

KENEDIX
Retail REIT Corporation

Kenedix Retail REIT Corporation

Financial Result

for the 7th Financial Period ended September 30, 2018
November 15, 2018

MONA Shin-Urayasu

Kenedix Real Estate Fund Management, Inc.



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01

Adapting to changing environment for sustainable growth

Security Code
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Progress of measures for sustainable growth

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1 Inclusion of distribution centers as investment criteria

- ✓ Information on retail distribution centers accumulating
- ✓ Less competition for acquisition of retail distribution centers compared to large scale logistics centers

2 Asset reshuffle
Portfolio quality and yield improvement

- ✓ Disposition of Solala Plaza as a start of asset reshuffle (3.5% NOI yield after depr.)
- ✓ Grow DPU by replacing with assets with higher NOI yield after depr.

3 New asset management fee structure

- ✓ KRR adopted investment unit performance fee, which is linked KRR units' total return
- ✓ KRR's total return during the 7th FP outperformed TSE REIT Total Return Index

4 Framework for unit buyback

- ✓ Framework for unit buyback has been prepared, but acquisition of assets improve DPU more than unit buyback at the current share price level

Alleviate concerns on retail properties in the J-REIT market

Asset management focusing even more on DPU and NAV growth



Disposition of Solala Plaza for asset reshuffle

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Location	Sendai, Miyagi	
Disposition price	5,980 million yen	
Book value	5,595 million yen	
Appraisal value	5,960 million yen	
Tenant	Otsuka Kagu, Ltd.	
Buyer	GK KRF74 (Kenedix's SPC)	
Disposition date	December 21, 2018 (49% of quasi co-ownership interests)	April 5, 2019 (51% of quasi co-ownership interests)
Acquisition date	April 21, 2016	

Reasons for the disposition

Mitigate future risks	Status of the tenant, Otsuka Kagu, Ltd. Conditions of lease term
NOI yield	5.0% appraisal NOI yield and 3.5% NOI yield after depr. both fall below those of portfolio average
Gains on sale	Disposition price exceeding the book value and the appraisal value, leveraging the recent real estate market condition

Aim to replace by SC for daily needs or retail distribution centers

Portfolio quality and yield improvement

List of distribution centers in pipeline as of Nov. 15, 2018 (Note)

	Location	NOI yield	Acquisition price
Retail distribution centers	Kanagawa	NOI yield 5.0-6.5% NOI yield after depreciation 3.7-5.0%	Assumed acquisition price **approx. JPY 10 bn** (total)
	Kanagawa		
	Kanagawa		
	Saitama		
	Saitama		

Note: These are the retail distribution centers that KRR is considering to acquire. However, as of November 15, 2018, KRR has not decided to acquire these properties and there is no guarantee that KRR can acquire these properties in the future. NOI yield and acquisition price of these properties may change in the future.

Distribution per unit

Summary

Key points of the 7th fiscal period ended September 30, 2018

- Offsetting temporary decrease in NOI due to renovations at MONA Shin-Urayasu by gain on sale
- Contribution of property acquisitions in the 6th and the 7th fiscal periods to DPU growth
- Conversion to long-term fixed-rate debts by issuing investment corporation bonds and refinancing

Key points of the 8th fiscal period ending March 31, 2019

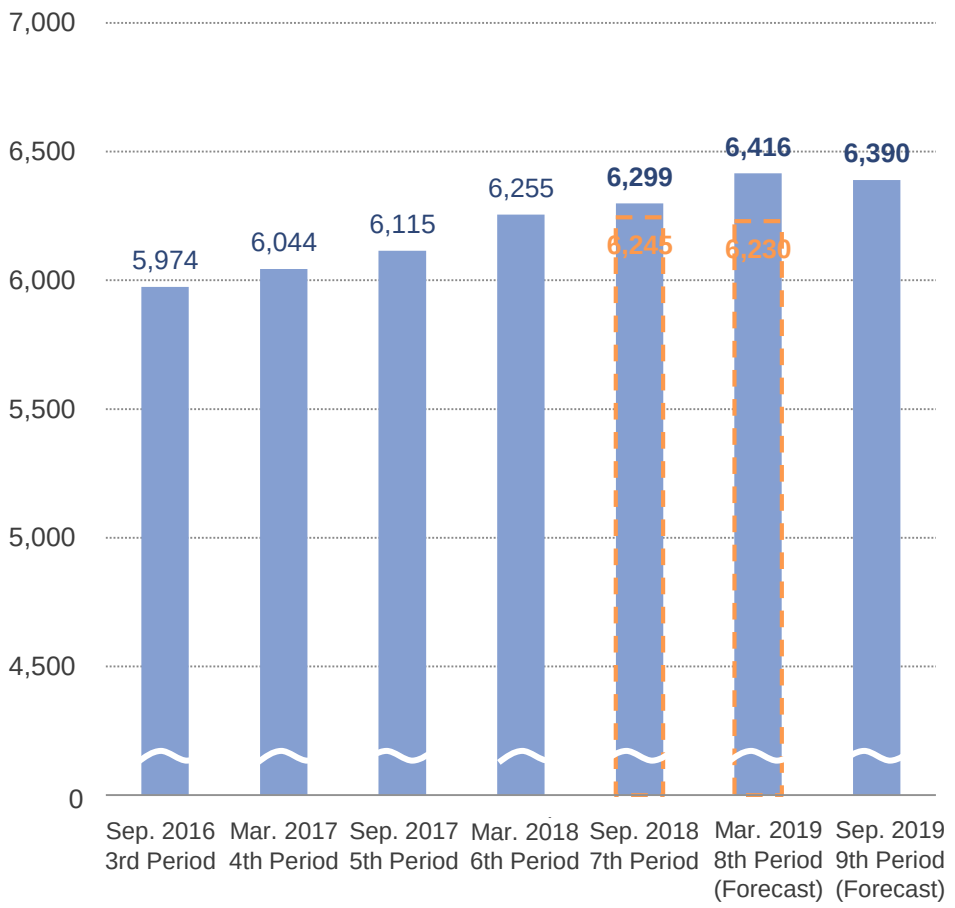
- DPU increase from the gain on sale of Solala Plaza
- Increase in NOI as a result of completion of renovations at MONA Shin-Urayasu
- Full-period contribution of the properties acquired in the 7th fiscal period to DPU growth
- Temporary increase in expenses (restoring cost) at Fululu Garden Yachiyo

Key points of the 9th fiscal period ending September 30, 2019

- DPU increase from the gain on sale of Solala Plaza
- Decrease in NOI due to disposition of Solala Plaza
- Decrease in NOI resulting from expensing property taxes on the properties acquired in the 6th and the 7th fiscal period

Distribution per unit (JPY)

(The boxes in orange lines indicate the forecasts as of May 17, 2018)



Stabilized DPU

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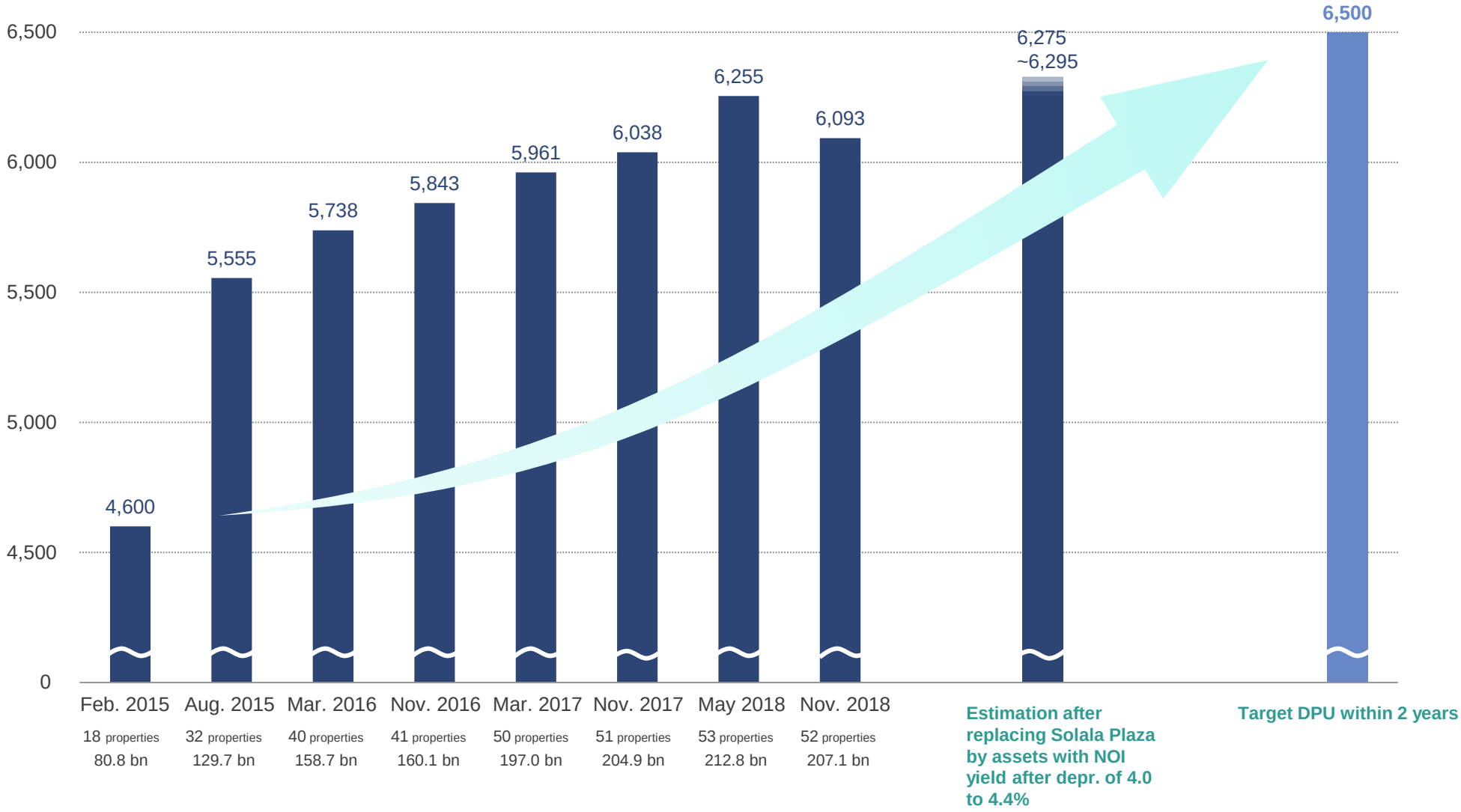
Stabilized distribution per unit (JPY)
(Assuming that property-related taxes were expensed, and excluding one-time factors such as gain on sale of property)



