

Kenedix Retail REIT Corporation

Financial Result
for the 9th Financial Period ended September 30, 2019
November 18, 2019



Contents

Section 1	Initiatives since the 9th fiscal period	P.3
Section 2	KRR highlights and updates	P.13
Section 3	Implementation of growth strategies	P.21
Section 4	Financial results and forecasts	P.29
Section 5	Adapting to changing environment for sustainable growth	P.34
Appendix 1	Key characteristics of KRR	P.39
Appendix 2	Portfolio and unitholder information	P.44



01

Initiatives since the 9th fiscal period

Security Code
3453

Three key words for sustainable growth

Growth

Expanded AUM to JPY 225 bn through the follow-on offering for the first time in two and a half years

Increased stabilized DPU by 3.2% ^(Note) driven by the initiatives for internal growth as well as AUM expansion

Achieved the target stabilized DPU of JPY 6,500, **one year ahead of schedule**

Stability

Continued **focused investment in shopping centers for daily needs**, located in densely populated areas and highly resistant to e-commerce

Mitigated GMS risks from the portfolio and acquired NSCs with supermarkets as core tenants

Further diversified the portfolio by disposing of the largest property, **Fululu Garden Yachiyo**

Maintained occupancy rate **at a high level, around 99%**, since IPO

Evolution

Expanded the investment target to include logistics facilities, and build a **portfolio to adapt to changing environment**

Shopping centers for daily needs close to end consumption areas that **have high compatibility with last-mile distribution centers**

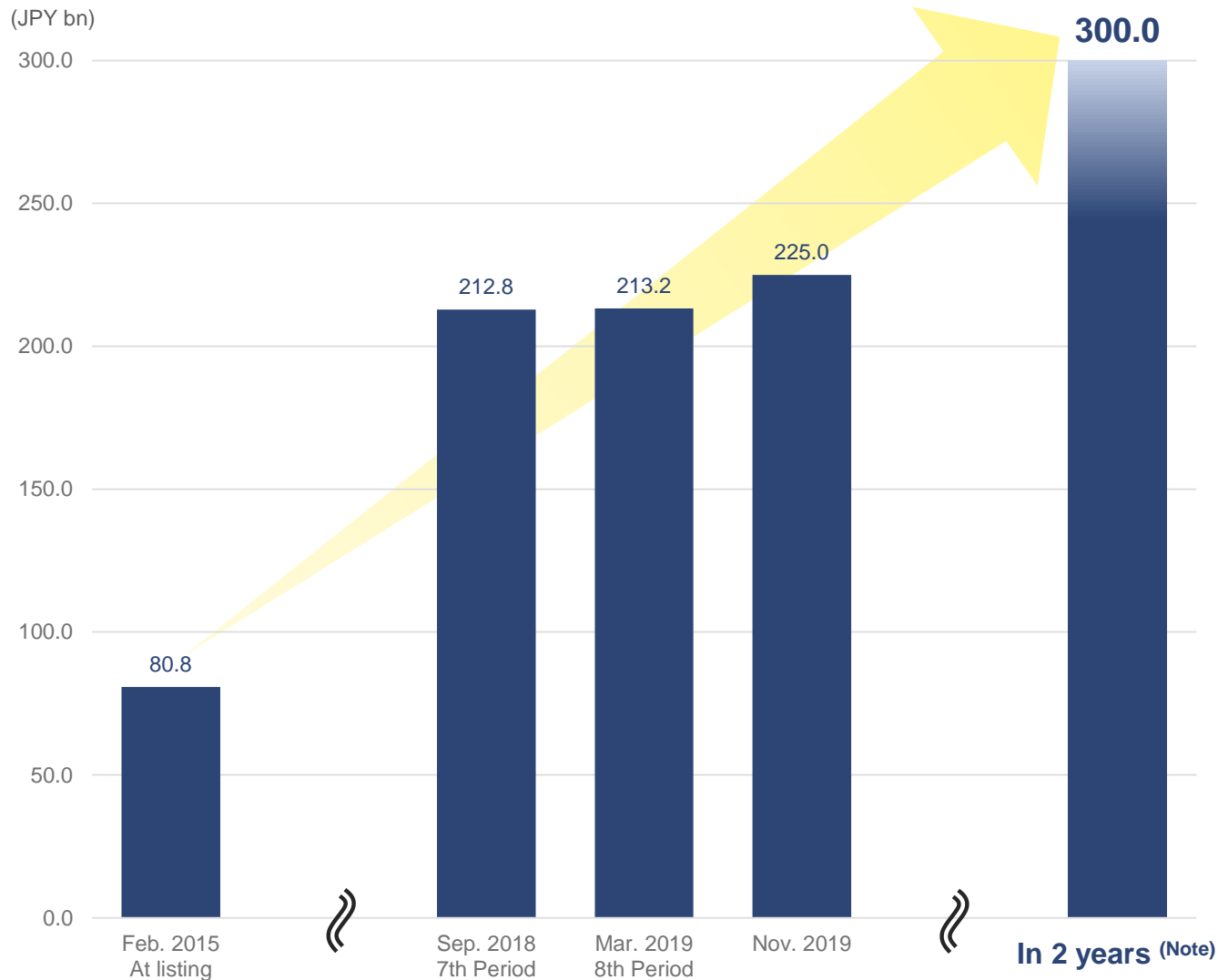
Growth strategy that meet demand from e-commerce

Toward a new stage of **integration of retail and logistics facilities**

Sustainable growth:
New target stabilized
DPU **JPY 7,000**
per fiscal period



Growth road map



**AUM target of
300 bn yen**

Note: The period needed to achieve AUM target is largely dependent on market conditions.

