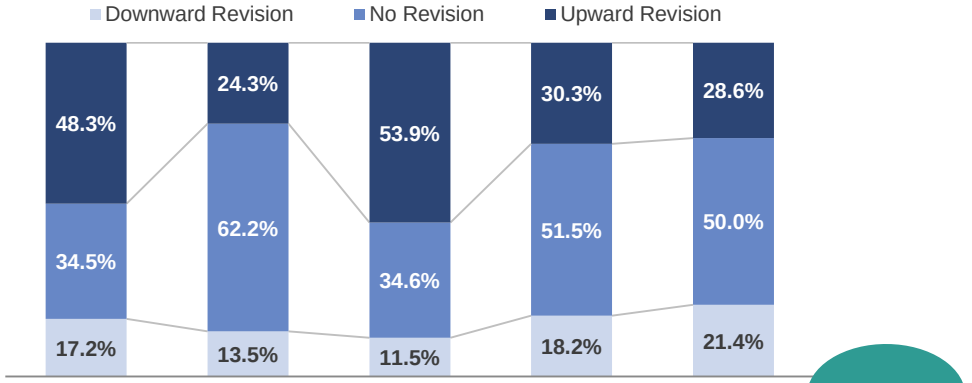


Note 1: The figures are as of Sep. 30, 2017, based on the 51 properties acquired by the date of this material. The figures of "Rent type" is for the 5th fiscal period based on the 51 properties acquired by Sep. 30, 2017.
Note 2: Based on the contractual rent determined in the lease contract, including regular building leases.

Leasing overview (2)

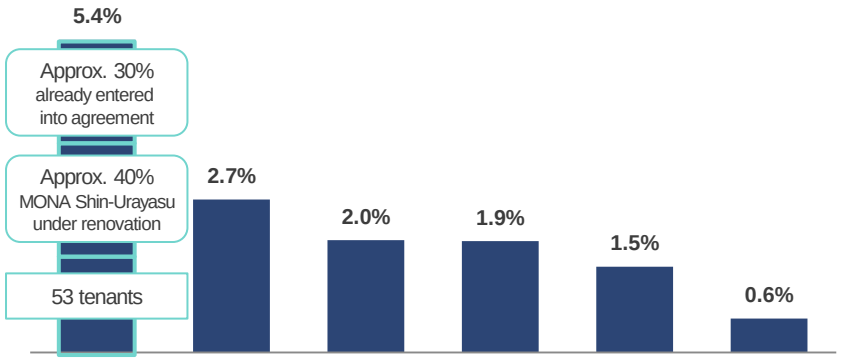
KENEDIX
Retail REIT Corporation

Rent revisions (based on number of revisions)



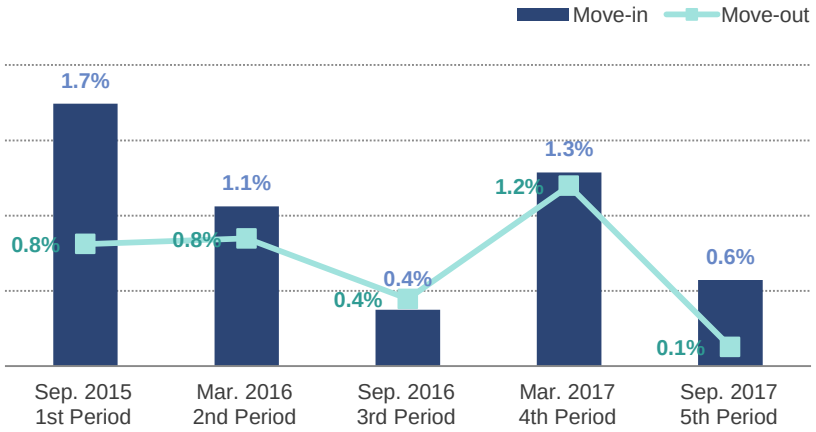
Annual change	-11 million yen	-24 million yen	+3 million yen	+28 million yen	+9 million yen

Lease expiry (by annual fixed rent)
of tenants and % of lease expiry in each period (Note 2)

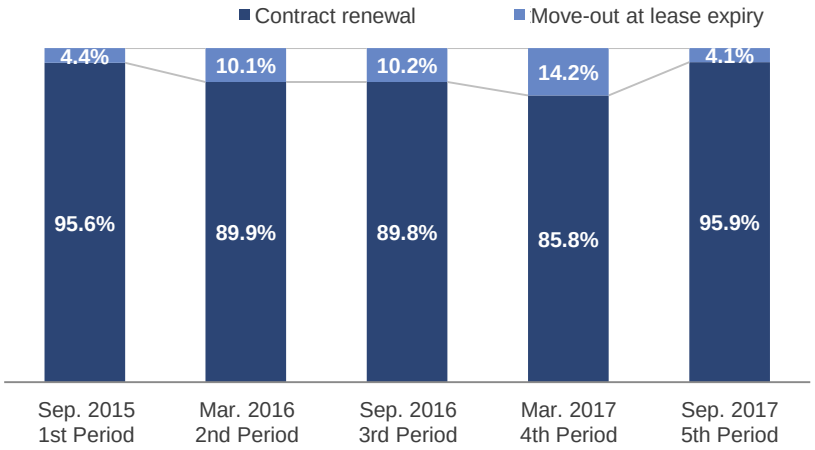


111 tenants	50 tenants	35 tenants	42 tenants	26 tenants	16 tenants

Tenant move-in and move-out (Note 3)



Contract renewals at lease expiry in each period (Note 3)



Note 1: Based on the rent including common area charges before revision of the tenants subject to rent revision.
Note 2: Based on the contractual rent determined in the lease contract, including regular building leases, for properties owned as of Sep. 30, 2017.
Note 3: Based on the rent revenue of the last month of each fiscal period.

Financial highlights

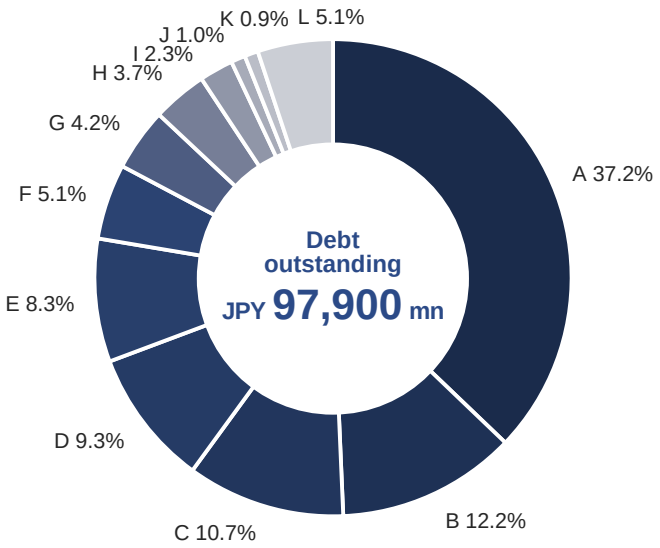
Financial highlights

	4th Period (Note 1)	5th Period (Note 2)
Average interest rate	0.96%	0.96%
Average remaining years to maturity	4.7 years	4.9 years
Long-term debt ratio Fixed interest debt ratio	85.8%	87.6%
LTV	40.4%	42.6%