NAV per unit and unrealized gain

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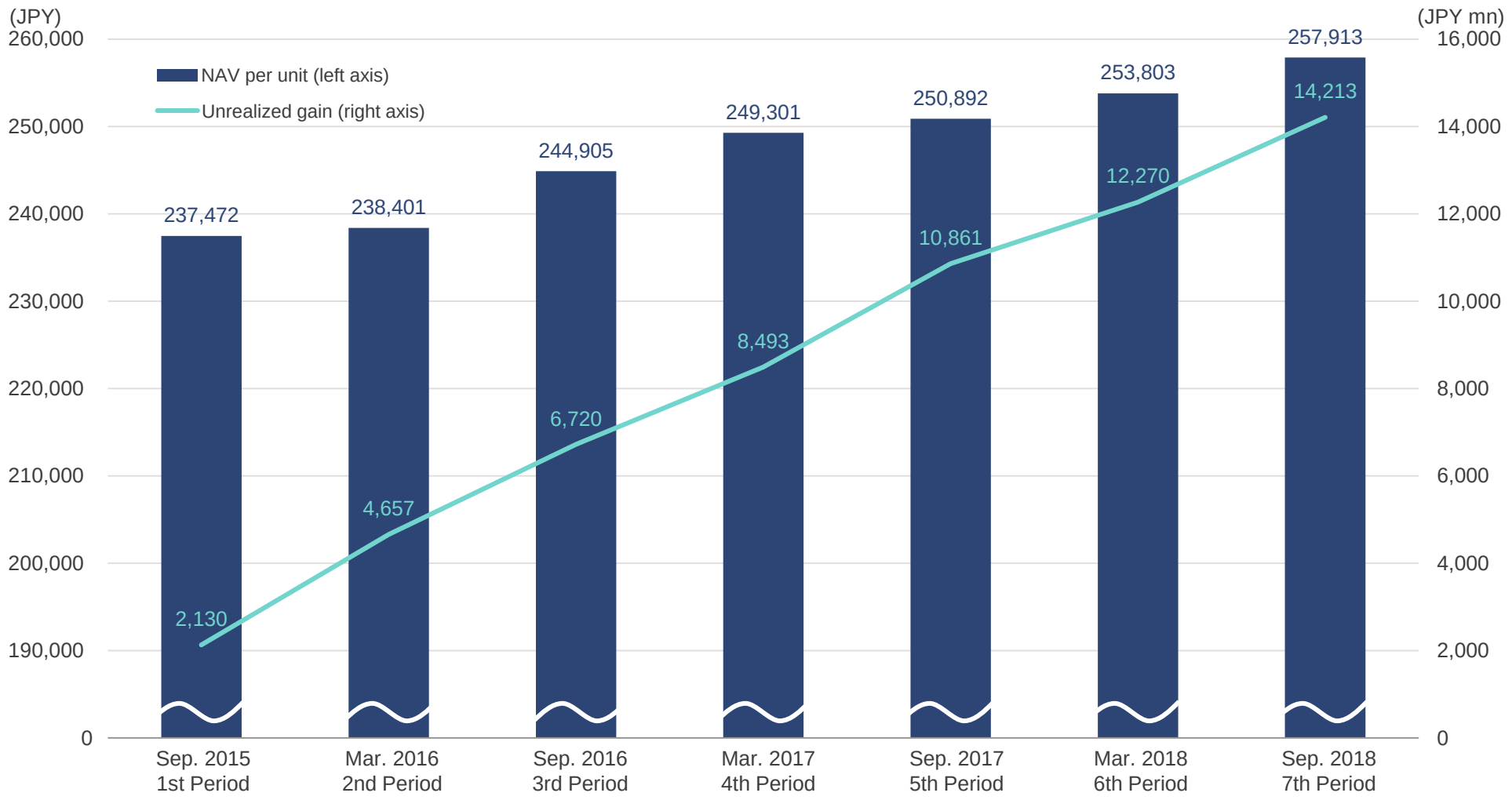
NAV per unit (JPY)



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)

Memo

02

KRR highlights and updates

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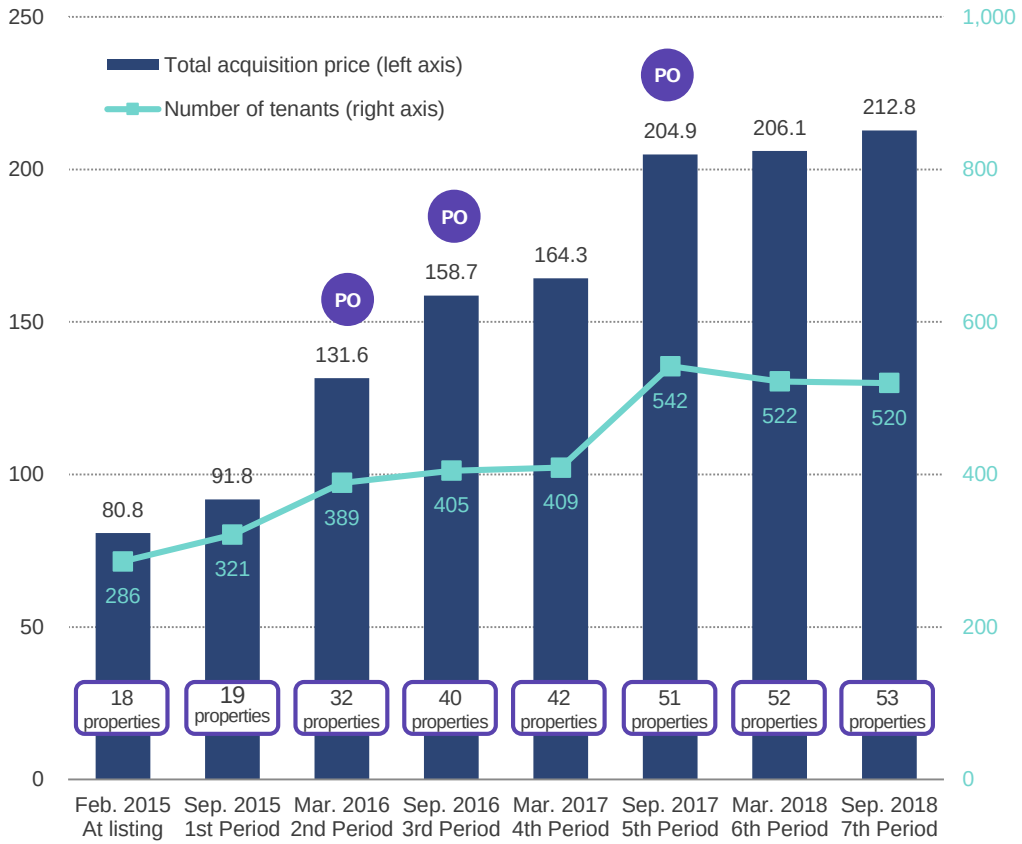
Portfolio summary

Appraisal value, NOI yield, occupancy rate

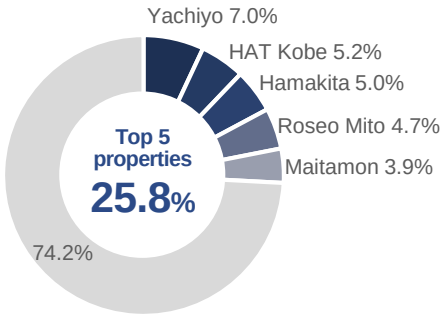
Total appraisal value	Appraisal NOI yield	NOI yield after depreciation	Occupancy rate
JPY 229.4 bn	5.3%	4.4%	99.4%

AUM, number of tenants, number of properties

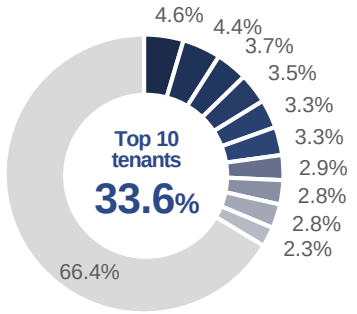


Characteristics of KRR portfolio

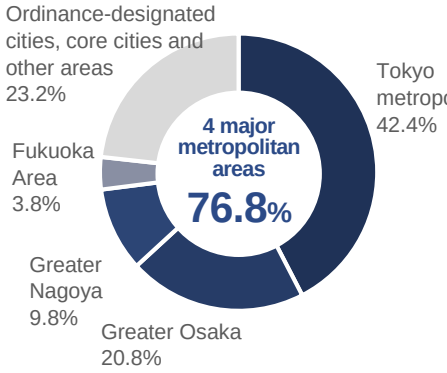
Top 5 properties (by acquisition price)



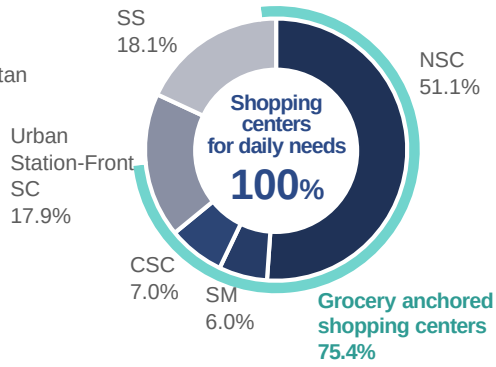
Top 10 tenants (by annual fixed rent)



Location (by acquisition price)



Types of retail property (by acquisition price)



Note 1: "Appraisal value", "NOI yield", "Occupancy rate" and other figures on portfolio are as of Sep. 30, 2018, for the 53 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 Mar. 31, 2019.
Note 3: "Occupancy rate" and "number of tenants" at listing are figures as of Sep. 30, 2014.