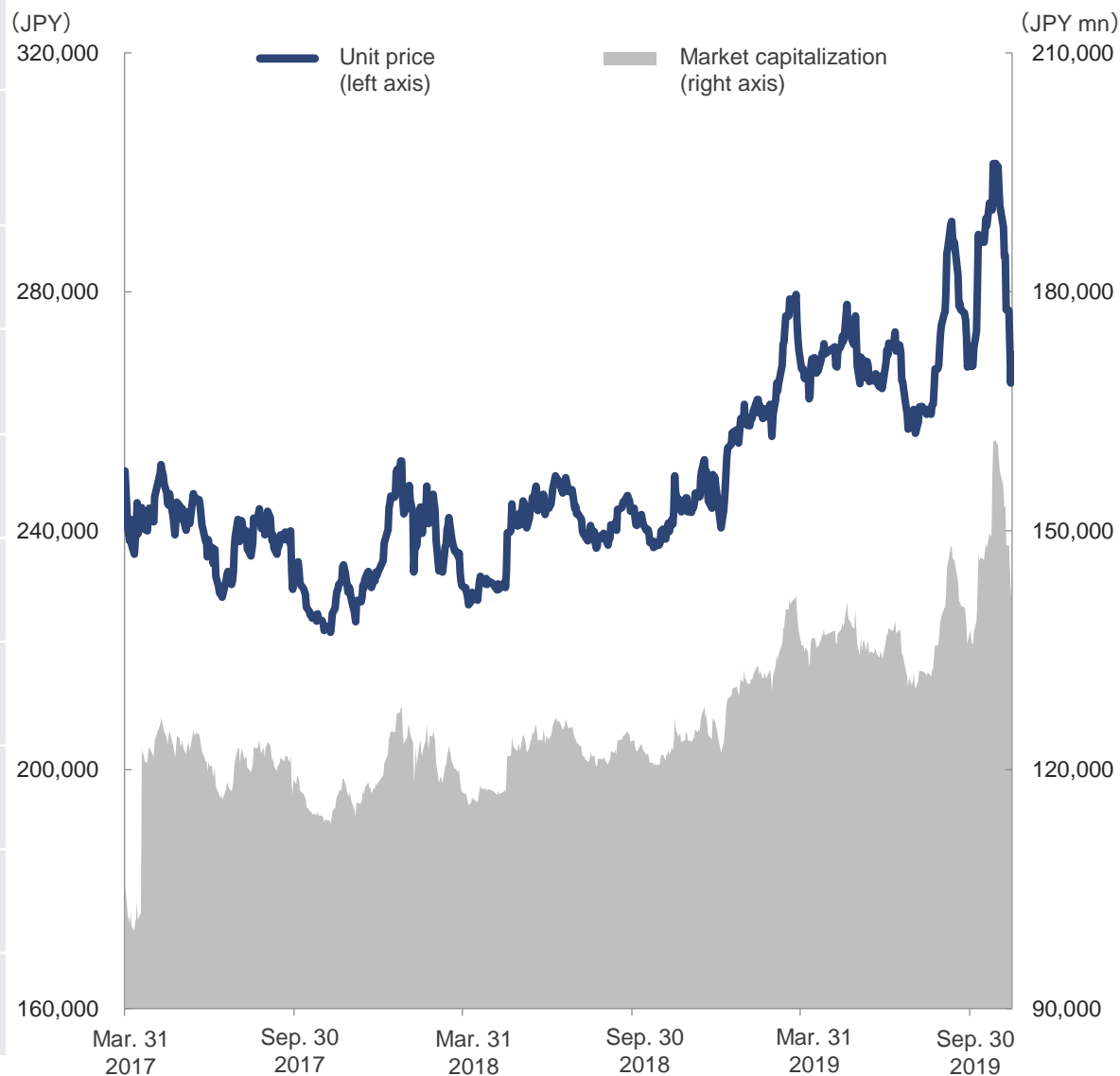
Initiatives since the 9th fiscal period

Summary of the offering

Overview

Offering structure	Domestic offering with extraordinary report filing	
Offering size	Total: Units offered: (Overseas sales): Over-allotment (OA):	JPY 8,054 mn JPY 7,721 mn (JPY 2,749 mn) JPY 332 mn
Number of units issued	Total 28,477 units (including OA 1,177 units)	
Total number of units outstanding (after 4th PO)	536,177 Units	
Offer price	JPY 282,847	
Net proceeds	JPY 7,784 mn	
Launch date	October 8, 2019	
Pricing date	October 16, 2019	
Application period	October 17 to October 18, 2019	
Payment date	October 23, 2019	

Unit price and market capitalization



Acquisitions to enhance unitholder value

Total acquisition price

JPY **33.9** bn

Total appraisal value

JPY **35.4** bn

Avg. appraisal NOI yield

5.1%

5 properties acquired with the offering



Kalsa Hiratsuka



Monenosato Mall



Chofu Center Building
(Retail wing)



Across Plaza Urayasu Higashino
(Land)



Valor Nakashidami (Land)

7 properties acquired through asset-reshuffling



Apita Terrace Yokohama
Tsunashima



Habikigaoka Shopping Center



Gyoda Distribution Center



Zama Distribution Center



Oppama Distribution Center



Musashi Ranzan
Distribution Center



Yokohama Kamigo
Distribution Center

Average appraisal NOI
yield of assets acquired
through asset reshuffling
5.4%



Average NOI yield of
assets disposed of
4.7%

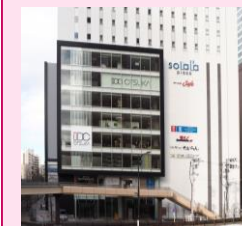
4 properties disposed of



Fululu Garden Yachiyo



Welcia Kishiwadakamori
(Land)



Solala Plaza



Gourmet City Chiba-Chuo

Effects of the disposition of Fululu Garden Yachiyo

CSC Fululu Garden Yachiyo


Source: Geospatial Information Authority of Japan aerial photos processed by KFM

Location	Yachiyo, Chiba
Disposition price	JPY15,200 mn
Appraisal value	JPY14,866 mn
Book value (as of Mar. 31, 2019)	JPY15,000 mn
Main tenant	Ito-Yokado Co., Ltd.
Date of disposition	September 27, 2019
NOI yield ^(Note 1)	4.7%
Date of acquisition	February 10, 2015

Note 1: 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.

Note 2: 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. In addition, the indicators related to the portfolio after the change are as of November

Aim of the disposition

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 was disposed at a price exceeding the book value and appraisal value

2. Improving portfolio profitability

Disposing asset NOI yield	4.7%	Portfolio average appraisal NOI yield	5.3%
------------------------------	------	--	------

- NOI yield based on the Property's actual results is 4.7%, lower than average appraisal NOI yield of 5.3%. KRR aims to improve the profitability of its portfolio by acquiring the properties with appraisal NOI yield exceeding the Property's NOI yield.

3. Improving portfolio stability ^(Note 2)

Top 5 properties	21.4%	(-4.4% vs end of 8th FP)
Top 10 tenants	31.3%	(-1.6% vs end of 8th FP)
% 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%

Portfolio summary

Characteristics of KRR portfolio

Total appraisal value	Appraisal NOI yield	NOI yield after depreciation	Occupancy rate	4 major metropolitan areas	Shopping centers for daily needs	Grocery anchored shopping centers
JPY 242.7 bn	5.3%	4.4%	99.4%	80.6%	95.3%	81.5%

AUM, number of tenants, number of properties

(JPY bn)



Note 1: The figures on portfolio are as of Sep. 30, 2019 (except as of Oct. 31, 2019 for occupancy rate), for the 61 properties acquired by the date of this material. "Appraisal value" and "Appraisal NOI yield" are as of Sep. 1, 2019 for Apita Terrace Yokohama Tsunashima, Kalsa Hiratsuka, Monenosato Mall, Chofu Center Building (Retail wing), Across Plaza Urayasu Higashino (Land), Valor Nakashidami (Land) and Gyoda Distribution Center.

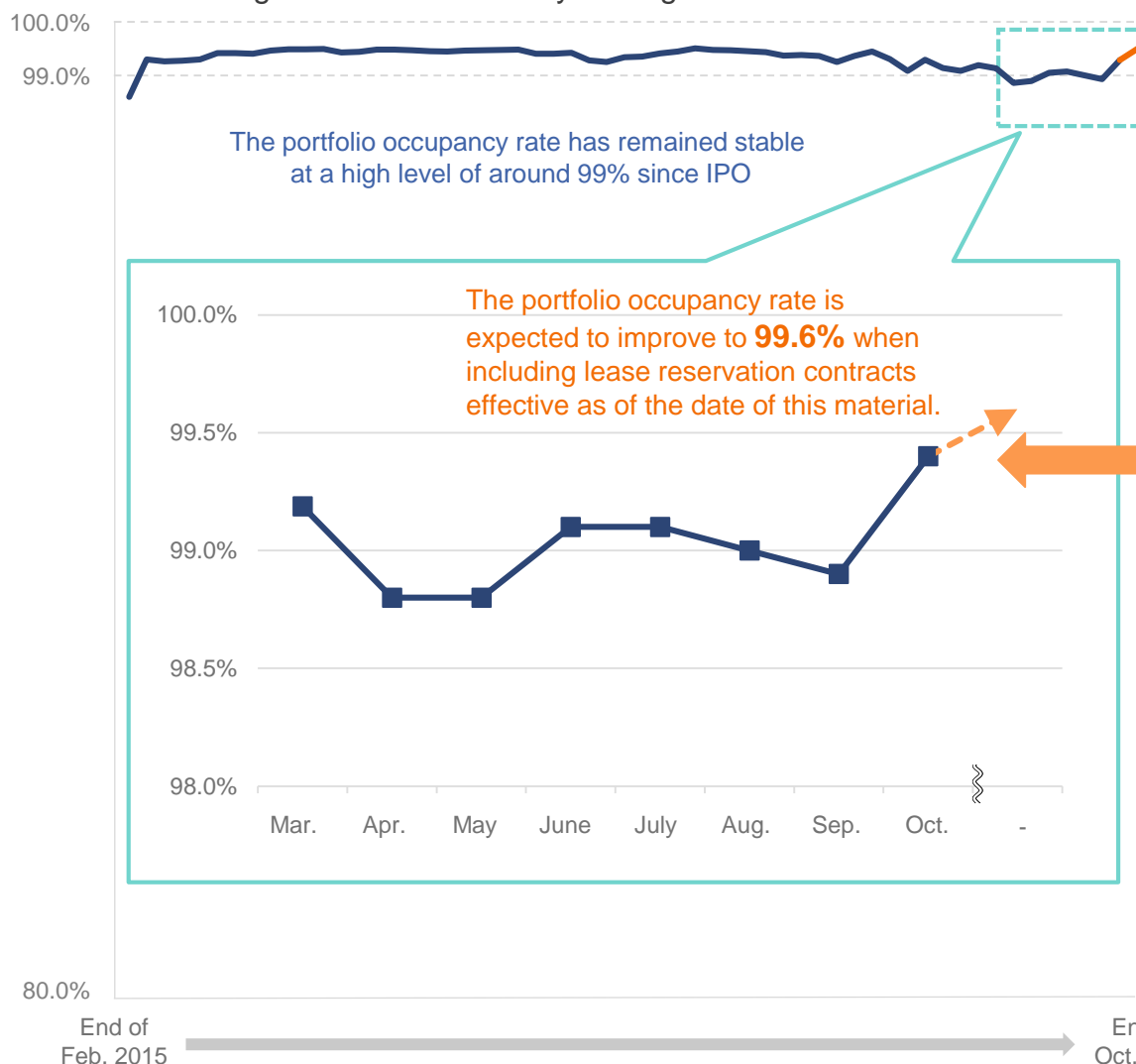
Note 2: "Appraisal NOI Yield" is calculated by dividing appraisal NOI from the latest appraisal reports by acquisition price. "NOI yield after depreciation" is based on the forecast for the fiscal period ending Mar. 31, 2020.