Credit rating and commitment lines

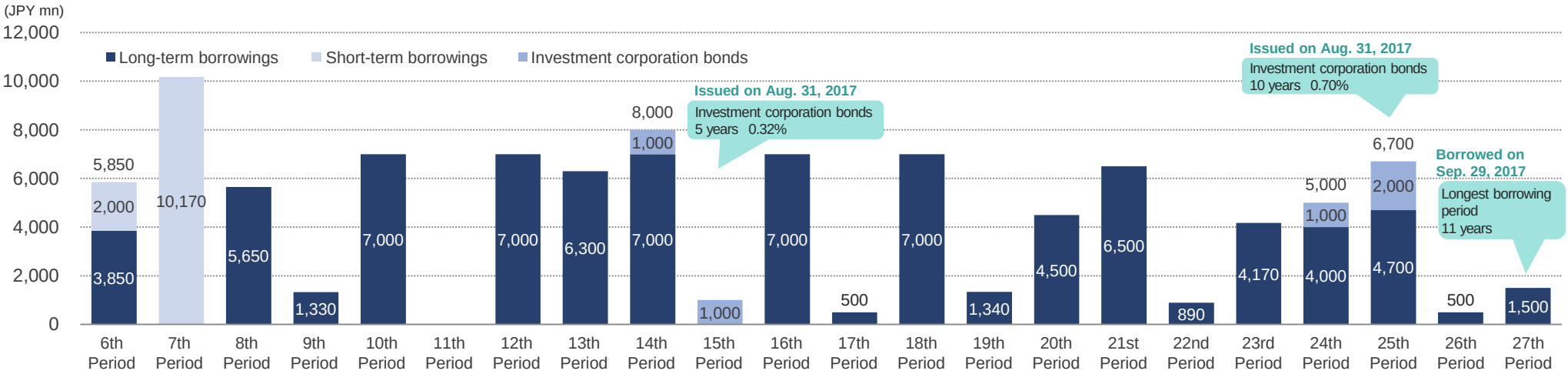
Credit Rating (JCR)	Commitment credit lines
A (Positive)	JPY 2.0 bn

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.	11,910
C	Development Bank of Japan Inc.	10,490
D	Sumitomo Mitsui Trust Bank, Ltd.	9,070
E	Mizuho Bank, Ltd.	8,170
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	5,000

Maturities of interest-bearing debts



Note 1: Based on the figures after the prepayment of bank loans on May 31, 2017.
Note 2: Based on the figures after the refinance on Oct. 3, 2017.

02

Providing better retail properties for consumers and society

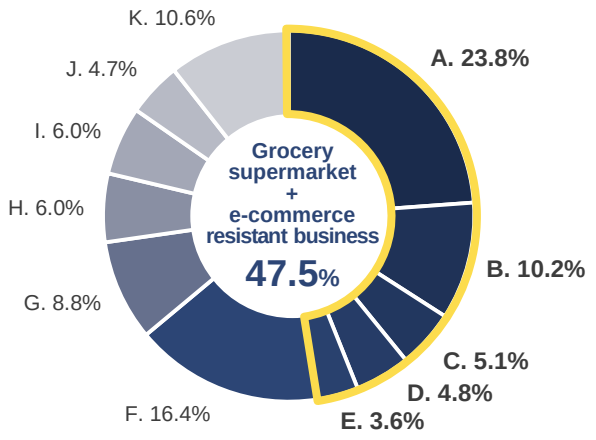


Security Code
3453

Tenants supported by consumers are less affected by e-commerce

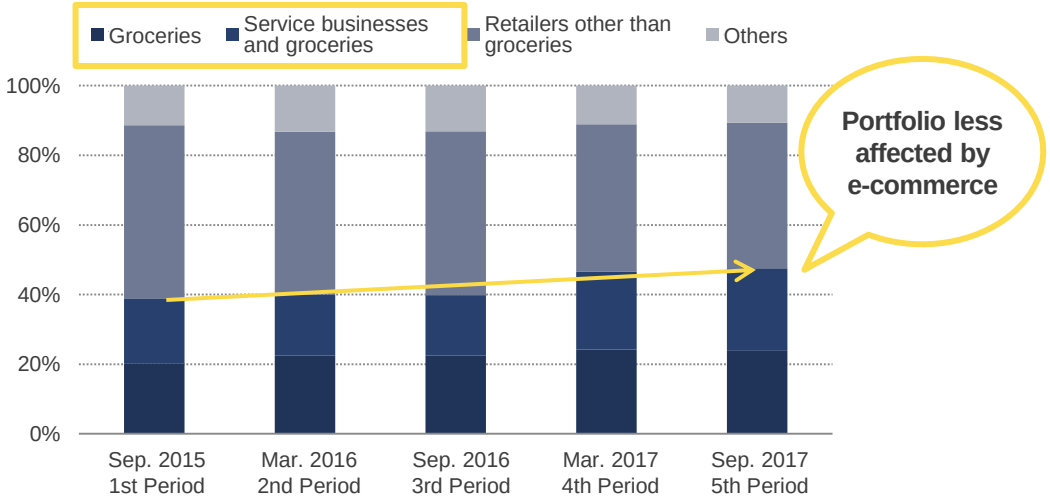
KENEDIX Retail REIT Corporation

Percentage of tenant category (based on rents)

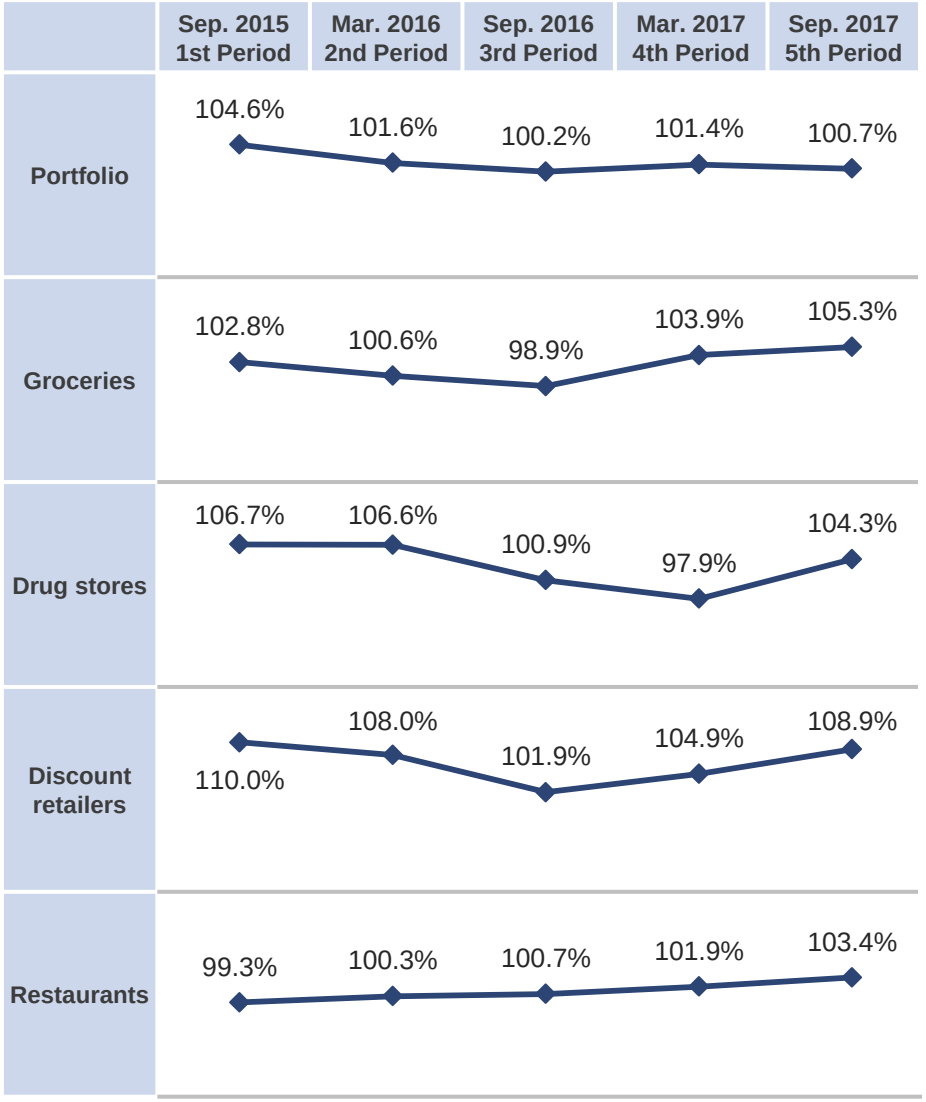


A.	Groceries	23.8%
B.	Service businesses	10.2%
C.	Amusement	5.1%
D.	Sports clubs	4.8%
E.	Restaurants	3.6%
F.	Other retailers	16.4%
G.	Home & garden	8.8%
H.	Clothing	6.0%
I.	Consumer electronics	6.0%
J.	GMS	4.7%
K.	Others	10.6%