Leasing overview (1)

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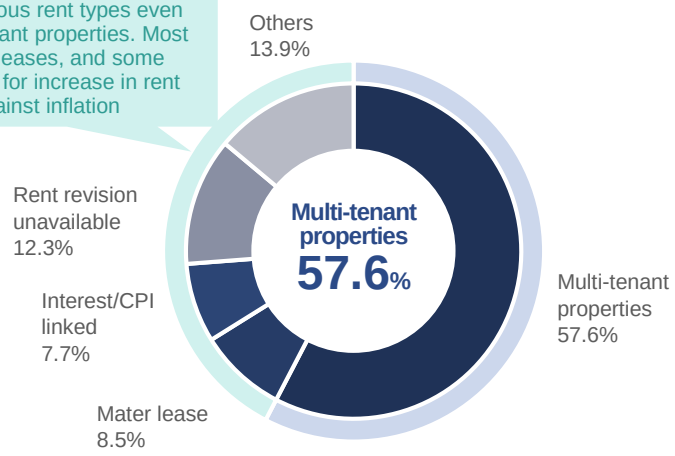
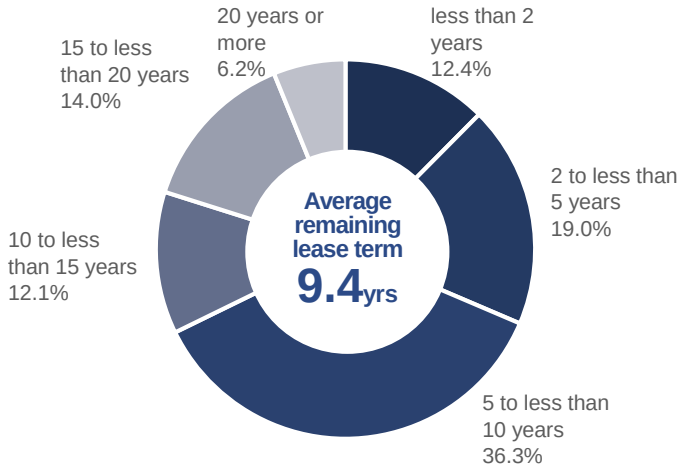
Multi-tenant properties (by acquisition prices)

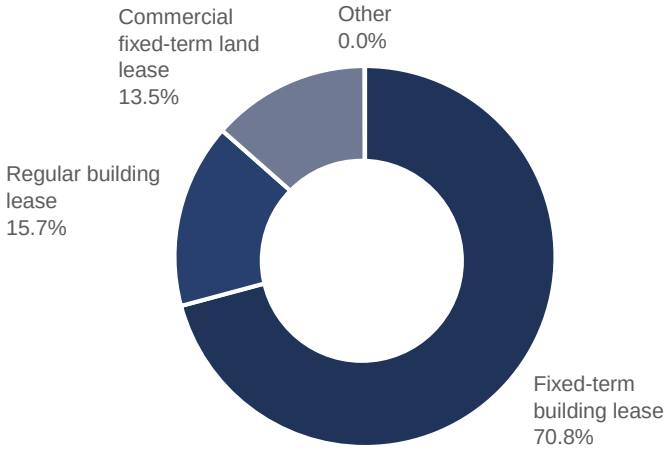
There are various rent types even with single tenant properties. Most are long-term leases, and some have potential for increase in rent and hedge against inflation



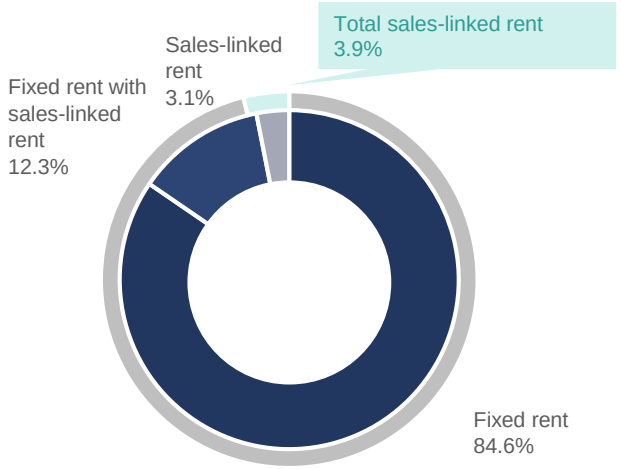
Remaining lease term (by annual fixed rent)



Lease contract type (by annual fixed rent)



Rent type (Apr. 2018 to Sep. 2018)



Note 1: The figures are as of Sep. 30, 2018, based on the 53 properties acquired by the date of this material. The figures of "Rent type" is for the 7th fiscal period based on the 53 properties acquired by Sep. 30, 2018.
Note 2: Based on the contractual rent determined in the lease contract, including regular building leases.
Note 3: "Master lease" indicates tenants where the lessee does not occupy and subleases to a retailer. "Interest/CPI-linked" indicates tenants whose rent contract renews accordingly to the interest rate or CPI.

Leasing overview (2)

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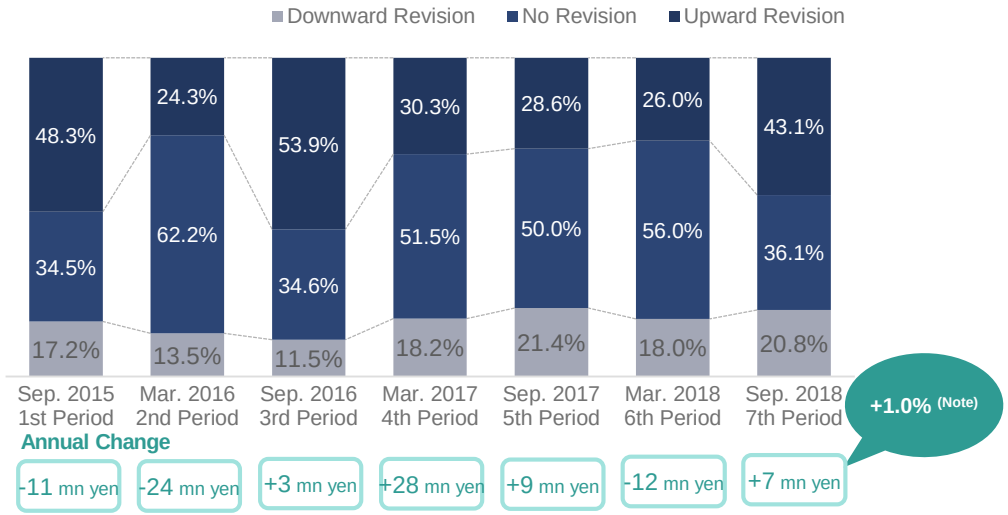
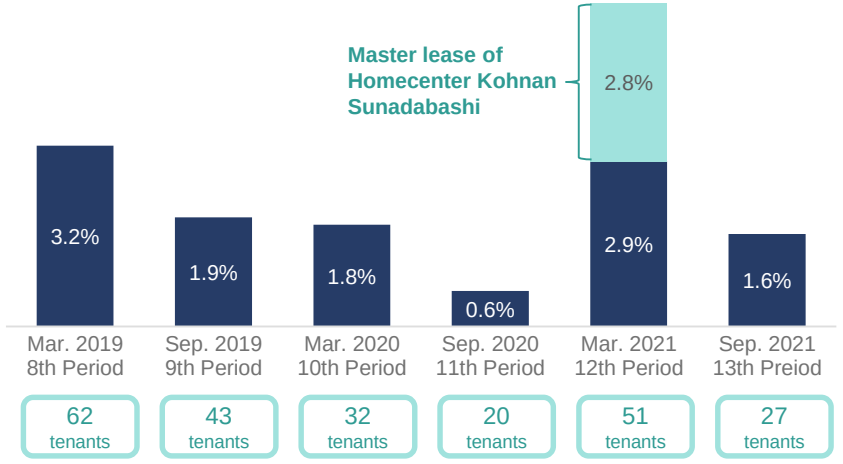
Rent Revisions (based on number of revisions)

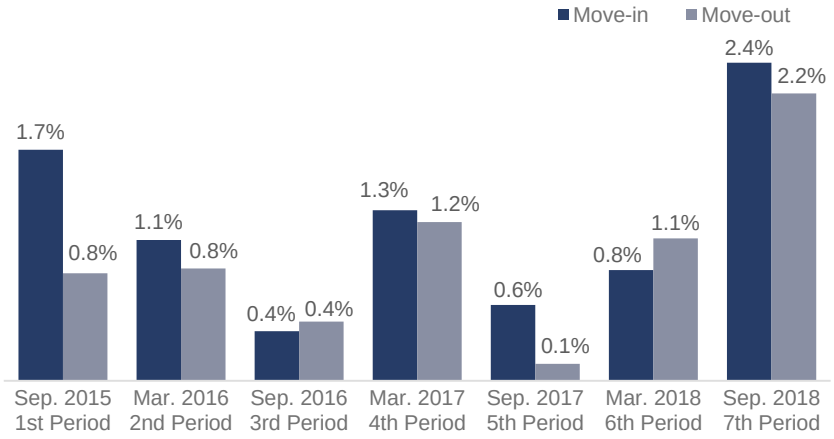


Lease expiry (by annual fixed rent)

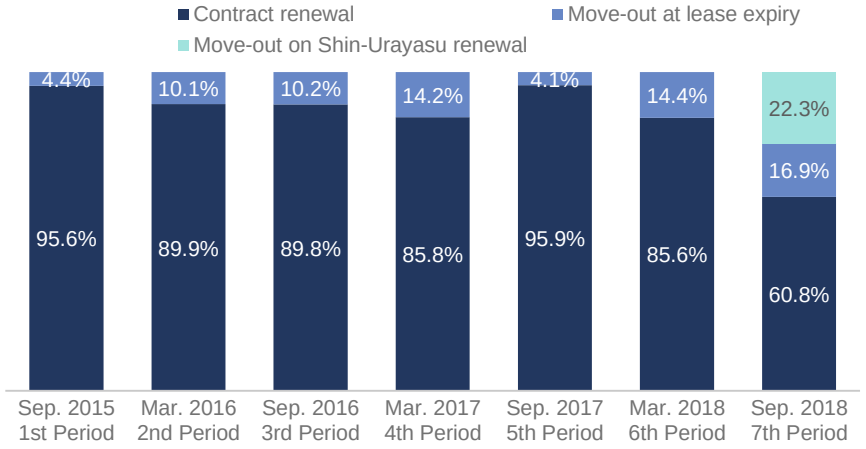
of tenants and % of lease expiry in each period (Note 2)



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, 2018.
Note 3: Based on the rent revenue of the last month of each fiscal period.