Note 3: "Grocery anchored shopping centers" ratio is calculated by dividing total acquisition price of grocery anchored shopping centers by total acquisition price of retail properties.

Note 3: "Number of tenants" at listing is figure as of Sep. 30, 2014.

Portfolio occupancy rate

KRR's occupancy rate has remained around 99% since IPO in February 2015. Although it temporarily fell below 99% during the 9th fiscal period, it has been recovering and is at the level of 99.4% as of the date of this material. The portfolio occupancy rate is expected to rise to 99.6%^(Note 1) owing to active retail facility management.



Property name

Occupancy rate ^(note 2)

End of Apr. 2019

► As of the date of this material, including reservation contracts

Fululu Garden Yachiyo

Decided to dispose of



96.6% ► **Disposed of**

Resora Obu Shopping Terrace

"Namco Resora Obu" open
→ Opened on July 26, 2019



86.3% ► **95.5%**

Ashico Town Ashikaga

Completed reservation contract with a hot yoga store, etc.
→ Scheduled to open around March 2020

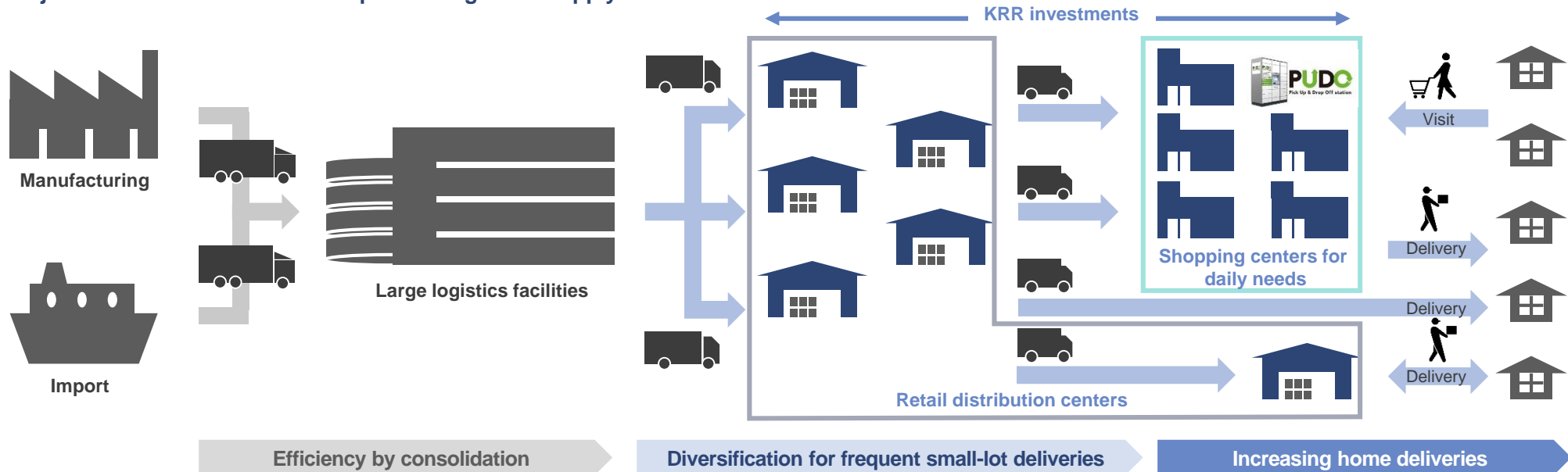


95.0% ► **98.3%**

Note 1: The occupancy rate as of the date of this material is calculated by adding contracted area as of the date of this material (including lease reservation agreements) and deducting cancelled area (including area for which a termination notice has been issued), and then dividing by leasable area.

Note 2: The above indicates the three properties with vacant space of 250 tsubo or more as of the end of April 2019.

Major KRR investments and their positioning in the supply chain



Shopping centers adapting to changing environment

Delivery of products from retail facilities



Pickup of products at retail facilities



Integration of logistics and retail facilities



Note: The picture above is an image of completion, and may differ from the actual building after completion. We have not made any specific decision regarding the expansion of the restaurant building, and it may be changed, postponed or cancelled in the future.



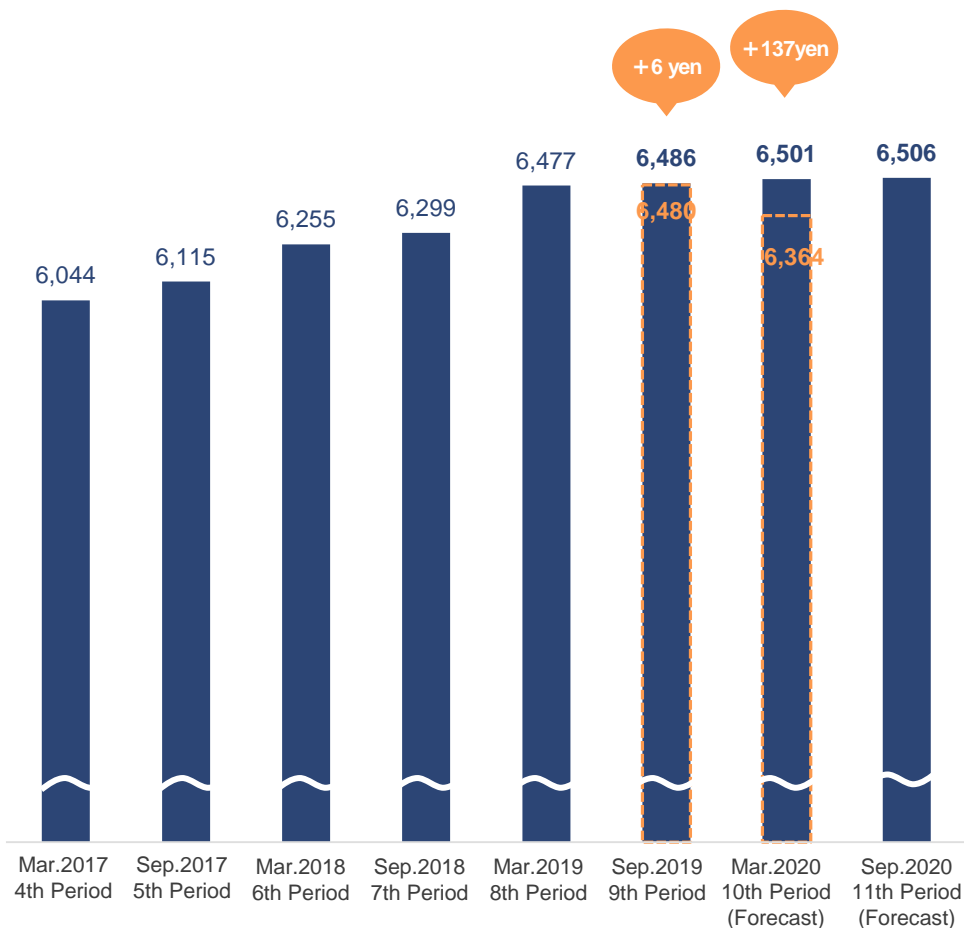
02

KRR highlights and updates

Security Code
3453

Distribution per unit (JPY)

(The boxes in orange lines indicate the forecasts as of May 16, 2019)



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

- DPU increase from the **gain on sale** of Solala Plaza and Fululu Garden Yachiyo
- Increase in NOI as a result of **acquisition** of retail distribution centers
- Decrease in NOI due to **disposition** of Solala Plaza and Fululu Garden Yachiyo
- Decrease in NOI resulting from **expensing property taxes** on the properties acquired in the 6th and the 7th fiscal period

Key points of the 10th fiscal period ending March 31, 2020

- Increase in NOI resulting from Asset reshuffling and public offering
- DPU increase from the **gain on sale** of Welcia Kishiwadakamori (Land)
- **Full-period contribution** of the properties acquired in the 9th fiscal period to DPU growth