Changes in percentage of tenant category (based on rents)

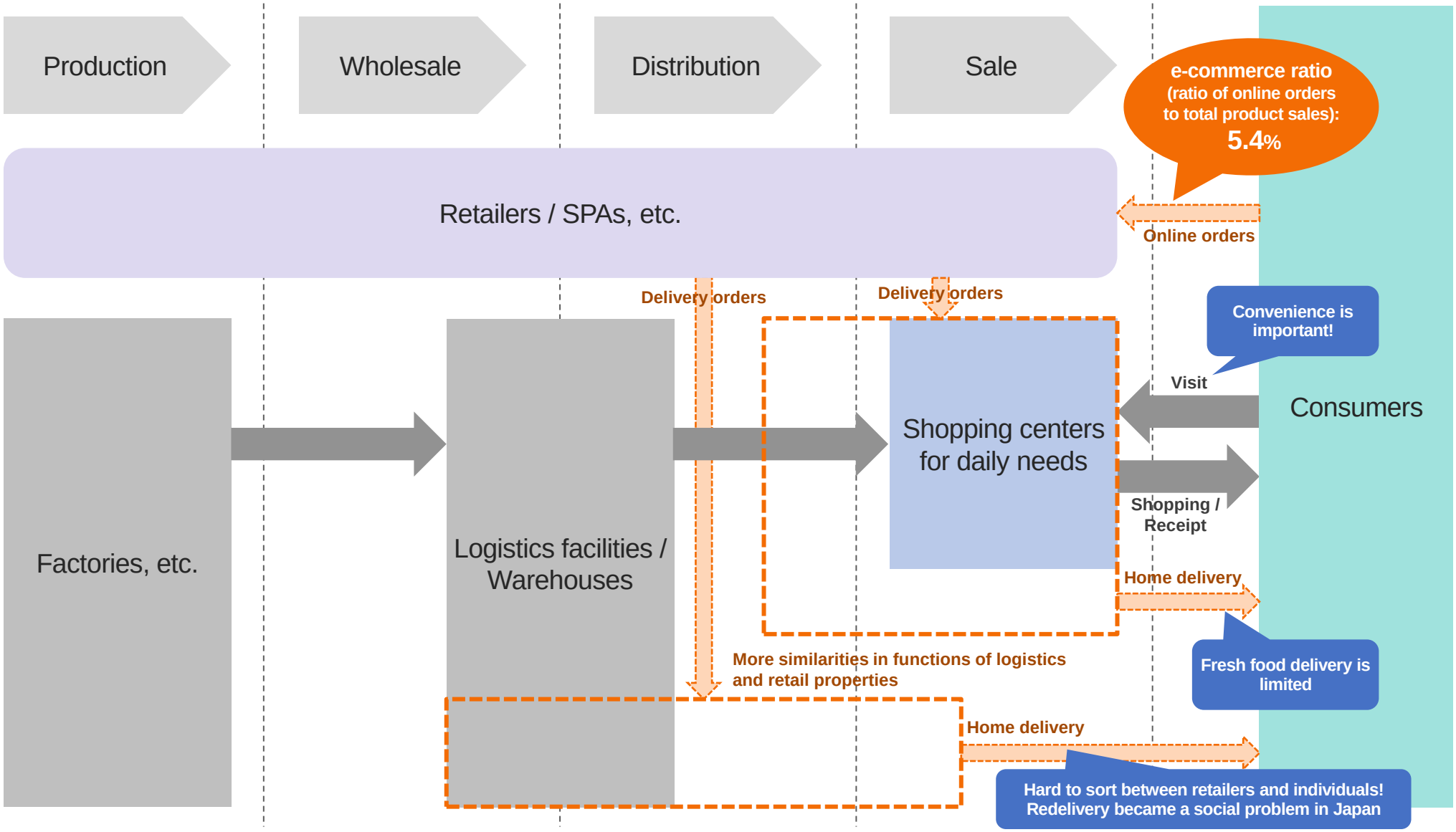


Changes in sales of categories less affected by e-commerce (YoY)(Note)



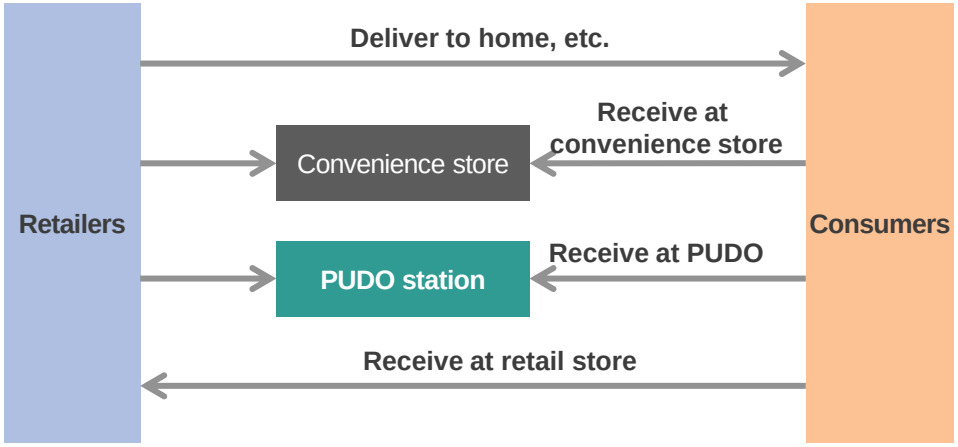
Note: Based on the sales figures available to KRR. The sales of each category take into account the effect of difference in days of the weekends in each period, but those of portfolio do not take into account.

Retail properties with delivery functions



Installation of delivery boxes (PUDO stations)

How to receive products ordered through the Internet



What is PUDO?

PUDO (**P**ick **U**p & **D**rop **O**ff) station is a delivery box operated by Packcity Japan, a joint venture between Neopost Shipping (France) and Yamato Transport. Available to any consumer and any delivery company

How to use

Designate where to receive	Purchase products Request redelivery	Select PUDO station at a desired place	Delivery company delivers parcel to PUDO station	Receive password to receive the parcel via e-mail
Receive parcels	Enter password	Sign on touch-screen by finger	Open the box containing the parcel	Close the door after picking up the parcel

Pros and cons from the perspective of consumers

	Pros	Cons
Deliver to home, etc.	• No need to leave home	• Impossible to receive when outside the home • Troublesome requesting redelivery • Seen by deliveryman
Receive at convenience store	• Possible to receive parcels at frequently used stores	• Address and parcels are seen by deliveryman
Receive at PUDO station	• Possible to receive parcels on a daily route • Secured privacy	• Need to carry parcels
Receive at retail store	• Possible to receive parcels on a daily route • Possible to do shopping at the same time	• Only goods handled at retail store available

Installation of PUDO station in KRR properties

Install in multi-tenant properties in order after necessary procedures such as compliance review and inspection by Packcity Japan are completed

Some tenants at **single-tenant properties** are also installing PUDO stations

Properties installed

- **T-1** **Fululu Garden Yachiyo**
- **T-3** **Passaggio Nishiarai**
- **T-13** **Totsuka-Fukaya Shopping Center (Land)**
- **T-18** **Kawamachi Yahagi Mall**
- **T-20** **Inageya Yokohama Minamihonjuku (Land)**



PUDO station installed in Fululu Garden Yachiyo

Note: The boxes at Totsuka-Fukaya SC are installed by YorkMart, and the boxes at Inageya Yokohama Minamihonjuku are installed by Inageya.