Tenants supported by consumers are less affected by e-commerce

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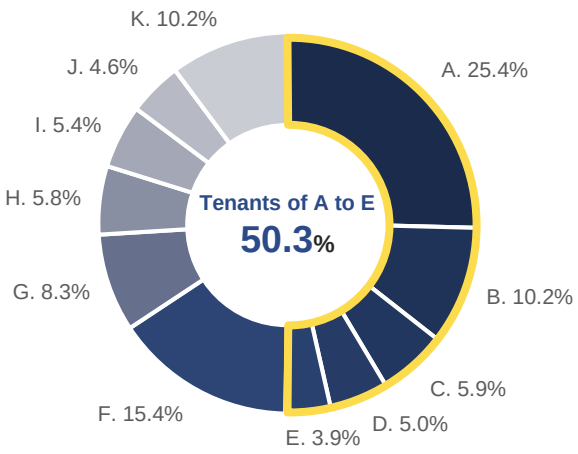
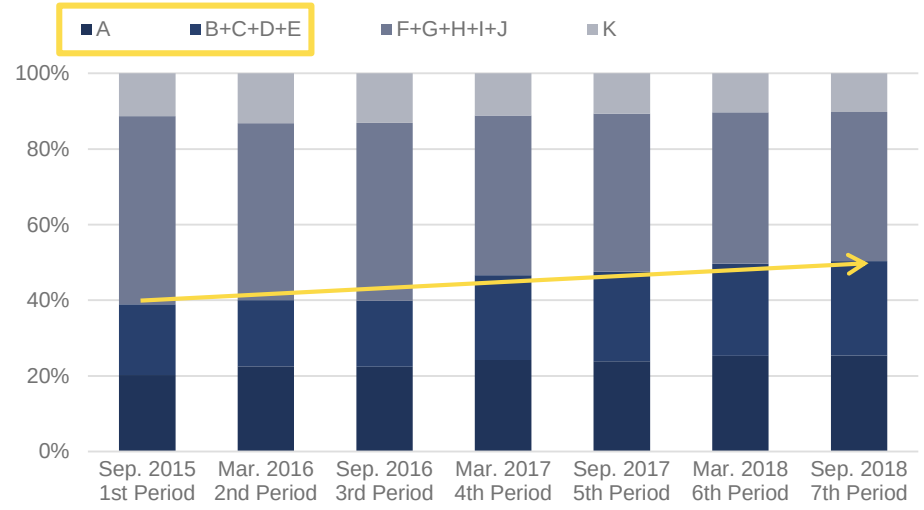
Percentage of tenant category (based on rents)



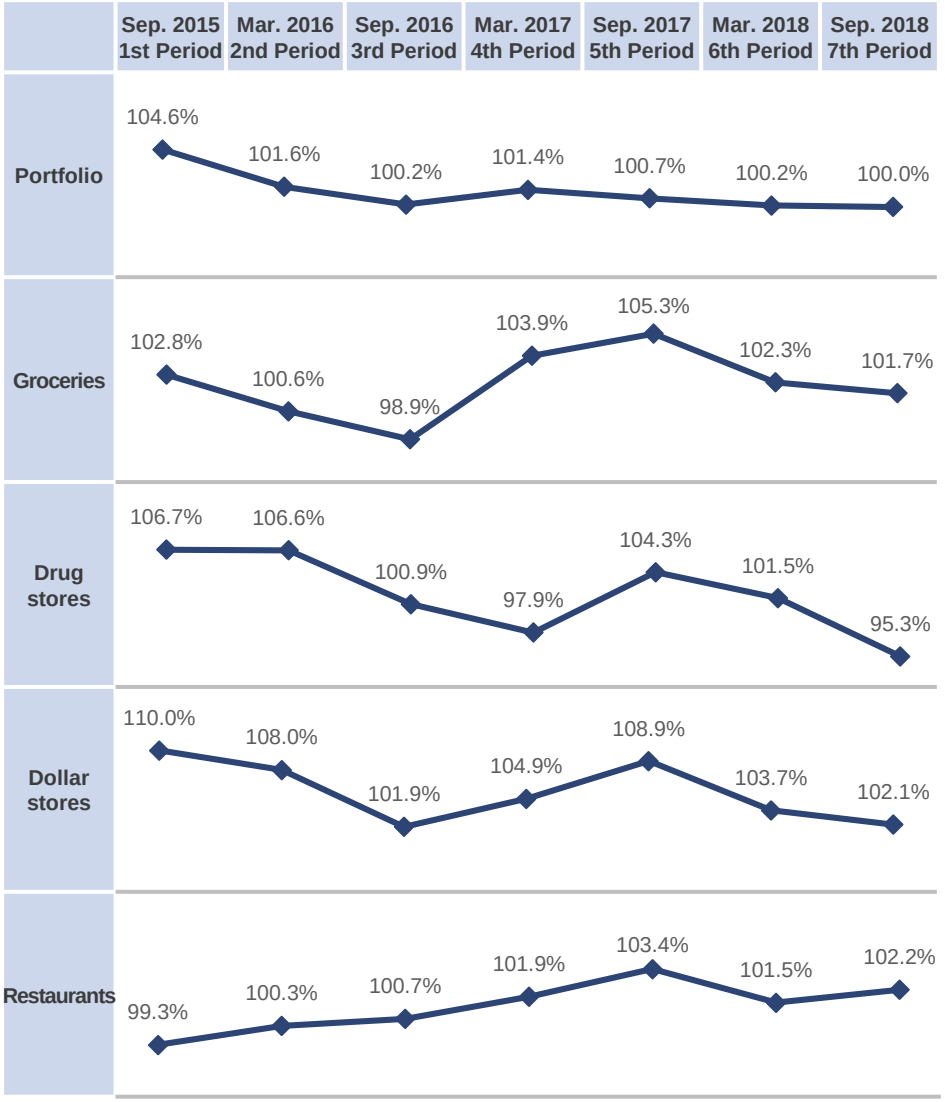
Tenants less affected by e-commerce

A.	Groceries & Costco	25.4%
B.	Service businesses	10.2%
C.	Health clubs	5.9%
D.	Amusement	5.0%
E.	Restaurants	3.9%
F.	Other retailers	15.4%
G.	Home & garden	8.3%
H.	Apparel	5.8%
I.	Consumer electronics	5.4%
J.	GMS	4.6%
K.	Others	10.2%

Changes in percentage of tenant category (based on rents)



Changes in sales of categories (YoY)(Note2)



Note 1: “Costco” refers to Costco Wholesale.
Note 2: 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.

Financial highlights

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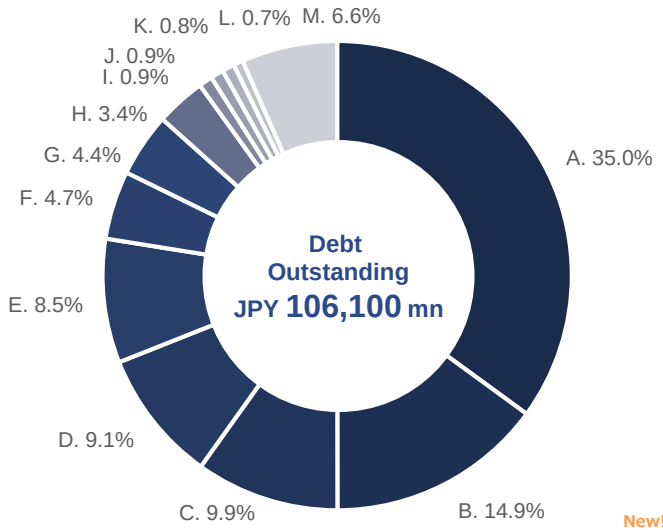
Financial highlights

	6th Period	7th Period (Note)
Average interest rate	0.96%	1.01%
Average remaining years to maturity	4.6 yrs	4.9 yrs
Long-term debt ratio	87.0%	96.7%
Fixed interest debt ratio	85.9%	92.7%
LTV	42.9%	44.5%

Credit rating and commitment lines

Credit Rating (JCR)	Commitment credit lines
A+(Stable)	JPY 20 bn

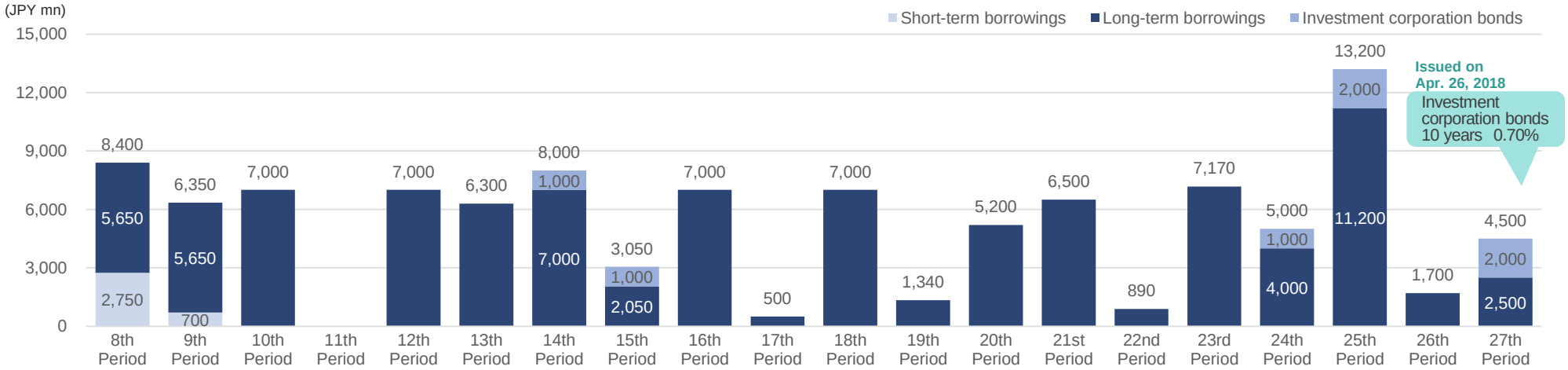
Breakdown of debt outstanding by lender and investment corporation bonds



		Balance (JPY mn)
A	Sumitomo Mitsui Banking Corp.	37,170
B	MUFG Bank, Ltd.	15,860
C	Development Bank of Japan Inc.	10,490
D	Mizuho Bank, Ltd.	9,670
E	Sumitomo Mitsui Trust Bank, Ltd.	9,070
F	Resona Bank, Ltd.	5,000
G	Mizuho Trust & Banking Co., Ltd.	4,650
H	Aozora Bank, Ltd.	3,640
I	The Bank of Fukuoka, Ltd.	1,000
J	The Musashino Bank, Ltd.	950
K	The Gunma Bank, Ltd.	900
New! L	Nippon Life Insurance Co. *	700
M	Investment corporation bonds	7,000

*First borrowings from Nippon Life Insurance

Maturities of interest-bearing debts (Note)



Note: The borrowing Series 24-A on Sep. 28, 2018 is included in short-term borrowings.