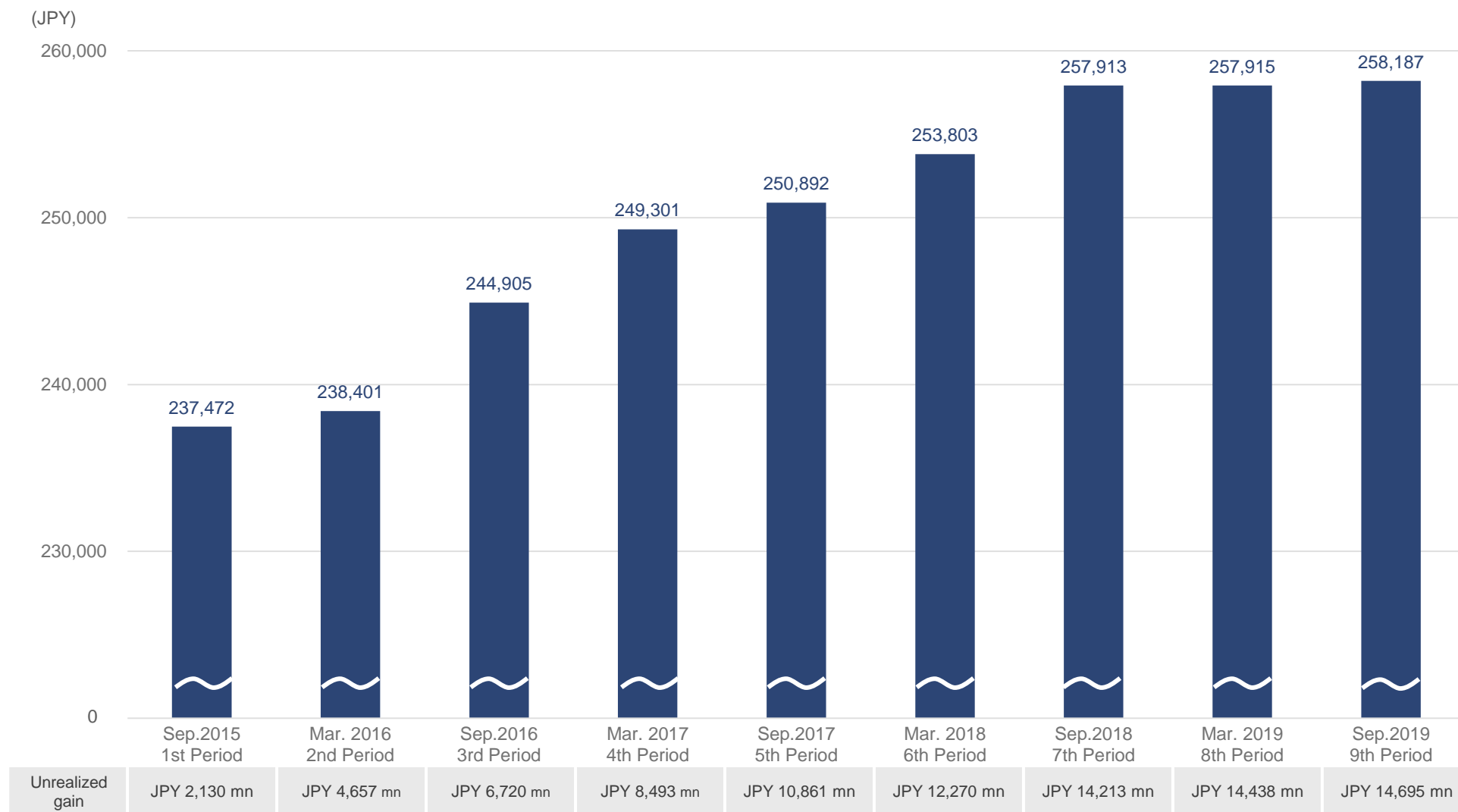
Key points of the 11th fiscal period ending September 30, 2020

- **Full-period contribution** of the properties acquired in the 10th fiscal period to DPU growth
- Decrease in NOI resulting from **expensing property taxes** on the properties acquired in the 8th to the 10th fiscal period
- Increase in NOI by internal growth through Active tenant reshuffling, etc.

*For details of the increase and decrease in gain on sale, please refer to p.30.

NAV per unit and unrealized gain

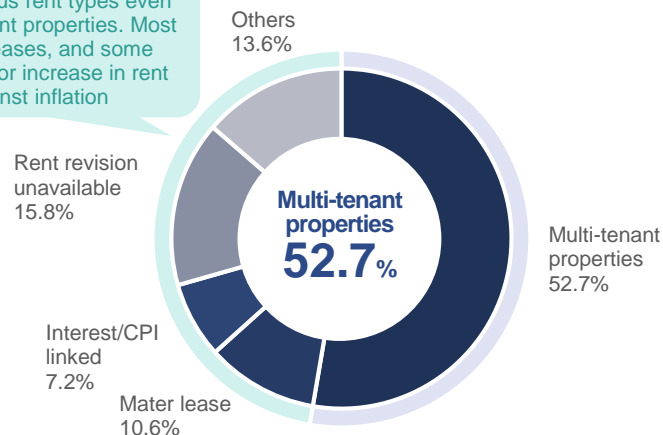
NAV per unit



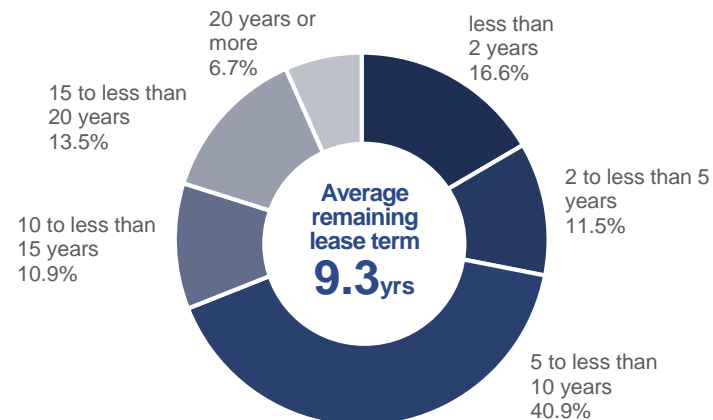
Note: NAV per unit at the end of each fiscal period = (net assets + unrealized appraisal gains/losses on the entire portfolio at the end of each fiscal period) / (total number of investment units issued at the end of each fiscal period)

Multi-tenant properties (by acquisition prices)

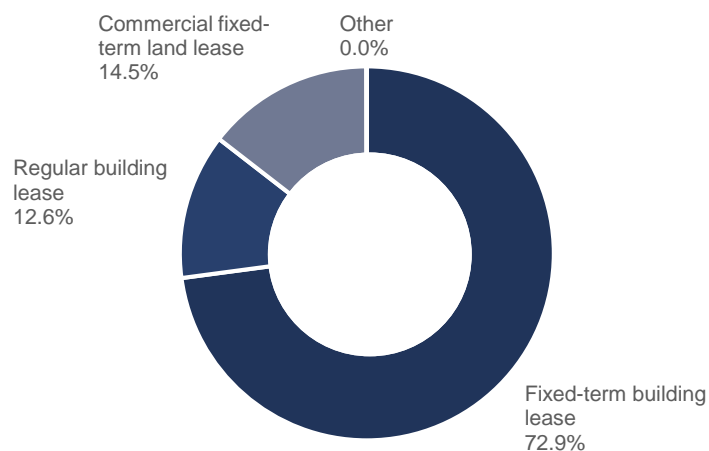
There are various rent types even with single tenant properties. Most are long-term leases, and some have potential for increase in rent and hedge against inflation



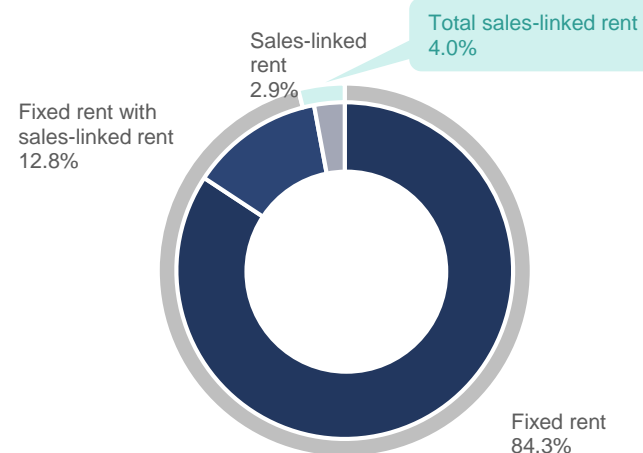
Remaining lease term (by annual fixed rent)



Lease contract type (by annual fixed rent)



Rent type (Apr. 2019 to Sep. 2019)