ESG (Environmental, Social, and Governance) initiatives

Environmental policies

The officers and employees of Kenedix Real Estate Fund Management, Inc. ("KFM") will undertake investment management operations in accordance with the following environmental policies

Compliance with Environmental Laws and Regulations
KFM will promote environment-friendly investment management operations by adhering to environmental laws and regulations

Promotion of Energy Conservation Measures
KFM will systematically advance energy conservation measures at its managed properties, maintaining a strong awareness of the importance of natural and energy resources

Reduction of Environmental Burden
KFM will undertake initiatives to reduce CO2 and waste emissions as well as promote recycling at its managed properties, underscoring its commitment to alleviating its environmental burden. In addition, KFM will take sufficient care when handling harmful substances and environmental pollutants

Disclosure of Environmental Information
KFM will work to disclose necessary information to a variety of concerned parties, including investors, tenants, and business partners, in such areas as its environmental policies and measures

Environmental Education
KFM will take steps to improve the environmental consciousness of its officers and employees through internal education

Installation of LED lighting

O-4 Blumer HAT Kobe



T-1 Fululu Garden Yachiyo
T-2 MONA Shin-Urayasu
T-3 Passaggio Nishiarai
T-5 Unicus Ina
O-5 Carino Esaka
R-4 Ashico Town Ashikaga

Greening of facilities

O-1 Blumer Maitamon (Entrance)



T-2 MONA Shin-Urayasu (Rooftop)



Encouraging greater community interactions

We are making efforts to enliven local communities by holding community-participating events at our properties



Summer Festival (Unicus Ina)



Kamisato Farmer's Market (Unicus Kamisato)

Other initiatives

Agreed with Yoshikawa City to provide part of Unicus Yoshikawa as a temporary shelter in case of a disaster such as floods



Signing of agreement (Unicus Yoshikawa)

Agreed with Yachiyo Police Station to provide coupons to the elderly who voluntarily returned their driver's license



Signing of agreement (Fululu Garden Yachiyo)

Recognitions and certifications on ESG

KENEDIX Retail REIT Corporation

Acquired "Green Star" in GRESB Real Estate Assessment for the second consecutive year

GRESB 2017

Participated in the GRESB Real Estate Assessment, following its first participation in 2016

Awarded "**Green Star**" as it received high evaluation on both "implementation and measurement" and "management and policy"

Earned "**Three Star GRESB Rating**," which is relative indication of the global performance

About GRESB

- An annual benchmark assessment which measures environmental, social, and governance (ESG) considerations in the real estate sector
- Established in 2009 primarily by major European pension fund groups, which led the Principles for Responsible Investment (PRI)
- 66 investor members have used GRESB to select and dialogue with investment targets (as of Sep. 6, 2017)
- 850 listed and unlisted real estate companies and funds worldwide participated in 2017 GRESB Real Estate Assessment
- **Kenedix Real Estate Fund Management, Inc. has joined the GRESB Company & Fund Members**

Approx. 40% of properties* (14 out of 38) have acquired the DBJ Green Building Certification

Properties with outstanding environmental & social awareness	Properties with excellent environmental & social awareness	Properties with high environmental & social awareness
DBJ Green Building 2017	DBJ Green Building 2017	DBJ Green Building 2017
T-2 MONA Shin-Urayasu (Update!)	T-4 Daikanyama Address Dixsept (New!)	T-5 Unicus Ina (Update!)
		T-19 Yumemachi Narashinodai Mall (New!)
		T-20 Kawamachi Yahagi Mall (New!)
		O-5 Carino Esaka (New!)
		R-10 Sun Street Hamakita (New!)
DBJ Green Building 2016	DBJ Green Building 2016	DBJ Green Building 2016
T-1 Fululu Garden Yachiyo	O-4 Blumer HAT Kobe	T-3 Passaggio Nishiarai
	R-1 Roseo Mito	T-7 Unicus Yoshikawa
	R-4 Ashico Town Ashikaga	O-1 Blumer Maitamon

Note: 38 properties, excluding 13 land-only properties from the 51 properties that KRR holds as of the date of this material.

03

Financial results and forecasts

Security Code
3453



Summary of balance sheets (JPY mn)

KENEDIX Retail REIT Corporation

	Mar. 2017 4th Period	Sep. 2017 5th Period	Change JPY mn	Change %
Current assets	17,061	20,511	+3,449	+20.2%
Property, plant and equipment	166,261	203,411	+37,180	+22.4%
Intangible assets	522	4,331	+3,808	+728.7%
Investments and other assets	944	1,061	+117	+12.4%
Total Non-current assets	167,728	208,834	+41,106	+24.5%
Deferred assets	247	282	+34	+14.1%
Total assets	**185,037**	**229,628**	**+44,591**	**+24.1%**
Current liabilities	17,380	18,743	+1,362	+7.8%
Non-current liabilities	70,833	94,368	+23,535	+33.2%
Total liabilities	**88,213**	**113,111**	**+24,897**	**+28.2%**
Total net assets	**96,823**	**116,516**	**+19,693**	**+20.3%**
Total liabilities and net assets	**185,037**	**229,628**	**+44,591**	**+24.1%**
LTV	**40.4%**	**42.6%**	**---**	**---**

Factors in change of current assets

1.	Increase in cash and deposits	+2,339
2.	Increase in consumption taxes receivable	+947
3.	Others	+162

Factors in change of non-current assets

1.	Increase in PP&E mainly due to acquisition of assets (net)	+37,180
2.	Increase in leasehold rights in trust mainly due to acquisition of assets (net)	+3,808
3.	Others	+118

Factors in change of deferred assets

1.	Increase in investment unit issuance costs (net)	+19
2.	Increase in investment corporation bond issuance costs (net)	+20
3.	Other (amortization of organization costs)	-5

Factors in change of current liabilities

1.	Increase in short-term loans payable	+1,200
2.	Others	+162

Factors in change of non-current liabilities

1.	Increase in long-term loans payable	+19,000
2.	Issuance of investment corporation bonds	+3,000
3.	Increase in deposits in trusts	+1,536

Factors in change of net assets

1.	Increase in unitholders' capital mainly due to public offering (net)	+19,173
2.	Increase in unappropriated retained earnings	+520

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

KENEDIX Retail REIT Corporation

	Mar. 2017	Sep. 2017		Changes	
	4th Period Actual (A)	5th Period Forecast (B)	5th Period Actual (C)	C - A	C - B
Rent revenue – real estate	5,524	6,553	6,637	+1,112	+83
Other lease business revenue	902	1,097	1,160	+257	+62
Dividends income	3	5	5	+2	+0
Operating revenues	**6,430**	**7,655**	**7,803**	**+1,372**	**+147**
Property related expenses (excl. depreciation)	2,096	2,516	2,583	+487	+67
NOI	**4,331**	**5,134**	**5,214**	**+883**	**+79**
Depreciation	721	868	885	+163	+16
NOI after depreciation	**3,609**	**4,266**	**4,329**	**+719**	**+63**
Other operating expenses	591	652	668	+77	+16
Operating income	**3,021**	**3,618**	**3,666**	**+644**	**+47**
Non-operating income	0	0	0	-0	+0
Non-operating expenses	464	550	557	+93	+7
Ordinary income	**2,556**	**3,067**	**3,108**	**+551**	**+40**
Net income	**2,552**	**3,067**	**3,104**	**+551**	**+37**
DPU (JPY)	**6,044**	**6,051**	**6,115**	**+71**	**+64**

