Kenedix Retail REIT Corporation (“KRR”)

Supplementary Materials on Press Release dated September 11, 2019

“Notice Concerning Acquisition of 3 Properties and Disposition and Termination of Lease in respect of Fululu Garden Yachiyo”







KENEDIX
Retail REIT Corporation

Transaction summary

KENEDIX Retail REIT Corporation

KRR aims to improve the quality and profitability of its portfolio and increase unitholder value by disposing of Fululu Garden Yachiyo, which is the only asset with a general merchandise store (GMS) tenant in its portfolio, and acquiring three high-quality properties (“Asset Reshuffle”)

Outline of the Asset Reshuffle

Disposing asset

Fululu Garden Yachiyo CSC



Disposition price	JPY 15,200 mn
Book value (as of Mar 31, 2019)	JPY 14,866 mn
Appraisal value	JPY 15,000 mn
Disposition date	Sep. 27, 2019
Date constructed (Note 1)	Oct. 3, 2002 / Sep. 26, 2002

Acquiring assets

Apita Terrace Yokohama Tsunashima NSC



Acquisition price	JPY 5,899 mn
Appraisal value	JPY 6,220 mn
Acquisition date	Nov. 1, 2019
Date constructed	Dec. 20, 2017

Habikigaoka Shopping Center NSC



Acquisition price	JPY 2,000 mn
Appraisal value	JPY 2,020 mn
Acquisition date	Sep. 27, 2019
Date constructed (Note 1)	Mar. 25, 2009 / Mar. 18, 2009 / Apr. 9, 2007

Gyoda Distribution Center L



Acquisition price	JPY 3,160 mn
Appraisal value	JPY 3,350 mn
Acquisition date	Oct. 1, 2019
Date constructed (Note 1)	Jul. 31, 1997 / Oct. 29, 2004

(Note 1) There are multiple buildings on the same premises. The completion date for each building is indicated.
(Note 2) NOI yield of FGY is calculated by dividing the actual NOI for the fiscal periods ended September 30, 2018 (7th FP) and March 31, 2019 (8th FP) by the acquisition price. NOI yield for the acquiring assets is based on the NOI indicated in the appraisal report.
(Note 3) The ratios of the top five properties are calculated on an acquisition price basis. The ratios of the top ten tenants, and the ratios of GMS tenants are calculated on a rent basis.

Effects of the Asset Reshuffle

1. Mitigating future risks by disposing a risk asset

Elimination of GMS-related risks through the disposition of Fululu Garden Yachiyo (“FGY”)

- Investors are relatively concerned about retail properties occupied by GMSs due to the existence of several cases where GMSs exited from other J-REITs’ properties
- Capital expenditures and repair expenses of FGY are expected to increase in the future in order to maintain and improve competitiveness
- The asset will be disposed at a price exceeding the book value and appraisal value

2. Improving portfolio profitability (Note 2)

Disposing asset NOI yield 4.7% ▶ **Acquiring assets Ave. appraisal NOI yield 5.1%**

- Portfolio profitability improves by disposing FGY, whose near-term profitability of which has been in decline, and acquiring properties with higher yields

3. Securing funds for growth

The difference between the acquisition price of the acquiring assets and the book value of FGY (at the end of 8th FP): +3.8 billion yen

- As the total acquisition price of the acquiring assets is less than the book value of FGY, surplus funds will be secured after the Asset Reshuffle
- Appropriation of the surplus funds to future asset acquisition is considered as a main scenario

4. Improving portfolio stability (Note 3)

Top 5 properties	23.0% (-2.8% vs end of 8th FP)
Top 10 tenants	32.1% (-0.8% vs end of 8th FP)
Percentage of GMS tenant category	0.0% (-4.6% vs end of 8th FP)

- Disposition of FGY, the largest asset in the portfolio, improves portfolio diversification
- Through the disposition, the ratio of GMS tenants will be reduced to 0.0%

Outline of the acquisition

KRR is acquiring shopping centers for daily needs, its focused investments, and a retail distribution center, an investment target since 2018, by utilizing the pipelines of Sponsor and Alliance Companies as well as Asset Manager's proprietary acquisition channels

Outline of acquiring assets

Apita Terrace Yokohama Tsunashima
(51% trust beneficiary co-ownership interest)



NSC constituting a next-generation urban smart city that meets diverse customer needs in an area with dense and growing population (Note)

- Frequently visited-type NSC in an area with high population growth potential from large-scale residential and infrastructure development
- Meeting a variety of needs of a wide range of generations as a one-stop shop of goods and services for daily living including grocery supermarket, specialized stores, post office, bank and clinic mall, supplemented by experience-oriented tenants catering to the needs of customers enjoying the stay itself (e.g. time-charge facilities for children, book & café stores)
- The property is located within "Tsunashima Sustainable Smart Town," which sets the targets to be attained by the next-generation urban smart city as a whole, including reduction in CO2 emissions, reduction in use of daily life water, and improvement in the new energy utilization rate and other ecological metrics as well as safety and security metrics. The property installs solar panels as a sustainability initiative.

Acquisition date	November 1, 2019
Acquisition price	5,899 million yen
Appraisal value	6,220 million yen
Appraisal NOI yield	4.8%
Date constructed	December 20, 2017

Habikigaoka Shopping Center



NSC located in New Town with housing developments in the southeastern part of Osaka Prefecture

- NSC consisted of Sunplaza (HQ in Habikino City), a 32-store grocery supermarket chain with a strong dominance in the southern Osaka Prefecture, and Joshin, a consumer electronics store, as core tenants
- Highly visible facility along Prefectural Route 32, which links to National Routes 170 and 309
- Located in a commuter district to Namba, Osaka. It is about 18 minutes ride from the nearest Furuichi Station to the Osaka Abenobashi Station in the center of Osaka. Located in an area which includes a newtown as the trade area with a substantial number of houses subjected to land adjustment. An increasing trend in the population of the 1km-radius area around the property, where the sale of housing lots is going on.

Acquisition date	September 27, 2019
Acquisition price	2,000 million yen
Appraisal value	2,020 million yen
Appraisal NOI yield	5.3%
Date constructed	March 25, 2009/ March 18, 2009/ April 9, 2007

Gyoda Distribution Center



A highly versatile storage-type delivery center for regional and wider area delivery in the metropolitan area

- Located in the commuter district, where distribution centers are concentrated. It has easy access to National Routes 125 and 17, making it convenient for regional and wider area delivery
- The facility consists of two low-floor facilities, Building A (one-story) and Building B (three-stories). It is a highly versatile facility that can handle a variety of delivery goods.
- Nippon Express Co., Ltd., a major logistics company, is using the distribution center for shippers of food-related and home appliances

Acquisition date	October 1, 2019
Acquisition price	3,160 million yen
Appraisal value	3,350 million yen
Appraisal NOI yield	5.7%
Date constructed	July 31, 1997/ October 29, 2004

(Note) UNY Co., Ltd., the tenant of this property, operates GMSs under the Apita brand. However, in this property, UNY Co., Ltd. operates a grocery supermarket called Apita Food Markets, and other spaces of the property comprise approximately 60 specialty stores. Therefore, KRR positions the property as an NSC.

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