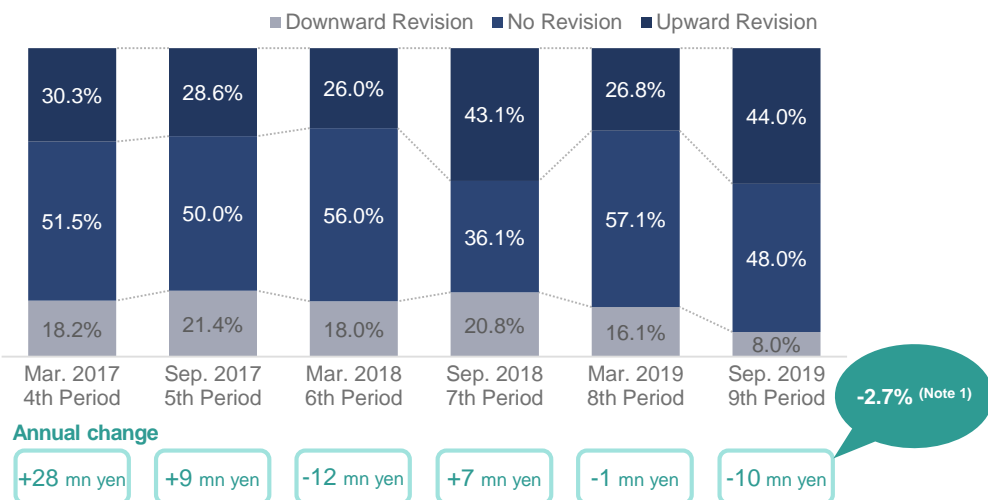


Note 1: The figures are as of Sep. 30, 2019, based on the 61 properties acquired by November 1, 2019. The figures of "Rent type" is for the 9th fiscal period.

Note 2: Based on the contractual rent determined in the lease contract, including regular building leases.

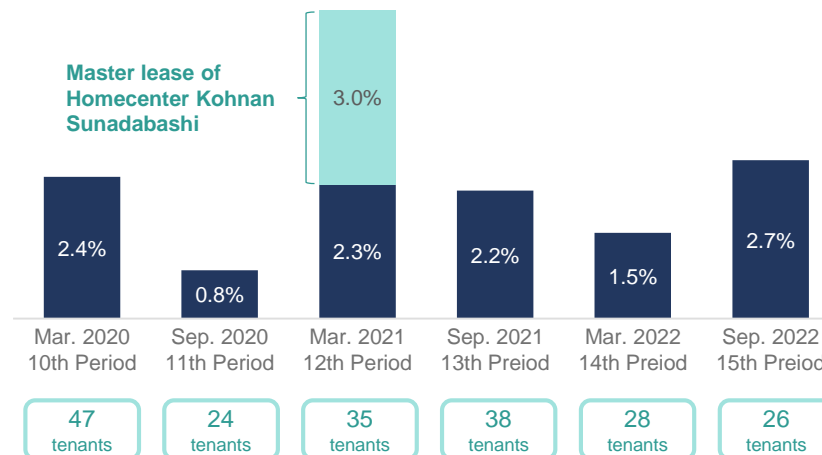
Note 3: "Master lease" indicates tenants where the lessee does not occupy and subleases to a retailer. "Interest/CPI-linked" indicates tenants whose rent contract renews accordingly to the interest rate or CPI.

Rent revisions (based on number of revisions)

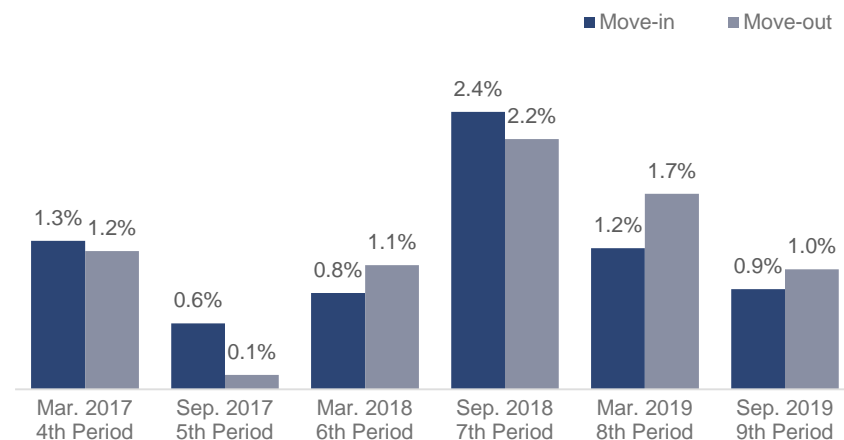


Lease expiry (by annual fixed rent)

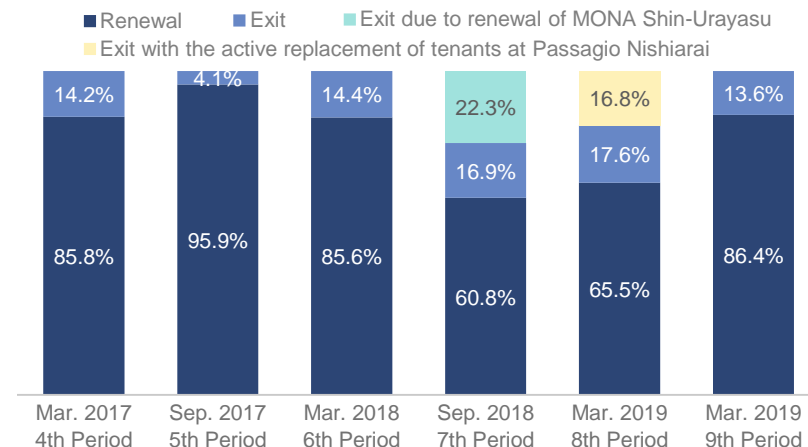
of tenants and % of lease expiry in each period (Note 2)



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



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



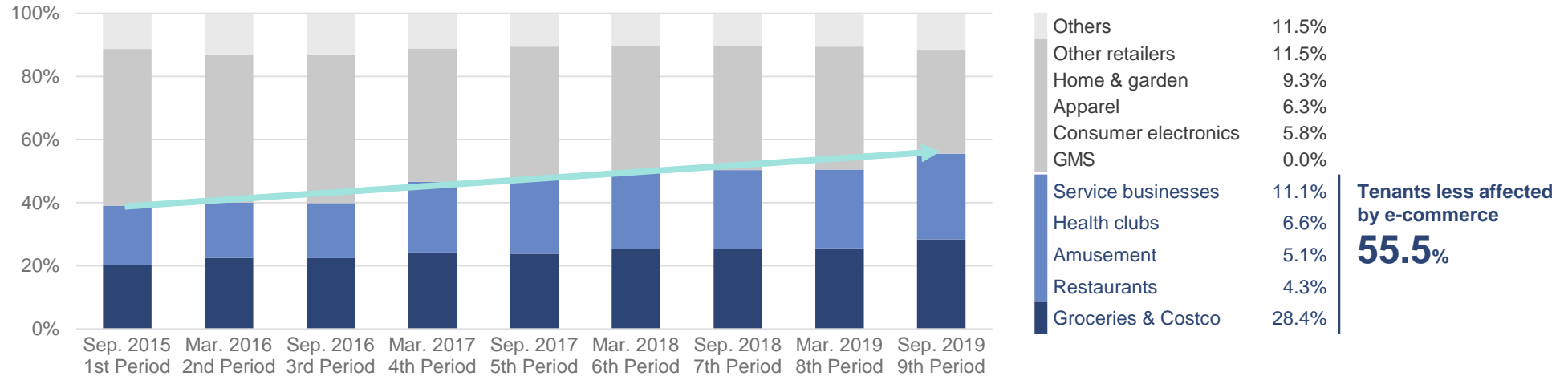
Note 1: Based on the rent including common area charges before revision of the tenants subject to rent revision.

Note 2: Based on the contractual rent determined in the lease contract, including regular building leases, for properties owned as of Sep. 30, 2019.