New acquisition of Resora Obu Shopping Terrace: +JPY 83 mn

New acquisition of Resora Obu Shopping Terrace: +JPY 29 mn

Temporary income (penalty and restoring revenues): +JPY 21 mn

New acquisition of Resora Obu Shopping Terrace: +JPY 40 mn

Increase in BM cost mainly due to temporary cleaning: +JPY 10 mn

Temporary expenses (restoring): +JPY 11 mn

Depreciation of Resora Obu Shopping Terrace: +JPY 15 mn

Increase in expenses due to borrowing for acquisition of properties and investment corporation bond issuance

Increase in the amortization of investment unit issuance costs

Financial forecasts: 6th and 7th fiscal periods (JPY mn)

KENEDIX Retail REIT Corporation

Key financial information	Sep. 2017 5th Period (Actual)	Mar. 2018 6th Period (Forecast)	Changes	Mar. 2018 6th Period (Forecast)	Sep. 2018 7th Period (Forecast)	Changes
Operating revenues	**7,803**	**8,039**	**+235**	**8,039**	**8,136**	**+96**
Operating expenses	4,137	4,308	+171	4,308	4,473	+165
Operating income	**3,666**	**3,730**	**+64**	**3,730**	**3,662**	**-68**
Non-operating expenses	557	586	+28	586	565	-21
Interest expenses & financing-related expenses	456	497	+40	497	498	+1
Amortization of investment unit issuance costs	96	84	-11	84	61	-22
Ordinary income	**3,108**	**3,143**	**+35**	**3,143**	**3,097**	**-46**
Net income	**3,104**	**3,142**	**+38**	**3,142**	**3,096**	**-46**
DPU	**6,115**	**6,200**	**+85**	**6,200**	**6,108**	**-92**

Incl. gain on sales 210 mn

Related key indicator	Sep. 2017 5th Period (Actual)	Mar. 2018 6th Period (Forecast)	Changes	Mar. 2018 6th Period (Forecast)	Sep. 2018 7th Period (Forecast)	Changes
NOI	**5,214**	**5,396**	**+182**	**5,396**	**5,126**	**-269**
NOI yield (%)	5.0%	5.3%	---	5.3%	5.0%	---
Depreciation	885	927	+42	927	929	+2
NOI after depreciation	4,329	4,469	+140	4,469	4,197	-272
NOI yield after depreciation (%)	4.2%	4.4%	---	4.4%	4.1%	---
FFO	4,093	4,162	+69	4,162	3,885	-277
CAPEX	367	513	+146	513	439	-74
LTV (%)	**42.6%**	**42.6%**	**---**	**42.6%**	**42.6%**	**---**

Summary of earnings performance of the individual properties (JPY mn)

KENEDIX Retail REIT Corporation

	Assets acquired in	4th Period (Actual)	5th Period (Actual)	6th Period (Forecast)	7th Period (Forecast)	Remarks
Rent revenue-real estate (excl. sales-linked rent)	1st-3rd Periods	5,204	5,207	5,230	5,131	7th period: Down-time related to renovations at MONA Shin-Urayasu 7th period: Assumed down-time of three months for tenants at lease expiry
	4th Period	37	129	129	129	
	5th Period	0	1,017	1,318	1,297	
Sales-linked rent	1st-3rd Periods	282	266	266	216	7th period: Down-time related to renovations at MONA Shin-Urayasu 7th period: Assumed down-time of three months for tenants at lease expiry
	4th Period	0	0	0	0	
	5th Period	0	15	17	16	
Utility charge reimbursement	1st-3rd Periods	455	543	471	541	Seasonal factors
	4th Period	0	0	0	0	
	5th Period	0	118	155	173	
Penalty / restoring reimbursement	1st-3rd Periods	48	18	1	0	Assumed no unexpected income
	4th Period	0	0	0	0	
	5th Period	0	2	0	0	
Other revenues	1st-3rd Periods	398	413	395	368	
	4th Period	0	0	0	0	
	5th Period	0	63	52	50	
Rental and other operating revenues (A)	1st-3rd Periods	**6,389**	**6,449**	**6,366**	**6,258**	
	4th Period	**37**	**129**	**129**	**129**	
	5th Period	**0**	**1,218**	**1,543**	**1,538**	
PM fees / facility management fees	1st-3rd Periods	690	704	702	693	
	4th Period	1	2	2	2	
	5th Period	0	101	138	136	
Utilities	1st-3rd Periods	438	540	465	534	Energy cost is increasing on the whole
	4th Period	0	0	0	0	
	5th Period	0	109	146	157	
Taxes	1st-3rd Periods	482	561	561	562	4th period to 5th period: Property-related taxes on the properties acquired in the 3rd period are expensed
	4th Period	0	2	2	13	
	5th Period	0	0	0	115	
Repairs and maintenance (incl. restoring)	1st-3rd Periods	157	175	161	116	Subject to change
	4th Period	0	0	0	0	
	5th Period	0	13	54	30	Subject to change
Others	1st-3rd Periods	325	298	316	329	Sales and promotion: 4th period: 186, 5th period: 166, 6th period: 182, 7th period: 155 Sales and promotion: 5th period: 17, 6th period: 27, 7th period: 31
	4th Period	0	3	0	0	
	5th Period	0	70	90	106	
Property-related expenses (B) (excl. depreciation)	1st-3rd Periods	**2,094**	**2,280**	**2,207**	**2,236**	
	4th Period	**1**	**7**	**5**	**16**	
	5th Period	**0**	**295**	**430**	**546**	
NOI（A-B）	1st-3rd Periods	**4,295**	**4,168**	**4,158**	**4,022**	
	4th Period	**35**	**121**	**124**	**112**	
	5th Period	**0**	**923**	**1,113**	**991**	

04

Implementing growth strategies

Security Code
3453



Acquisition of Resora Obu Shopping Terrace







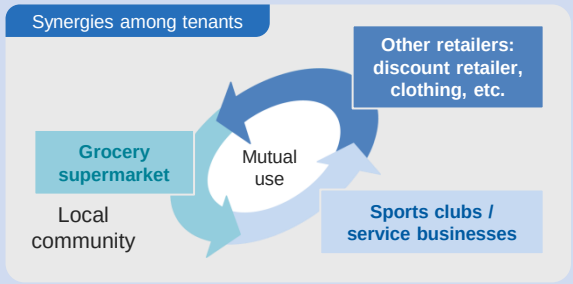
Acquisition price	JPY 7,911 mn
Location	Obu, Nagoya
Appraisal value	JPY 7,990 mn (as of Aug. 1, 2017)
Appraisal NOI yield	5.2%
Main tenant	Premium Support K.K.



Tenant

Products and services focusing on daily needs

- The property houses Yamanaka, a grocery supermarket, which promotes “dominant strategy” in Aichi Prefecture, as its main tenant and over 40 tenants such as a sports club, a discount retailer and a large apparel store



Facilities

Corresponding to high frequency of customer visits

- Parking space for over 1,000 vehicles
  - Facilities corresponding to high frequency of customer visits including flat parking area



Location

NCS in the population growing area

- Population: 14 thousand people within 1-km radius, 89 thousand people within 3-km radius, and 224 thousand people within 5-km radius
  - There are many single-family residences in the surrounding neighborhood, as well as a condominium featuring 130 units developed near the property
  - Obu is a city with population growth as a residential area for those commuting to neighboring City of Nagoya and an industrially developed area mainly with automotive industry, together with neighboring Kariya City, where many of Toyota Group companies have their head offices



Residential area behind the property

- The largest NSC in Obu, Aichi, opened in 2008 as a part of the development project including a medical mall and a condominium (not to be acquired)



Medical mall and condominium (not to be acquired)

Sale of K's Denki Nakagawa Tomita (Land)

KENEDIX Retail REIT Corporation

Overview of sale of K's Denki Nakagawa Tomita (Land)

Determined to sell the property for comprehensive reasons such as being able to sell at the price significantly higher than the appraisal value