03

Implementation of growth strategies

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Strong support from the Kenedix Group and Alliance Companies

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Kenedix Retail REIT Corporation (“KRR”)

Asset Management

Property Management

PARTNERS IN GROWTH KENEDIX Real Estate Fund Management, Inc.

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

Kenedix Retail REIT Corporation (“KRR”)	Kenedix Real Estate Fund Management, Inc. (“KFM”)
Pipeline support	Pipeline support
Warehousing	Warehousing
Leasing	Leasing
Property Management	Property Management
Environmental technology/ knowhow	Evaluation/ advisory on operations
Personnel support	Personnel support
Right to use trademarks	

Sponsor / Support-Line Company

PARTNERS IN GROWTH KENEDIX

Kenedix, Inc

Kenedix Investment Partners, Inc.

Alliance companies

SMFL Sumitomo Mitsui Finance and Leasing Co., Ltd.

Sumitomo Mitsui Finance and Leasing Co., Ltd.

日本商業開発株式会社 Nippon Commercial Development Co., Ltd.

Nippon Commercial Development Co., Ltd

p&d consulting

P&D Consulting Co., Ltd

ITOCHU Corporation

ITOCHU Corporation (Note)

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.

Acquisition and disposition during the 7th fiscal period

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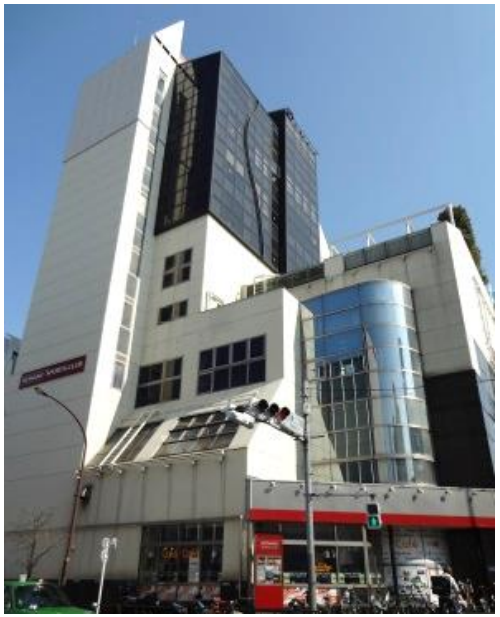
Acquisition of Konami Sports Club Shibuya



Location	Shibuya-ku, Tokyo
Acquisition date	April 27, 2018
Acquisition price	JPY 3,400 mn
Appraisal value(Note 1)	JPY 3,420 mn
Appraisal NOI yield (Note 1)	4.0%
Land area	755.71m²
Floor area	5,019.09m²
Tenant	Konami Sports Club

Acquisition of Costco Wholesale Sapporo Warehouse





Location	Sapporo, Hokkaido
Acquisition date	May 31, 2018
Acquisition price	JPY 4,210 mn
Appraisal value(Note 1)	JPY 4,410 mn
Appraisal NOI yield (Note 1)	4.8%
Land area	24,757.12m²
Floor area	24,006.16m²
Tenant	Costco Wholesale Japan

Disposition of K's Denki Nakagawa Tomita (Land)





Location	Nagoya, Aichi
Disposition date	April 27, 2018
Acquisition date	February 10, 2015
Disposition price	JPY 1,128 mn
Book value(Note 2)	JPY 907 mn
Difference between disposition price and book value	JPY 220 mn
Buyer	Nippon Commercial Development Co., Ltd.

Note 1: As of September 30, 2018
Note 2: As of March 31, 2018

Pipelines from Sponsor and Alliance Companies

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Apita Terrace Yokohama Tsunashima

Location: Yokohama, Kanagawa
(opened in Mar. 2018)



Land area	18,300.01m²	GFA	44,562.53m²

Development Project in Fukuoka

Location: Fukuoka, Fukuoka
(expected to open in spring 2020)



Land area	3,471.00m²	GFA	TBD

Unicus Urawamisono (Land)

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



Land area	3,533.59m²	GFA	---

Across Plaza Urayasu Higashino (Land)

Location: Urayasu, Chiba
(opened in Dec. 2017)



Land area	6,229.00m²	GFA	---

Development Project in Nagoya (Land)

Location: Nagoya, Aichi
(expected to open in Mar. 2019)



Land area	13,480.42m²	GFA	---

Retail distribution center

Location: Saitama



Land area	---	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 KRR as the properties that meet KRR's investment criteria.
As of the date of this material, KRR has not decided to acquire these properties and there is no guarantee that it can acquire these properties in the future.
Note 3: Land area and GFA are based on data available to KFM and may differ from the actual figures.

Active management strategies

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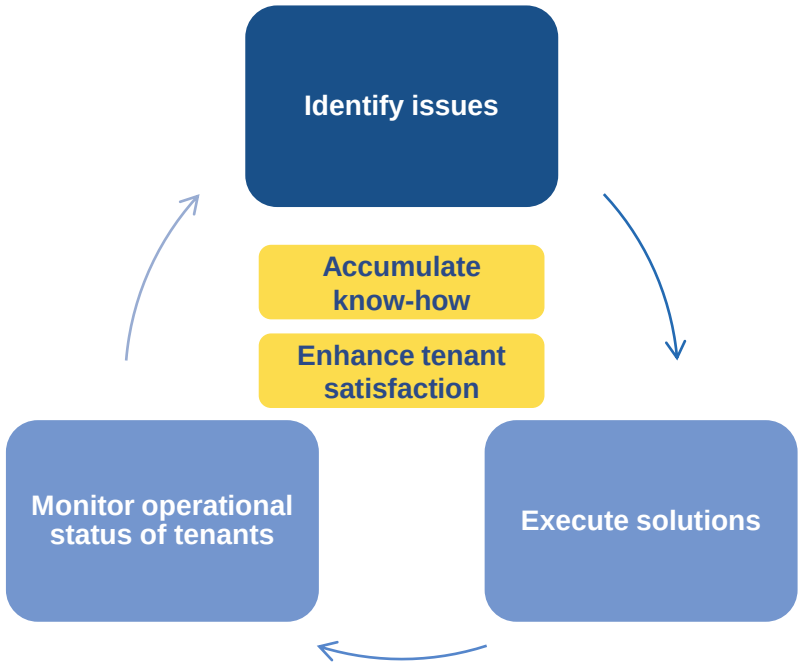
Value added “one-stop” asset management and property management services

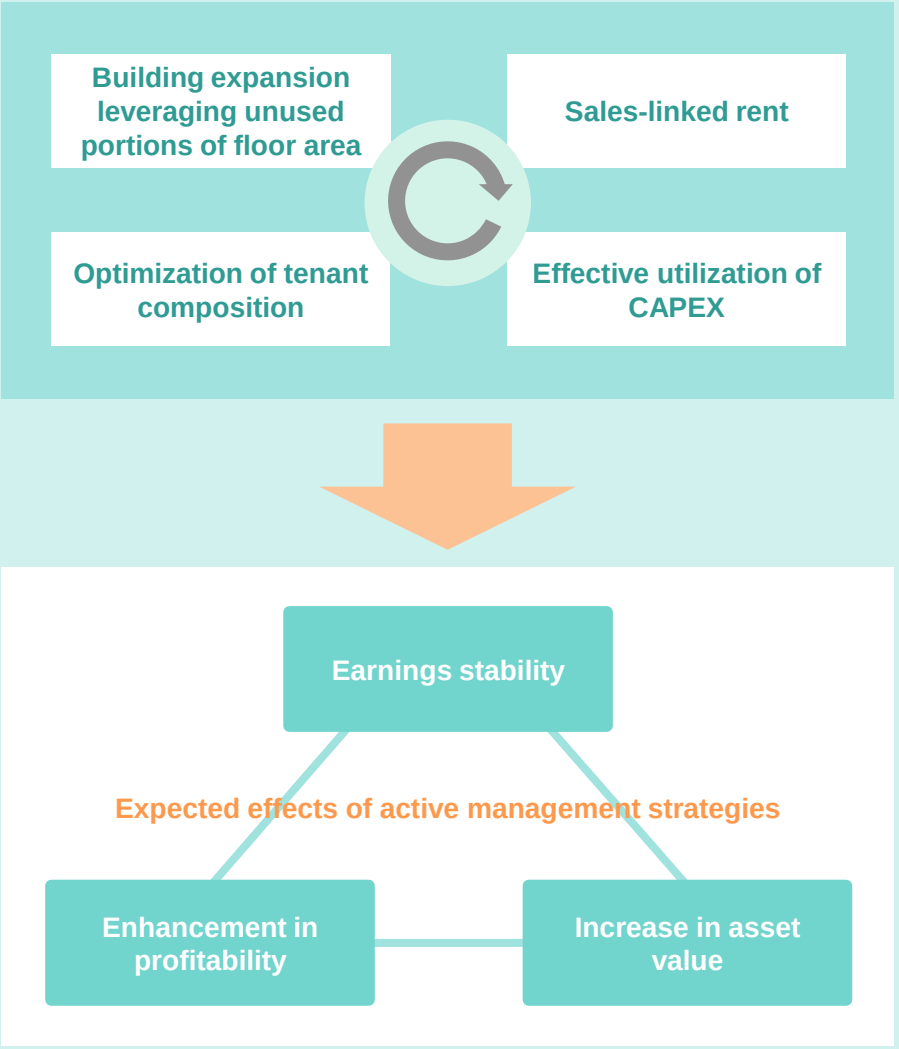
Asset management services
Build and manage a stable/consistent portfolio

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 (6 new tenants, 3 expansions in space, 14 relocations)
- Lease to GU, its first store in Urayasu
- Enhance outdoor signboards

Strengthen image of the SC

- Change the designs of floors, walls and roofs
- Install LED lightings
- Install automatic doors