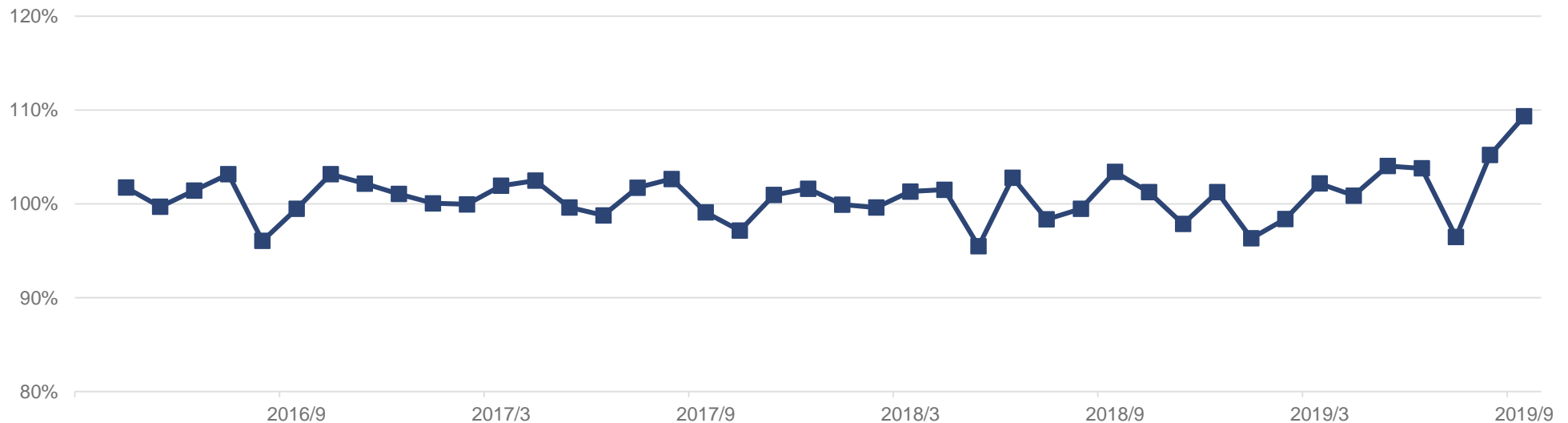
Note 3: Based on the rent revenue of the last month of each fiscal period.

Shopping centers for daily needs that are highly resistant to e-commerce

Changes in percentage of tenant categories (based on rents)



Changes in sales (YoY)



Note 1: "Costco" refers to Costco Wholesale.

Note 2: As for the percentage of tenant categories for the 9th period, the figures as of September 30, 2019 for the retail properties that KRR owns as the date of this material are shown.

Note 3: "Changes in sales" is based on the sales figures available to KRR. The sales figures do not take into account the effect of difference in days of the weekends in each period.

Financial highlights

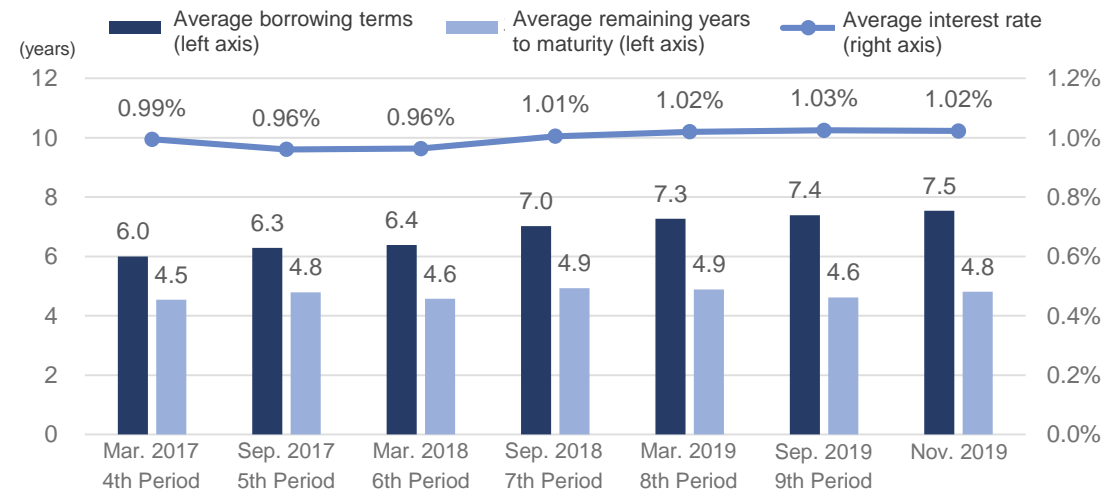
	8th Period	9th Period	After the offering
Long-term debt ratio ^(Note)	96.7%	96.2% >>	96.9%
Fixed interest debt ratio	92.7%	94.2% >>	96.9%
LTV	44.6%	44.9% >>	44.5%

Credit rating

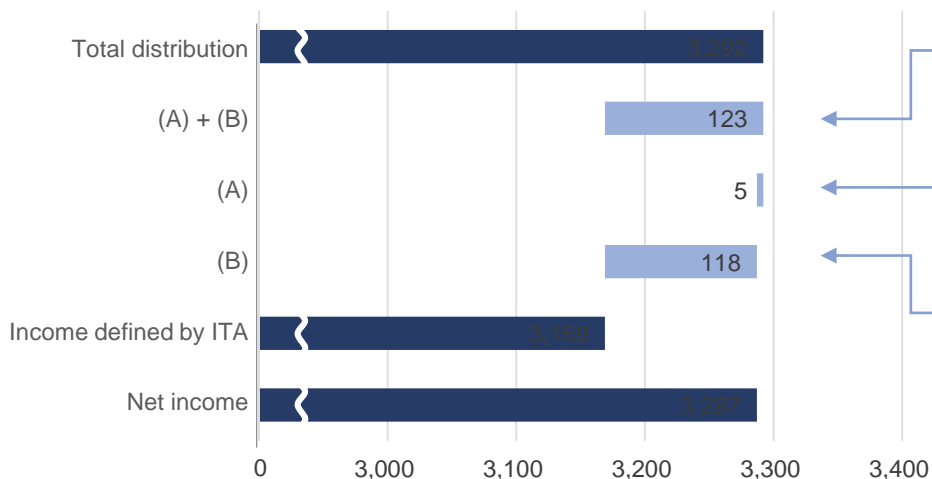
 Long-term issuer rating
 (Japan Credit Rating Agency, Ltd.)

A+ (Stable)

Average remaining years to maturity, borrowing terms and interest rate



Distribution in excess of retained earnings (JPY mn)



Summary of distributions in excess of retained earnings

As Japanese tax law changes, distributions in excess of retained earnings that are accounted as allowance for temporary difference adjustment ("ATA") enables cash distributions to be treated as profits distribution and deductible for tax purpose.

A: Japanese GAAP vs. Japanese tax law

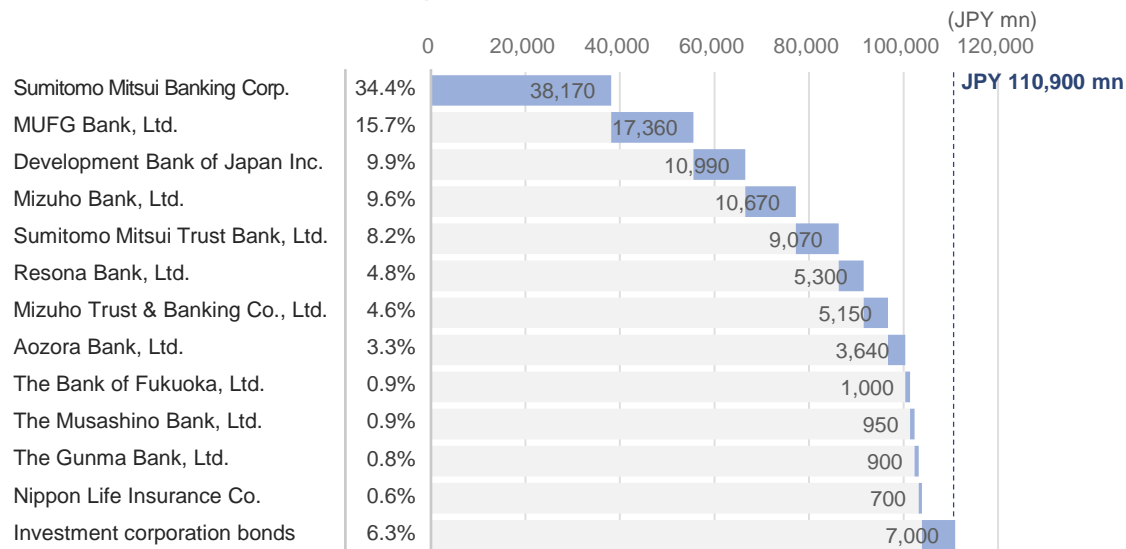
The items in association with certain transaction in relation to the property, Sunny Noma, cause temporary difference between the treatment in Japanese GAAP and Japanese tax law. **As a result, taxable income before distribution was larger than net income.**