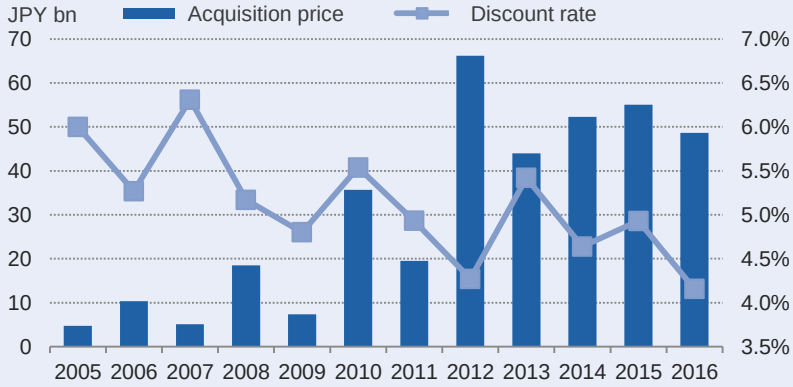


Location	Nagoya, Aichi
Book value	JPY 907 mn
Appraisal value	JPY 995 mn
Sale price	JPY 1,128 mn
Appraisal NOI	JPY 46 mn
Acquisition date	Feb. 10, 2015
Anticipated sale date	Apr. 27, 2018

Liquidity and yield of land (Reference)

In addition to J-REITs, private REITs, private funds, business companies, etc. acquired land-only properties

Acquisition of land-only properties by J-REITs



Calculated by the Asset Manager

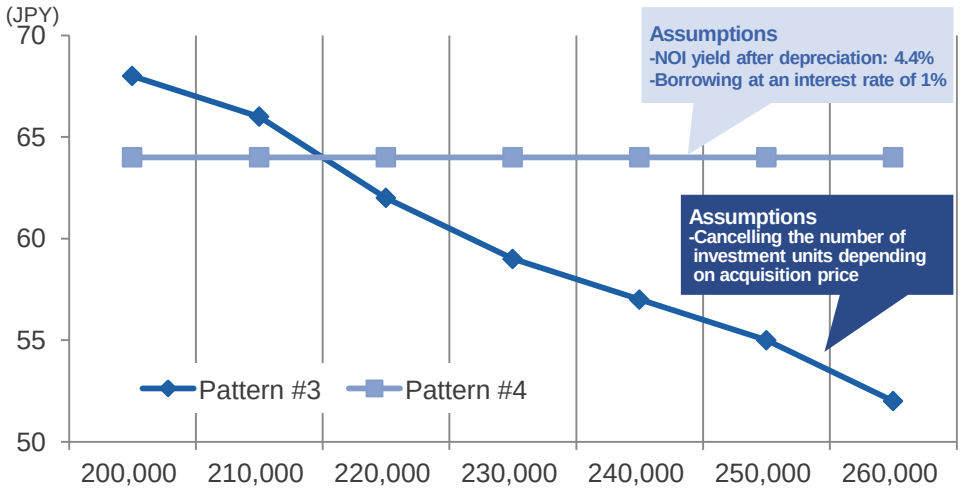
Analysis of scenario on use of proceeds from the sale(Note 1)

Estimated DPU and LTV

Scenario		DPU	LTV
Pattern #1	Use all proceeds to acquire properties	JPY 41	42.6%
Pattern #2	Use all proceeds to repay loans	JPY 5	42.4%
Pattern #3	Use all proceeds to acquire own investment units(Note 2)	JPY 58	42.8%
Pattern #4	Borrow new debt to the LTV level assumed in Pattern #3 and acquire properties together with the proceeds	JPY 64	42.8%

At the same LTV level

Sensitivity of DPU depending on investment unit prices



Note 1: The above estimate is calculated as examples to consider using the proceeds from the sale of K's Denki Nakagawa Tomita (Land) on certain assumptions. KRR has not decided to implement such measures as of the date of this material, and there is no guarantee that it can implement such measures.

Note 2: Acquisition price of own investment units is assumed in the above calculation based on the closing price of investment units for three months until Oct. 31, 2017.

Strong support from the Kenedix Group and Alliance Companies

Kenedix Retail REIT Corporation (“KRR”)

Asset Management

Property Management

Kenedix Real Estate Fund Management, Inc. (“KFM”)

Pipeline support	Pipeline support			
Warehousing	Warehousing			
Leasing		Leasing		
Property Management			Property Management	
Environmentally-friendly technology/knowhow			Evaluation/ advisory on operations	
Personnel support	Personnel support			
Right to use trademarks				
Sponsor	**Alliance companies**			
Kenedix, Inc	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

Apita Terrace Yokohama Tsunashima

Location: Yokohama, Kanagawa
(expected to open in spring 2018)



Land area	18,300.01m²	GFA	44,562.53m²

Ozeki Tokiwadai

Location: Itabashi, Tokyo
(opened in Sep. 2017)



Land area	804.68m²	GFA	1,217.02m²

Unicus Urawamisono (Land)

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



Land area	3,533.59m²	GFA	---

Across Plaza Urayasu Higashino (Land)

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



Land area	6,229.00m²	GFA	---

Development Project in Nagoya (Land)

Location: Nagoya, Aichi
(expected to open in autumn 2018)



Land area	13,480.42m²	GFA	---

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 which are developed by Kenedix, Inc. or 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 Nov. 15, 2017, KRR has no plans to acquire these properties and there is no guarantee that it can acquire these properties in the future.
Note3: Land area and GFA are based on data available to KFM and may differ from the actual figures.