Improve access to shops

- Renewal of signboards and floor maps

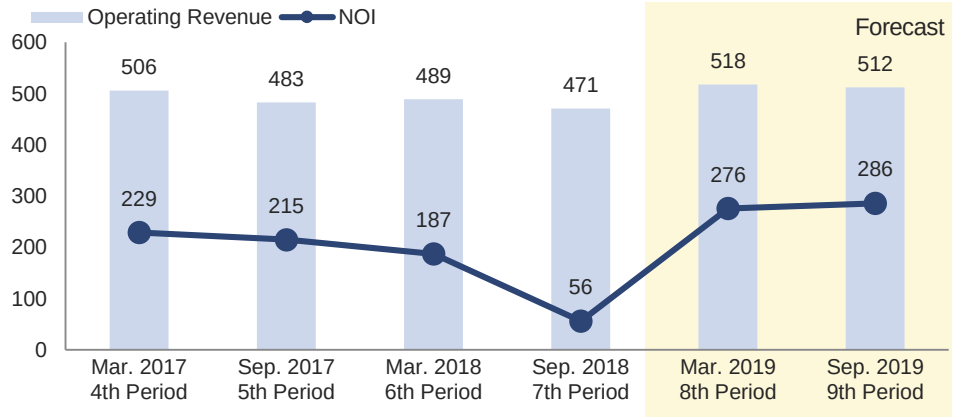
Renovation cost and schedule of the renewal

Renovation cost	JPY 356 mn

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

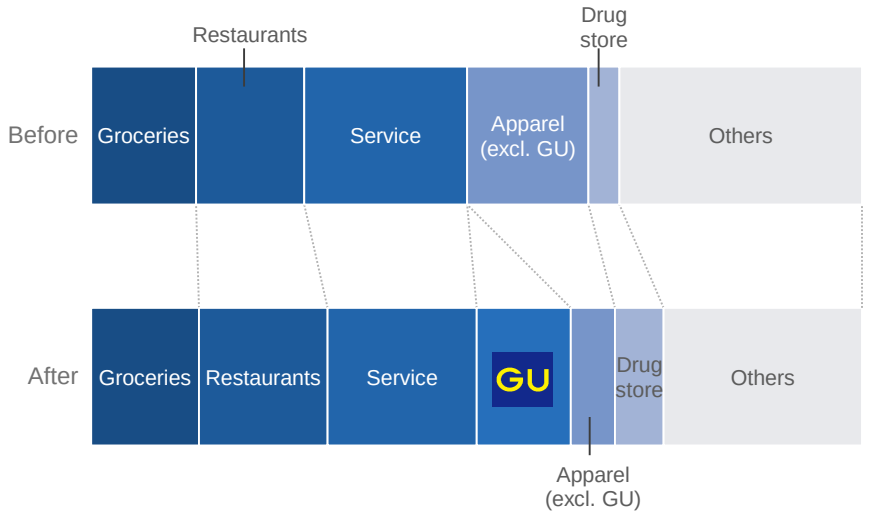
Note: Renovation cost increased since the time of decision-making.

Estimated revenue and NOI after the renovation (mn yen)



Comparison before and after the renovation

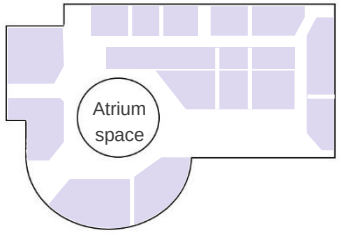
Merchandising that attract customers



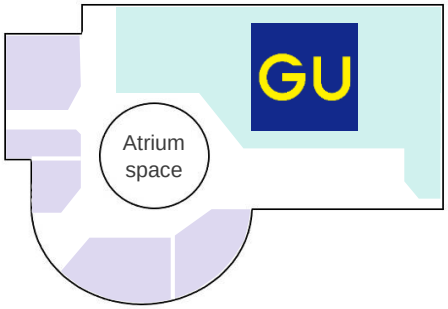
3rd Floor map

- Changed the layout, creating a new large space
- Increased attractiveness of the SC by leasing the large space to a fast fashion retailer, GU

Before



After



Recognitions and certifications on ESG

KENEDIX Retail REIT Corporation

Awarded "Green Star" in GRESB Real Estate Assessment for the third consecutive year

GRESB 2018

Participated in the GRESB Real Estate Assessment in 2018, following the first participation in 2016

Awarded "Green Star" as KRR 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)

75 investor members have used GRESB to select and dialogue with investment targets (as of Sep. 7, 2018)

903 listed and unlisted real estate companies and funds worldwide participated in 2018 GRESB Real Estate Assessment

Kenedix Real Estate Fund Management, Inc. joined the GRESB Company & Fund Members in 2017

Acquired DBJ Green Building Certifications

Certified properties: 16 properties (39.0%), Total certified floor area: 462,015.35m^2 (65.3%)

Properties with outstanding environmental & social awareness

DBJ Green Building 2017

MONA Shin-Urayasu



DBJ Green Building 2016

Fululu Garden Yachiyo



Properties with excellent environmental & social awareness

DBJ Green Building 2017

- Passaggio Nishiarai Update!
- Daikanyama Address Dixsept
- Blumer HAT Kobe
- Roseo Mito
- Ashico Town Ashikaga

Properties with high environmental & social awareness

DBJ Green Building 2017

- Unicus Ina
- Unicus Yoshikawa
- Gourmet City Chiba-Chuo New!
- Yumemachi Narashinodai Mall
- Kawamachi Yahagi Mall

DBJ Green Building 2016

- Blumer Maitamon
- Carino Esaka
- Resora Obu Shopping Terrace New!
- Sun Street Hamakita

Note: The percentage of total certified floor area is the ratio of the total floor area of DBJ Green Building certified buildings and the total floor area of KRR's portfolio (707,294.75m^2) (partial ownership and mutual ownership properties are calculated according to their ownership ratio). Furthermore, the total number of certifiable properties is 41 properties out of 53 properties owned as of Sep. 30 2018, excluding 12 land-only properties.

ESG initiatives (Sustainability Policies, Initiatives at Unicus Ina)

Sustainability Policies

The Asset Manager has positioned initiatives on ESG (Environmental, Social and Governance) awareness as an important business management issue. To promote initiatives on ESG, the Asset Manager has established the following Sustainability Policies.

1. Contribution to sustainable environment

We make positive contribution to sustainability by reducing the negative impact to the environment through continuously reducing energy and water consumption, CO2 emission and waste; and by eliminating and managing of hazardous materials to carry out the social mission of improving the environmental performance of properties we manage.

2. Commitment to diverse society

We contribute to realize the diverse society, considering the social impact of our properties. We endeavor to deliver built environment where safety, health and wellbeing and diversity of tenants and local community are secured.

3. Stakeholder engagement

We manage our properties as a responsible real estate asset management company by stressing the importance of engagement with our stakeholders such as investors, tenants, business partners, local communities and property management companies.

4. Attractive working environment

We aim to deliver attractive working environment by implementing measures to promote employees' health & wellbeing and diversity & equal opportunities. We develop capabilities of employees to help them achieve the best performance by providing various educational opportunities such as trainings.

5. Responsible organization

We ensure compliance and sound risk management in our entire business activities. We are committed to responsible property investment by a responsible organization by aligning with global ESG initiatives and proactively disclosing ESG information.

Initiatives at Unicus Ina

Cooperation with local communities

Agreed with Ina Town to provide part of facility as a temporary shelter in case of a disaster



Greening of facilities

Awarded Green Award of Saitama Pref.



Solar panel installation

Planned installation of solar panels to decrease CO2 emissions



Community-participating events

Making efforts to enliven local communities (Summer Festival)



ESG initiatives (Solar panel installation at Unicus Ina)

KENEDIX Retail REIT Corporation

Installation of solar panels

Profitability

NOI yield (Note 1) **7.0%**

NOI increase (Note 2) **4.2 mn**

Investment **61 mn**

CO2 reduction (Note 2)

Annual CO2 reduction

164,235kg = **11,731 Cedar trees**

Saving energy/ BCP (Note 2)

Cooling of the SC by the installation and air conditioning load reduction

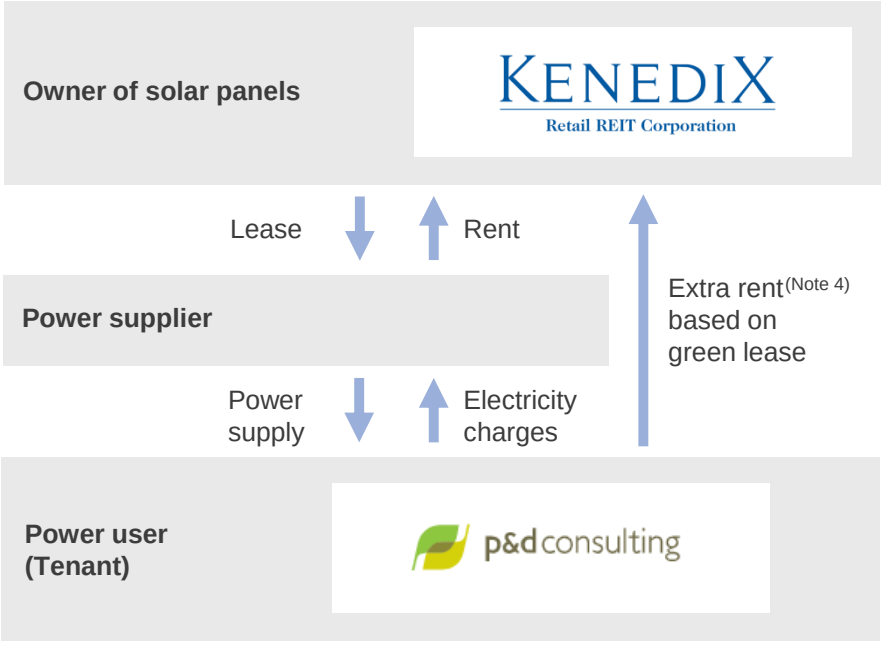
Expected reduction in demand **87kW**

BCP through use of electricity from the solar panels in cases of blackouts

Planned schedule (Note 3)

Nov. 2018	Execution of contract
Jan. 2019	Installation begins
Mar. 2019	Completion of installation and beginning of power supply

Structure



Planned installation spaces



Note 1: Based on the rent from the power supplier and assumed extra rent from the tenant based on the green lease, divided by the investment to install the solar panels.
Note 2: Based on the assumption by the power supplier.
Note 3: Schedule may be delayed or suspended due to unexpected factors.
Note 4: Green lease is an agreement specifying that property owners and tenants shall cooperate to reduce environmental burden.