B: Net income vs. income in accordance with Investment Trust Act

The item deducted from net asset in association with some of interest swap transaction causes difference between net income and income defined by Investment Trust Act ("ITA"). **As a result, net income was larger than income defined by ITA.**

Financial highlights (2)

Breakdown of debt outstanding by lender and investment corporation bonds



Commitment credit lines (as of September 30, 2019)

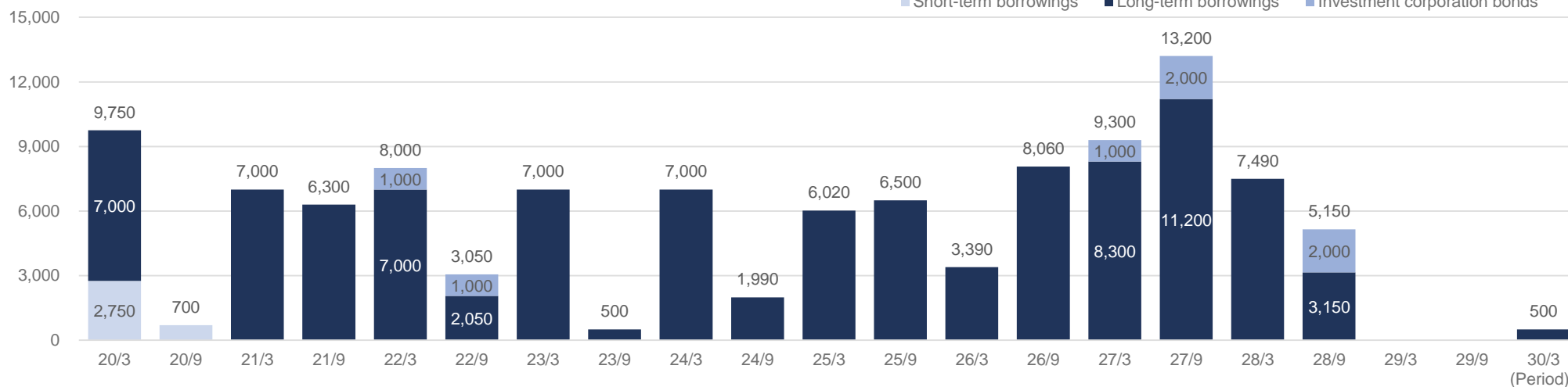
Counterparty	Limit of maximum amount	End of contract term
Sumitomo Mitsui Banking Corp.	JPY 1,000 mn	Mar. 31, 2020
Mizuho Bank, Ltd.	JPY 1,000 mn	Mar. 31, 2021
MUFG Bank, Ltd.	JPY 1,000 mn	Mar. 31, 2020

Investment corporation bonds

Bond	Amount of issuance	Rate	Issuance date	Term
1st series	JPY 1,000 mn	0.20%	Oct. 2016	5 yrs.
2nd series	JPY 1,000 mn	0.60%	Oct. 2016	10 yrs.
3rd series	JPY 1,000 mn	0.32%	Aug. 2017	5 yrs.
4th series	JPY 2,000 mn	0.70%	Aug. 2017	10 yrs.
5th series	JPY 2,000 mn	0.70%	Apr. 2018	10 yrs.

Maturities of interest-bearing debts (Note)

(JPY mn)



Note: Based on the figures after the repayment and refinance on October 31, 2019 and finance on November 1, 2019.



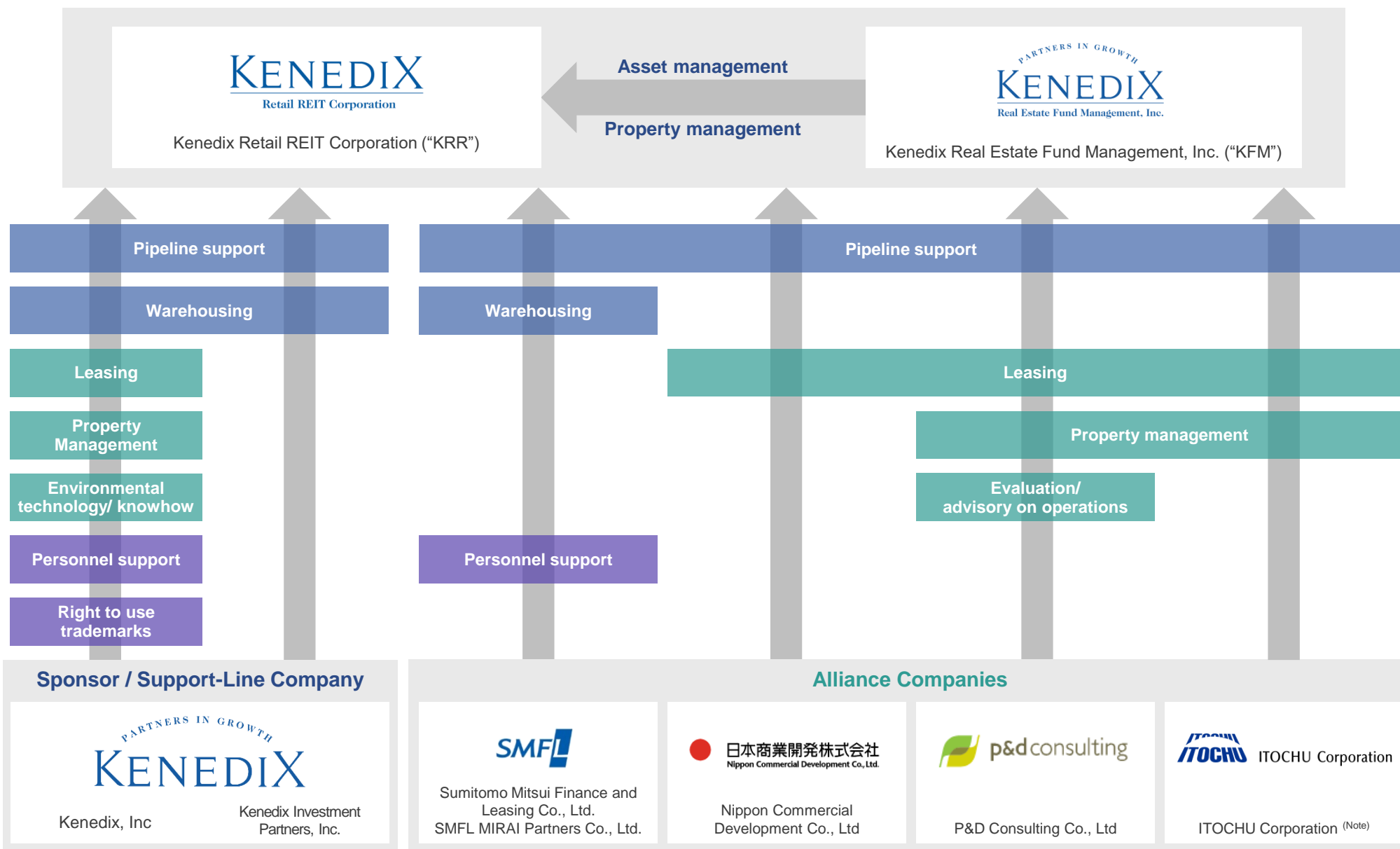
03

Implementation of growth strategies

Security Code

3453

Strong support from the Kenedix Group and Alliance Companies



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.