Active management strategies

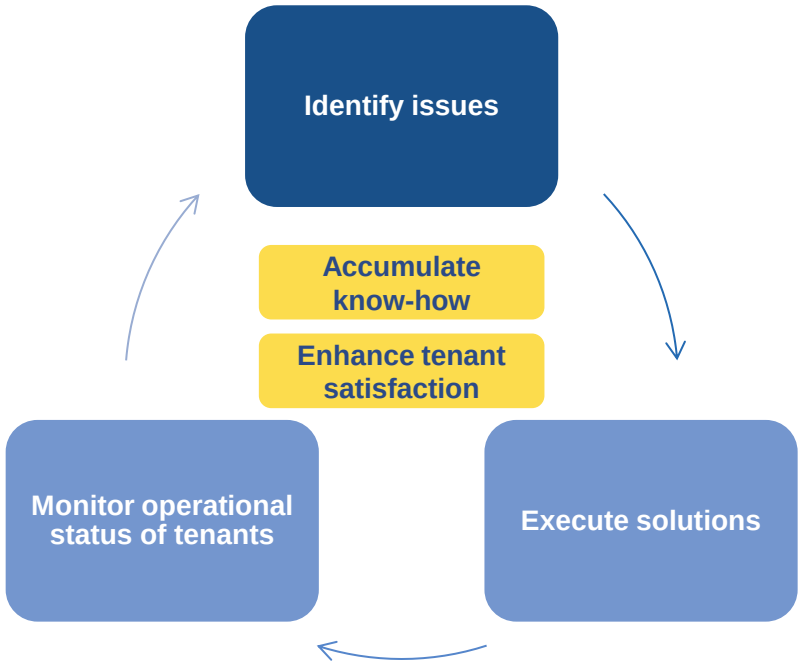
KENEDIX
Retail REIT Corporation

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

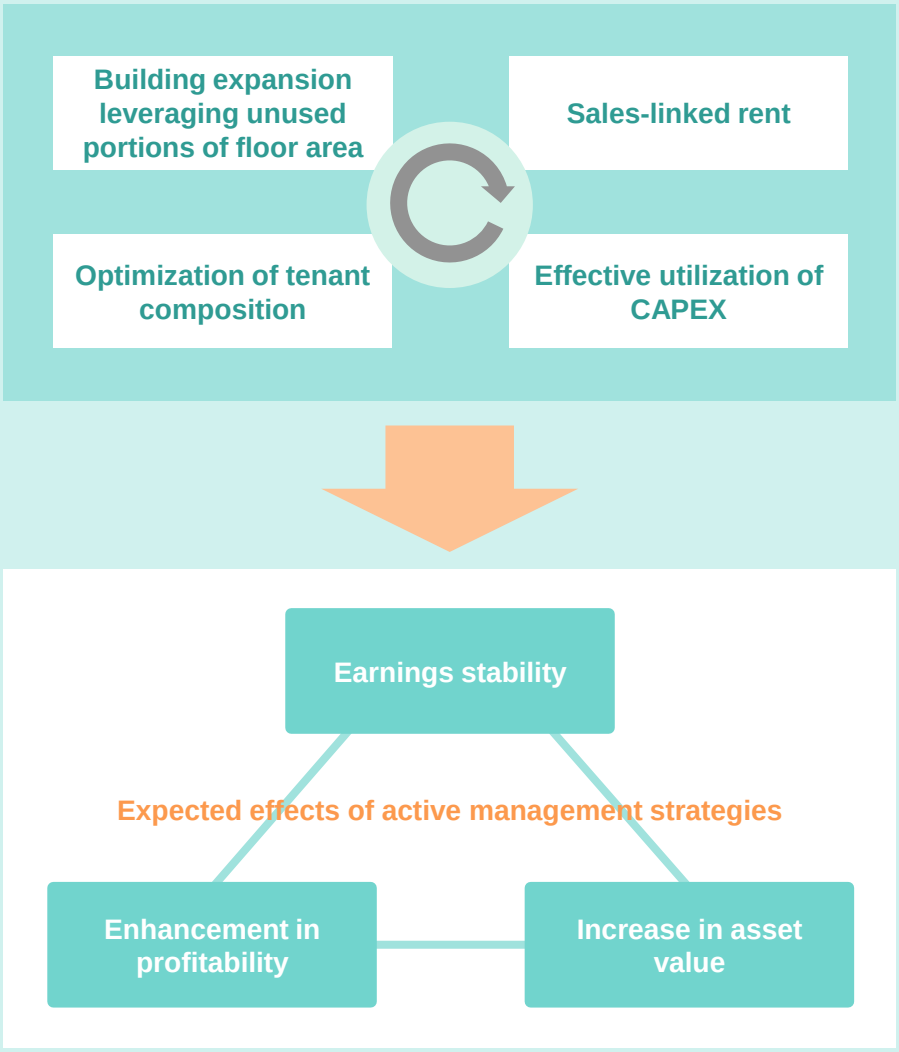
Asset management services
Build and manage a stable/consistent portfolio

Strengthened collaboration

Property management services
Interact directly with tenants



Seek internal growth through property management



Renewal project at MONA Shin-Urayasu

Objective of the 2nd phase of the renewal project

Increase attractiveness

- Replacements and relocations of tenants at lease expiry
- Change of floor layout

Improve access to each shop

- Renewal of signboards and floor maps

Strengthen image of the property

- Improve access to each shop through renewal of signboards and floor maps
- Change the designs of floors, walls and roofs
- Install LED lightings
- Install automatic doors

Estimated renovation cost and planned schedule

Estimated renovation cost	JPY 274 mn (planned)

Apr. 2018	Start of the renovations
Sep. 2018	Completion of the renovations
Oct. 2018	Reopening

Completion of the 1st phase (Jul. 2017)

Improve attractiveness and access to each shop

- Exterior construction around the entrance
- Installation of benches and plants
- Renewal of signboards and floor maps
- Replacement of supermarket (grocery)

Capital expenditure

- JPY 134 mn

Replacement of supermarket (grocery)

- Addition of eating spaces, etc.
- Rent increase by 10.4%

Before



After



Before



After



Conceptual drawings after the 2nd phase of the project

2nd floor (in front of escalator)

Before



After(Note)

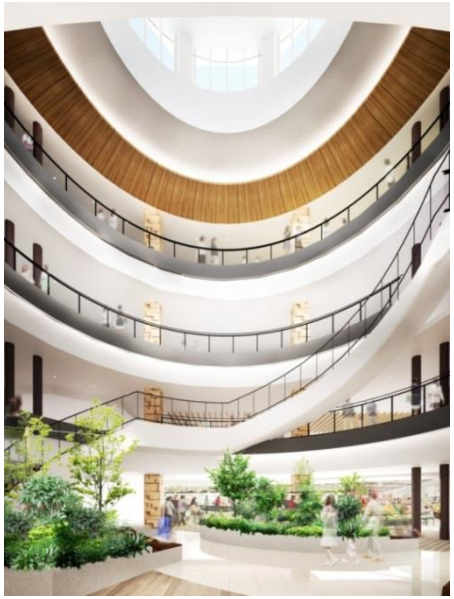


Spiral court on the 1st floor

Before



After(Note)

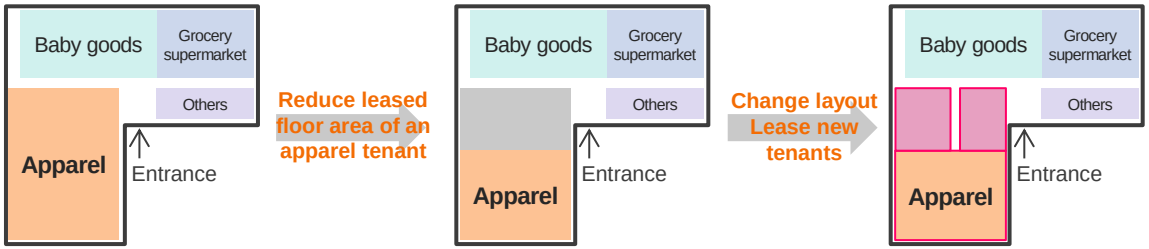


Note: The illustration above is a completion image based on design drawings and may differ from the actual buildings after completion.

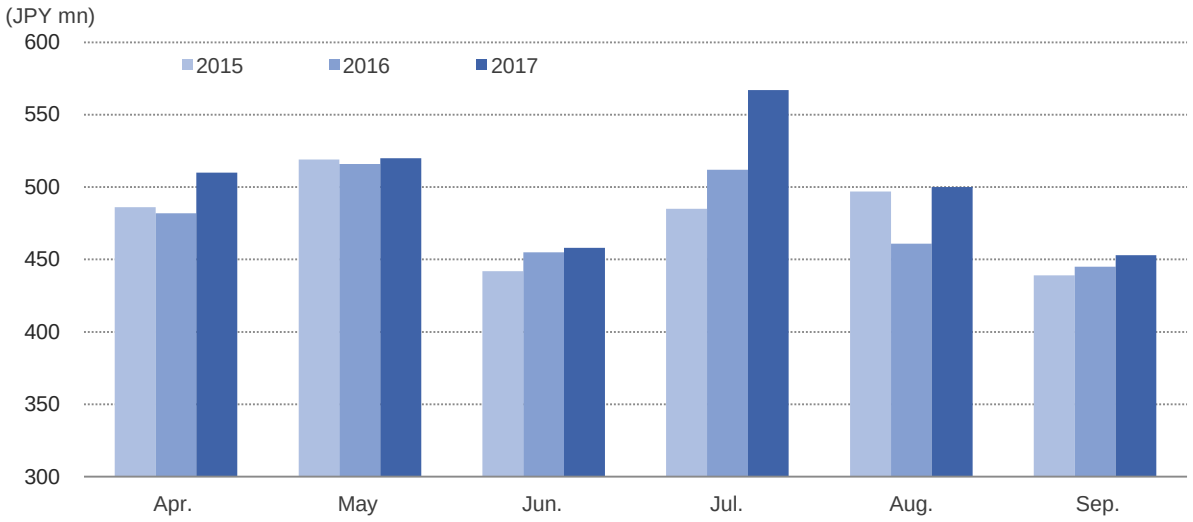
Changing in layout at Blumer HAT Kobe

Reduction in the floor of an apparel tenant on the 1st floor and leasing of new tenants (Jun. 2017)