ESG initiatives (Governance)

The Kenedix Group's strong commitment to J-REITs

Majority of Kenedix Group AUM is J-REITs

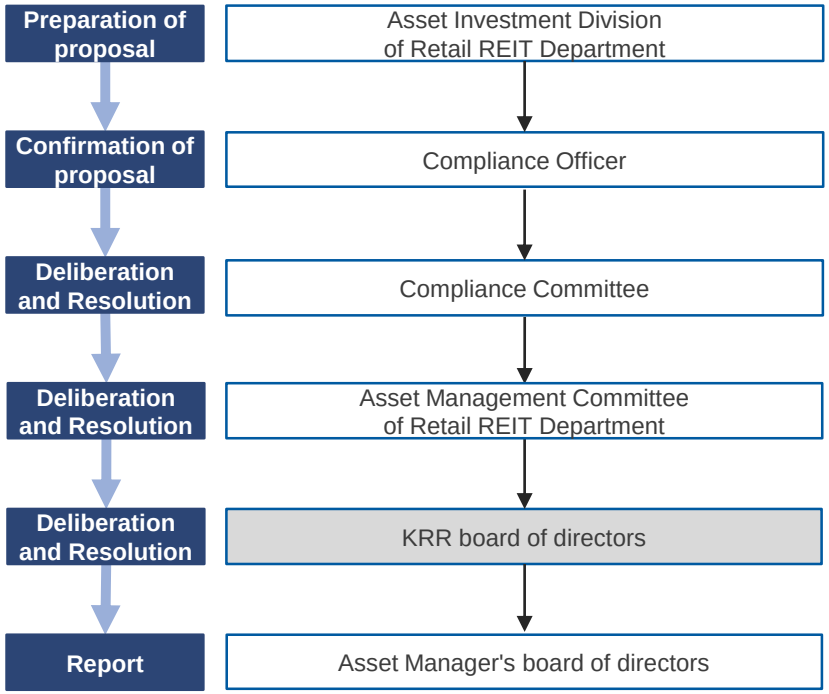


(as of September 30, 2018)

Invest in KRR by Kenedix

Number of unit own	Ownership
5,750units	**1.1%**

Decision-making process for acquisition and sale of properties (Note 1)



Note 1: Transactions within the scope of insignificance criteria are excluded from the decision-making process above.
Note 2: Including acquisition of buildings through expansion or reconstruction.

Unitholder value-linked management fee structure

Introduction of fee structure to provide incentives to enhance unitholder value

		Method for calculating	
		Subject of calculation	Rates
Asset management fee	Ⅰ	Total assets	0.27% (annual rate)
	Ⅱ	Net income × DPU	0.0013%
Investment unit performance fee		KRR's excess return × Market capitalization	0.1%
Acquisition fee (Note 2)		Acquisition price	1.0%
Disposition fee		Disposition price	0.5%
Merger fee		Appraisal value of assets to be succeeded	1.0% (maximum)

Investment unit performance fee calculation for 7th FP

(1) KRR's excess return against TSE REIT Total Return Index (Mar. 31, 2018 to Sep. 30, 2018)

KRR's total return: 8.15%
TSE REIT Total Return Index: 7.28%
⇒ KRR's excess return: 0.86%

(2) KRR's market capitalization at Mar. 31, 2018

230,800 yen × 507,700 units ≒ 117,177 mn yen

(3) Expected investment unit performance fee expensed during 8th FP

$\underset{(1)}{0.86\%} \times \underset{(2)}{117{,}177 \text{ mn yen}} \times 0.1\% \fallingdotseq 1{,}011$ mn yen

04

Financial results and forecasts

Security Code
3453



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

KENEDIX
Retail REIT Corporation

	Mar. 2018	Sep. 2018		Changes		Remarks on changes from forecasts
	6th Period Actual (A)	7th Period Forecast (B)	7th Period Actual (C)	C - A	C - B	
Rent revenue – real estate	6,991	7,051	7,066	+75	+15	Shin-Urayasu (increase in revenue during renewal period) +25, HAT Kobe (cancellation before maturity) -14, Yachiyo (extension of agreement) +3
Other lease business revenue	1,134	1,197	1,298	+163	+100	HAT Kobe (penalty) +51, Daikanyama (parking) +6
Dividends income	-	214	212	+212	-2	
Operating revenues	**8,126**	**8,463**	**8,577**	**+450**	**+113**	
Property related expenses (excl. depreciation)	2,684	2,963	3,012	+328	+49	Shin-Urayasu (restoring) +12, Repairs and maintenance (advance in schedule) +30
NOI	**5,441**	**5,285**	**5,352**	**-89**	**+66**	
Depreciation	925	965	971	+46	+6	Advance in schedule of renewal at Shin-Urayasu
NOI after depreciation	**4,516**	**4,320**	**4,380**	**-136**	**+59**	
Other operating expenses	748	754	775	+26	+21	
Operating income	**3,768**	**3,780**	**3,816**	**+48**	**+36**	
Non-operating income	1	0	0	-1	+0	
Non-operating expenses	589	614	615	+25	+1	
Ordinary income	**3,179**	**3,166**	**3,201**	**+21**	**+34**	
Net income	**3,175**	**3,165**	**3,197**	**+22**	**+32**	
DPU (JPY)	**6,255**	**6,245**	**6,299**	**+44**	**+54**	

Financial forecasts: 8th and 9th fiscal periods (JPY mn)

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Retail REIT Corporation

Key financial information	Sep. 2018 7th Period (Actual)	Mar. 2018 8th Period (Forecast)	Changes	Mar. 2019 8th Period (Forecast)	Sep. 2019 9th Period (Forecast)	Changes
Operating revenues	**8,577**	**8,409**	**-167**	**8,409**	**8,311**	**-97**
Gain on sales of real estate	212	175	-36	175	197	+22
Operating expenses	4,760	4,553	-206	4,553	4,491	-61
Operating income	**3,816**	**3,854**	**+37**	**3,854**	**3,819**	**-34**
Non-operating expenses	615	600	-14	600	579	-21
Interest expenses & financing-related expenses	548	557	+8	557	555	-1
Amortization of investment unit issuance costs	61	38	-23	38	19	-19
Ordinary income	**3,201**	**3,253**	**+52**	**3,253**	**3,240**	**-13**
Net income	**3,197**	**3,252**	**+54**	**3,252**	**3,239**	**-13**
DPU	**6,299**	**6,416**	**+117**	**6,416**	**6,390**	**-26**

Related key indicator	Sep. 2018 7th Period (Actual)	Mar. 2018 8th Period (Forecast)	Changes	Mar. 2019 8th Period (Forecast)	Sep. 2019 9th Period (Forecast)	Changes
NOI	**5,352**	**5,453**	**+101**	**5,453**	**5,364**	**-89**
NOI yield (%)	5.0%	5.2%	---	5.2%	5.2%	---
Depreciation	971	985	+13	985	958	-27
NOI after depreciation	4,380	4,467	+87	4,467	4,406	-61
NOI yield after depreciation (%)	4.1%	4.3%	---	4.3%	4.3%	---
FFO	4,028	4,110	+81	4,110	4,027	-82
CAPEX	806	612	-193	612	658	+45
LTV (%)	**44.5%**	**44.5%**	**---**	**44.5%**	**44.5%**	**---**

Note : FFO = Net income + Depreciation + Amortization - Gain on sale of property + Loss on sale of property

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

KENEDIX Retail REIT Corporation

	Assets acquired in	6th FP (Actual)	7th FP (Actual)	8th FP (Forecast)	9th FP (Forecast)	Com-parison	Remarks
Rent revenue-real estate (excl. sales-linked rent)	Existing	6,699	6,647	6,621	6,468	PoP	8th FP: Shin-Urayasu+57, Solala-54, Yachiyo-12, Nagatsuta-5, Nishiarai-5, K's Nakagawa-3 9th FP: Solala-142, Yachiyo+35, Ashikaga-23, Hamakita-18, Nishiarai+15, Obu-10, HAT Kobe+5, Daikanyama-4, Esaka-3
	6th/7th Period	8	184	236	236		No changes besides full-period contributions
Sales-linked rent	Existing	282	234	251	235	YoY	8th FP: HAT Kobe-11, Yachiyo-10, Shin-Urayasu-10, Obu+4 9th FP: HAT Kobe+10, Shin-Urayasu-4, Yachiyo-2, Obu+2, Maitamon-1, Ashikaga-1, Nishiarai-1
	6th/7th Period	-	-	-	-		
Utility charge reimbursement	Existing	617	710	623	715	YoY	8th FP: Ashikaga+4, Yachiyo+3, Maitamon-2, Mito+2 9th FP: Shin-Urayasu+8, Ashikaga-6, Obu+2
	6th/7th Period	-	-	-	-		
Penalty restoring reimbursement	Existing	47	105	32	0	Break down	8th FP: Ashikaga+23, Daikanyama+9
	6th/7th Period	-	-	-	-		
Other revenues	Existing	469	482	467	457	PoP	8th FP: Shin-Urayasu+17, HAT Kobe-7, Nishiarai-7, Hamakita-5, Maitamon-4, Obu-3, Daikanyama-1 9th FP: Shin-Urayasu-7, Nishiarai+2, Maitamon-2, Obu-1, Hamakita-1
	6th/7th Period	-	0	0	0		
Rental and other operating revenues	Existing	**8,117**	**8,180**	**7,997**	**7,877**		
	6th/7th Period	**8**	**184**	**236**	**236**		