- **Negotiated with an apparel tenant** and **reduced the leased floor area**
- **Created two new leasing spaces** in the reduced floor area
- Leased a tenant selling **groceries and daily goods** to generate synergies with the supermarket
- Leased a **cosmetics** shop that can be segregated from drug stores



Tenant sales at Blumer HAT Kobe



Note: Excludes sales of the cinema complex

Before and after the changing in layout



Before



After



05

Shift from GMS to shopping centers for daily needs



Security Code
3453

Investments focusing on shopping center 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	3-10km
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

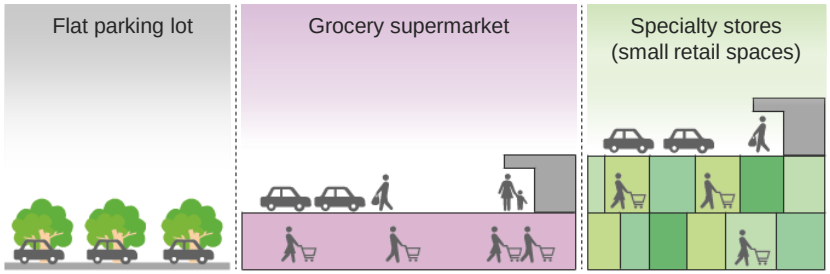
Urban retail properties featuring

High-end brand shops

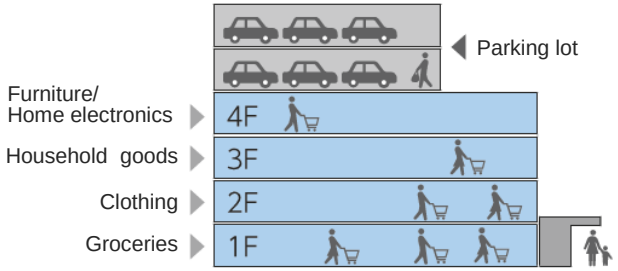
Advantages of shopping centers for daily needs over GMS

KENEDIX
Retail REIT Corporation

Typical shopping center for daily needs



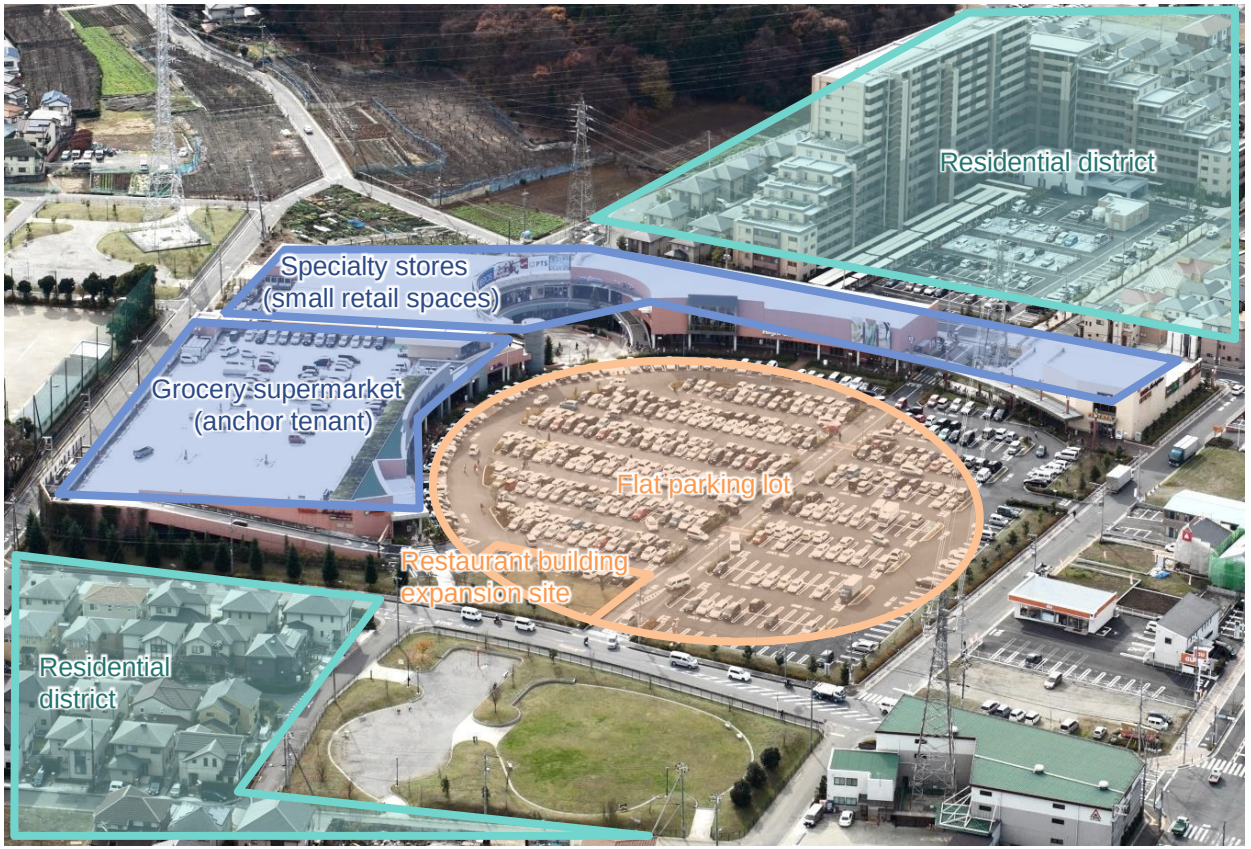
Typical stand-alone GMS



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

Primary characteristics of shopping centers for daily needs



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 mn

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

2017 (JPY bn)

	Type of store	Sales	Change
1	Supermarket	15,944.6	+23.0%
2	Convenience store	10,435.3	+40.8%
3	Drug store	7,569.9	+105.0%
4	GMS	7,185.6	**-16.5%**
5	Other retailers	7,097.4	+23.6%
6	Department store	6,047.2	**-27.0%**
7	Clothing	5,275.9	+66.0%
8	Consumer electronics	5,251.4	-8.2%
9	Home and garden	3,522.2	+24.2%
10	Consumers' co-operative	2,471.0	-0.6%

Source: Data regarding Japanese retailer earning results are based on magazine “Diamond Chain Store” dated Sep. 15, 2016 and Sep. 15, 2017.

Disclaimer

KENEDIX
Retail REIT Corporation

The contents in this document are provided solely for informational purposes and not intended for the purpose of soliciting investment in, or as a recommendation to purchase or sell, any specific products.

This document contains charts/diagrams/tables/data and others Kenedix Real Estate Fund Management ("KFM") created based on data, indices, etc. published by third parties, in addition to the information related to Kenedix Retail REIT Corporation ("KRR"). This document also contains the current analyses/judgments/other opinions of KFM.

KFM is a financial instruments business operator under the Financial Instruments and Exchange Act.

The information provided herein is unaudited and hence no assurance or warranties are given with respect to the accuracy or completeness thereof. Also, please be aware that the analyses/judgments/other opinions provided by KFM may change or cease to exist without prior notice of any kind as they are based on current assumptions and beliefs of KFM.

Neither KRR nor KFM shall be liable for any errors/inaccuracies of the data/indices/other information published by third parties (including the data based on the appraisal report).

This document also contains forward-looking statements and anticipation of future results for KRR. However, no guarantees are given with respect to the accuracy of these statements/anticipation.

Revised editions of this document will be posted on our website (http://www.krr-reit.com/en) should there be major corrections going forward.

Unless otherwise explicitly stated, the figures such as percentage, ratio, and year(s) are rounded off to largest decimal place shown in this document, the amount of money such as JPY, Japanese Yen, is truncated at the one tenth of the number shown in this document.

KENEDIX

Retail REIT Corporation