Note: "Existing" refers to properties acquired before the end of 5th FP

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

KENEDIX Retail REIT Corporation

	Assets acquired in	6th FP (Actual)	7th FP (Actual)	8th FP (Forecast)	9th FP (Forecast)	Com-parison	Remarks
PM fees facility management fees	Existing	846	841	829	792	PoP	8th FP: Solala-10, Shin-Urayasu-5, Yachiyo+3, Hamakita+2, Maitamon-1 9th FP: Solala-28, Hamakita-2, Nishiarai+2, Yachiyo-1, HAT Kobe-1, Shin-Urayasu-1
	6th/7th Period	0	5	7	6		
Utilities	Existing	597	682	595	677	YoY	8th FP: HAT Kobe-6, Esaka-3, Yachiyo+3, Mito+2, Nishiarai+1, Hamakita+1 9th FP: Maitamon-7, HAT Kobe-7, Yachiyo+4, Obu+2, Daikanyama+1, Hamakita+1
	6th/7th Period	-	-	-	-		
Taxes	Existing	563	690	688	677	PoP	9th FP: Solala-10
	6th/7th Period	-	-	-	30		9th FP: Sapporo+17, Shibuya+10, Tokiwadai+2
Repairs and maintenance (incl. restoring)	Existing	259	338	235	182	PoP	May be subject to change
	6th/7th Period	-	1	11	4		May be subject to change
Others	Existing	416	452	401	376	PoP	8th FP: Promotion fees-23, Brokerage fees-18,Supply expenses-7 9th FP: Promotion fees-21, Brokerage fees-5
	6th/7th Period	-	1	11	1		
Property-related expenses (excl. depreciation)	Existing	2,683	3,004	2,749	2,706		
	6th/7th Period	-	7	30	43		
NOI	Existing	5,433	5,175	5,247	5,170		
	6th/7th Period	7	177	206	193		

Note: “Existing” refers to properties acquired before the end of 5th FP

05

Shift from GMS to shopping centers for daily needs



Security Code

3453

Investments focusing on shopping center for daily needs

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"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

Primary characteristics of shopping centers for daily needs

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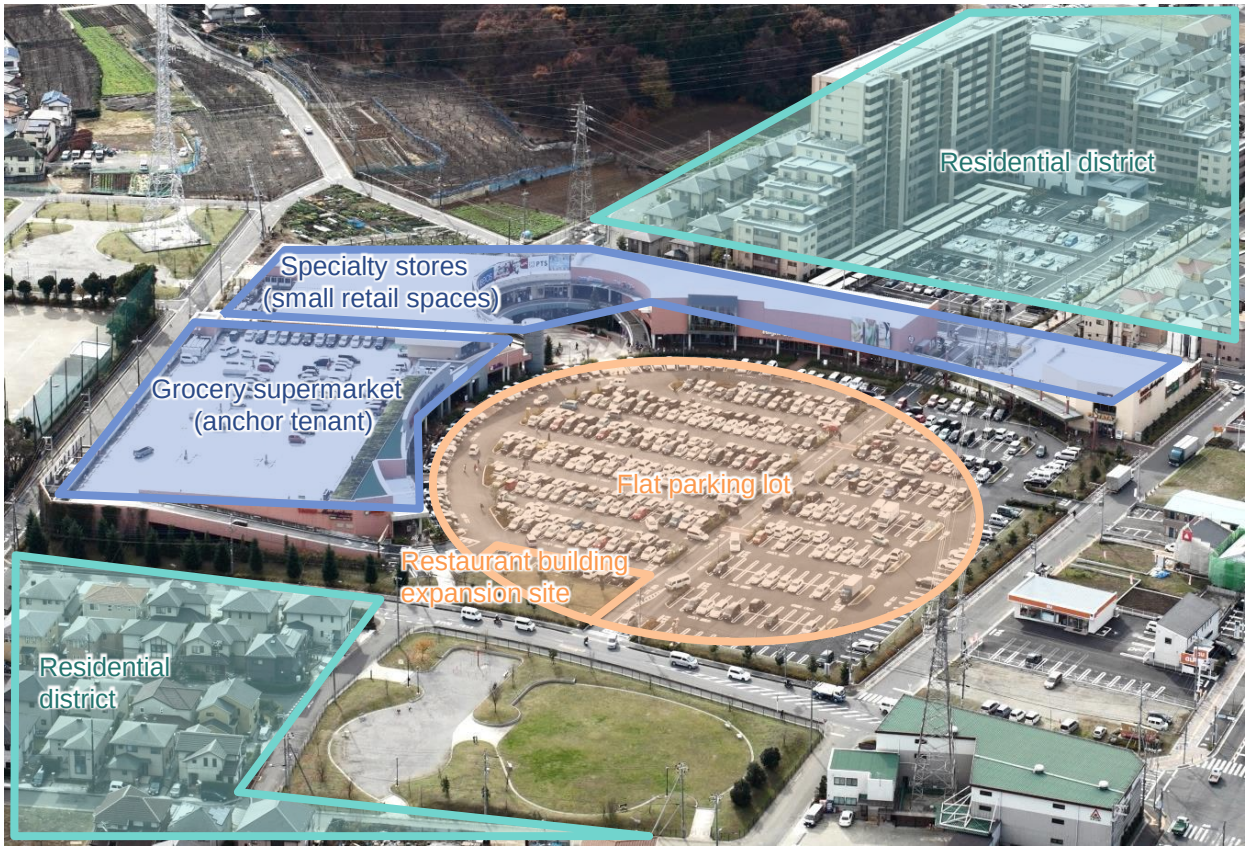

Location
Located within residential areas of a metropolitan commuter district

- Retail trade area population
  - ・1km radius: 10,000 people
  - ・3km radius: 62,000 people
  - ・5km radius: 247,000 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

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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	Apparel	3,177.7
9	Home and garden	2,835.6
10	Consumers' co-operative	2,487.0

Buying goods at specialty stores

2018 (JPY bn)

	Type of store	Sales	Change
1	Supermarket	16,300.8	+25.8%
2	Convenience store	10,661.5	+43.8%
3	Drug store	8,106.0	+119.5%
4	Other retailers	7,412.7	+29.1%
5	GMS	7,147.5	**-16.9%**
6	Department store	6,003.6	**-27.5%**
7	Apparel	5,531.1	+74.1%
8	Consumer electronics	5,392.6	-5.7%
9	Home and garden	3,446.8	+21.6%
10	Consumers' co-operative	2,453.5	-1.3%

Source: Data regarding Japanese retailer earning results are based on magazine “Diamond Chain Store” dated Sep. 15, 2016 and Sep. 15, 2018.

Advantages of shopping centers for daily needs over GMS

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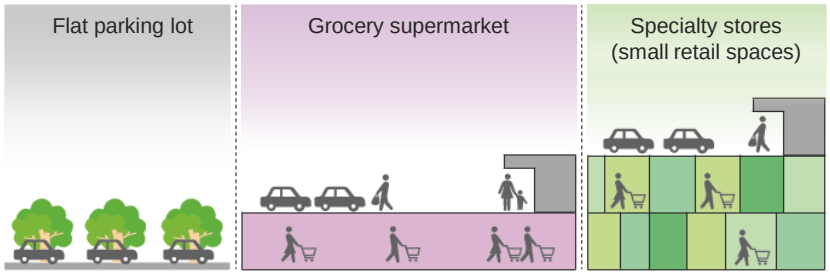
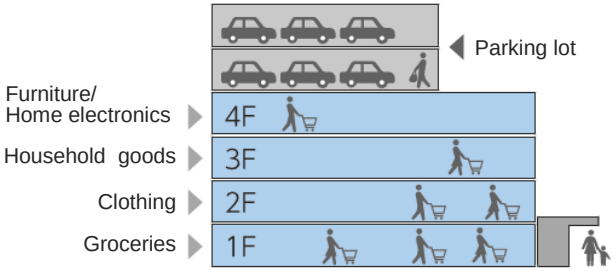
Typical shopping center for daily needs



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

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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.

Abbreviation of property name

Property name	Abbreviation	Property name	Abbreviation	Property name	Abbreviation
Fululu Garden Yachiyo	Yachiyo	Yumemachi Narashinodai Mall	Narashinodai	K's Denki Nakagawa Tomita (Land)	K's Nakagawa
MONA Shin-Urayasu	Shin-Urayasu	Kawamachi Yahagi Mall	Yahagi	Homecenter Kohnan Sunadabashi	Sunadabashi
Passaggio Nishiarai	Nishiarai	Prime Square Jiyugaoka	Jiyugaoka	K's Denki Shin-Moriyama (Land)	Shin-Moriyama
Daikanyama Address Dixsept	Daikanyama	Round1 Ichikawa-Onitaka	Ichikawa	Resora Obu Shopping Terrace	Obu
Unicus Ina	Ina	Ozeki Tokiwadai	Tokiwadai	Sunny Noma	Noma
Yorktown Kita-Kaname	Kita-Kaname	Konami Sports Club Shibuya	Shibuya	Round1 Stadium Hakata-Hanmichibashi	Hakata
Unicus Yoshikawa	Yoshikawa	Blumer Maitamon	Maitamon	Kurume-Nishi Shopping Center	Kurume
Sports Club Renaissance Fujimidai	Fujimidai	Life Takadono (Land)	Takadono	Roseo Mito	Mito
Super Viva Home Iwatsuki (Land)	Iwatsuki	Piago Kahma Home Center Omihachiman	Omihachiman	K's Denki Aomori Honten	K's Aomori
K's Denki Shonan-Fujisawa (Land)	Fujisawa	Blumer HAT Kobe	HAT Kobe	Super Sports Xebio Aomori-Chuo	Xebio Aomori
Unicus Kamisato (Land)	Kamisato	Carino Esaka	Esaka	Ashico Town Ashikaga	Ashikaga
Unicus Konosu (Land)	Konosu	COMBOX Komyoike	Komyoike	Yorktown Shinden-Higashi	Shinden-Higashi
Inageya Yokohama Minamihonjuku (Land)	Minamihonjuku	Hankyu Oasis Hirakatadeguchi	Hirakata	Kasumi Technopark Sakura	Kasumi Sakura
Gourmet City Chiba-Chuo	Chiba	Welcia Kishiwadakamori (Land)	Kishiwada	Solala Plaza	Solala
Nakamachidai Tokyu Store	Nakamachidai	Life Nishi-Tengachaya	Tengachaya	P-1 Plaza Tenno	P-1
Central Wellness Club Nagatsuta Minamidai	Nagatsuta	Million Town Tsukaguchi (Land)	Tsukaguchi	Seiyu Rakuichi Moriya (Land)	Moriya
Life Kameido	Kameido	Kahma Home Center Nakagawa Tomita (Land)	Kahma Nakagawa	Sun Street Hamakita	Hamakita
Totsuka-Fukaya Shopping Center (Land)	Totsuka	Valor Ichinomiya-Nishi	Ichinomiya	Costco Wholesale Sapporo Warehouse	Sapporo

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