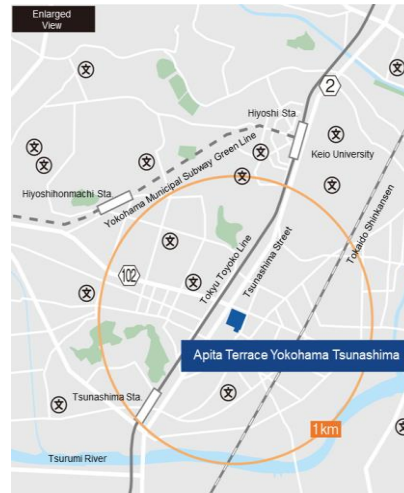
Properties acquired since September 2019 (1)

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

An NSC that meets diverse customer needs and constitutes a next-generation urban smart city in an area with a dense and growing population



Acquisition price	JPY5,899 mn
Location	Yokohama, Kanagawa
Appraisal value	JPY6,220 mn
Appraisal NOI yield	4.8%



Kalsa Hiratsuka

An NSC with the retail trade area covering Hiratsuka and Chigasaki, the core of the Shonan area



Acquisition price	JPY5,980 mn
Location	Hiratsuka, Kanagawa
Appraisal value	JPY6,010 mn
Appraisal NOI yield	4.7%



Chofu Center Building (Retail wing)

An NSC that serves the needs of its neighborhood, located in a commercial and residential district within walking distance of Chofu Station, and a grocery supermarket as its core tenant



Acquisition price	JPY2,300 mn
Location	Chofu, Tokyo
Appraisal value	JPY2,440 mn
Appraisal NOI yield	5.5%

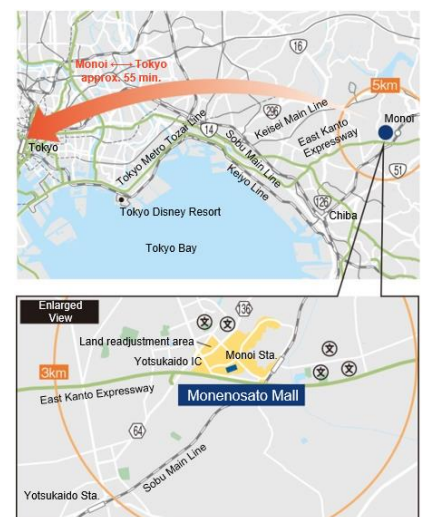


Monenosato Mall

An NSC with YorkMart as its core tenant, located in the developing Monenosato New Town residential area



Acquisition price	JPY2,410 mn
Location	Yotsukaido, Chiba
Appraisal value	JPY2,510 mn
Appraisal NOI yield	5.3%



Properties acquired since September 2019 (2)

Across Plaza Urayasu Higashino (Land)

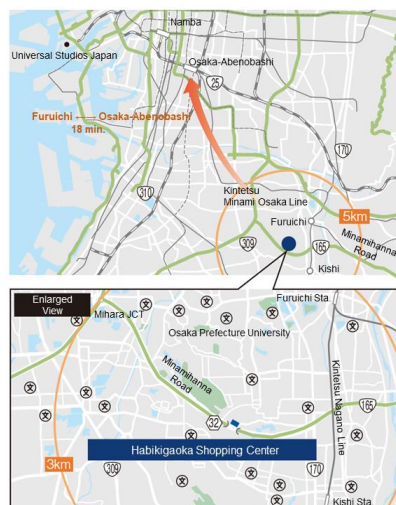
The underlying land for a relatively new NSC opened in December 2017 along a major road in a residential area in Urayasu, an area with continued population growth



Acquisition price	JPY2,248 mn
Location	Urayasu, Chiba
Appraisal value	JPY2,300 mn
Appraisal NOI yield	4.0%

Habikigaoka Shopping Center

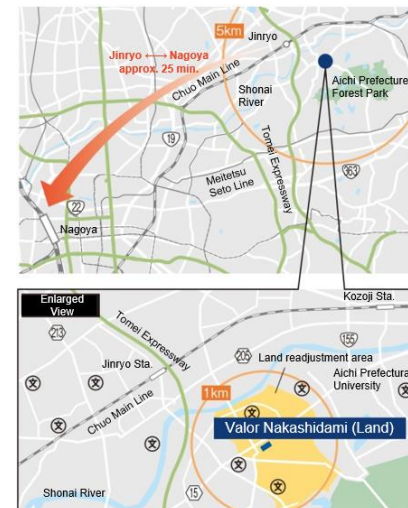
An NSC located in a new town undergoing land readjustment in the southeast part of Osaka Prefecture



Acquisition price	JPY2,000 mn
Location	Habikino, Osaka
Appraisal value	JPY2,020 mn
Appraisal NOI yield	5.3%

Valor Nakashidami (Land)

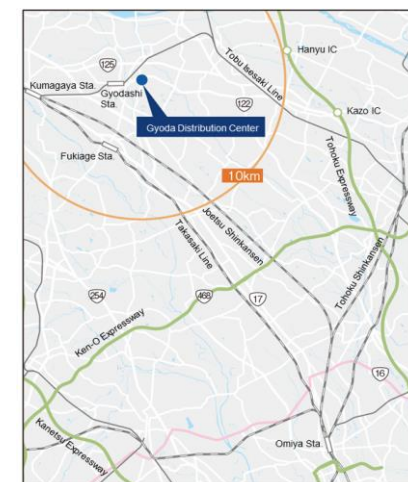
The underlying land for a relatively new grocery supermarket in Moriyama-ku, Nagoya, an area undergoing continued development, with a land readjustment project underway



Acquisition price	JPY2,551 mn
Location	Nagoya, Aichi
Appraisal value	JPY2,560 mn
Appraisal NOI yield	4.7%

Gyoda Distribution Center

A versatile storage and distribution center suitable for local distribution in Tokyo metropolitan commuter districts and semi-long-distance distribution



Acquisition price	JPY3,160 mn
Location	Gyoda, Saitama
Appraisal value	JPY3,350 mn
Appraisal NOI yield	5.7%

Pipelines from Sponsor and Alliance Companies

Apita Terrace Yokohama Tsunashima (49% quasi-co-ownership interest)

Location: Yokohama, Kanagawa
(opened in March 2018)



Development

Kenedix-ITOCHU Fund

Land area

18,300.01m²

GFA

38,442.59m²

Development Project in Fukuoka

Location: Fukuoka, Fukuoka
(expected to open in spring 2021)



Development

Kenedix

Land area

3,471.00m²

GFA

TBD

Development Project in Ota-ku

Location: Ota-ku, Tokyo
(expected to open in 2020)



Development

Kenedix (Brokerage)

Land area

GFA

TBD

Monenosato Mall (Expansion buildings)

Location: Yotsukaido, Chiba



Land area

GFA

625.49m²

Merado Daikai

Location: Kobe, Hyogo



Land area

7,256.34m²

GFA

19,465.69m²

Distribution center for last mile delivery

Location: Tokyo 23 wards



Land area

GFA

Note 1: The illustrations above are completion images based on design drawings and may differ from the actual buildings after completion. In Monenosato Mall, the pipeline targets are expansion buildings in the red boxes in the completion image.

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.

Examples of internal growth initiatives

Tenant reshuffling and rent increases



Blumer HAT Kobe

- As the rent level of the former tenant occupying a large lot under a sales-linked rent contract was lowered, replaced tenant prior to expiration of the contract through negotiations
- Concluded a fixed-rent lease agreement with the succeeding tenant Edion Corporation, opening in late November 2019

	9th Period (Actual)	11th Period (Forecast)	Changes
NOI (6 months)	JPY 254 mn	JPY 274 mn	JPY +20 mn

Retail environment renovation

Resora Obu Shopping Terrace

Renovated the retail environment, such as food court. Opened "Namco Asobi Park" in July 2019, expecting to generate synergy effects with other tenants through attracting family customers



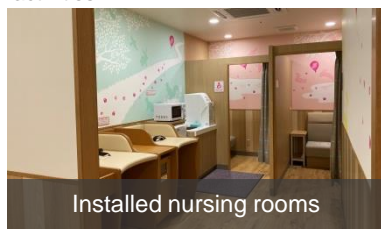
Installed tatami seating space



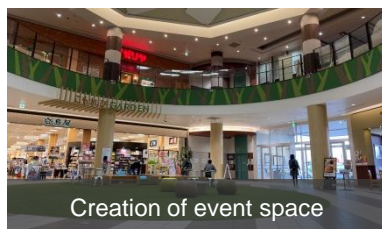
Opened Namco Asobi Park

Sun Street Hamakita

Renovated the retail environment, such as food court. Expected to generate effects on leasing activities



Installed nursing rooms



Creation of event space

Property expansion on the underutilized space

Yokohama Kamigo Distribution Center

Assume construction (expansion) of new building (restaurant building) on the acquired land



Unicus Ina

Spent total operating expenses of JPY 95 mn, constructed (expanded) new building (restaurant building) in the area, and additionally acquired in January 2017



Construction cost	Enhancement in profitability	High investment return	Increase in asset value
Total project cost JPY 95 mn	NOI Increase JPY +11 mn	Increased NOI yield +12.0%	Increase in appraisal value JPY +240 mn

Cost cutting by installing LED lighting, reviewing power contracts, etc.

Achieved cost cutting by installing Led lighting and reviewing power contracts in retail facilities in which the common area accounts for a large portion

Installation of LED lighting

Examples of LED lighting installation



MONA Shin-Urayasu
 Passaggio Nishiarai
 Blumer HAT Kobe
 Carino Esaka
 Resora Obu
 Roseo Mito

Review of power contracts

Examples of power contract reviews

MONA Shin-Urayasu
 Passaggio Nishiarai
 Blumer Maitamon
 Blumer HAT Kobe
 Carino Esaka
 Sun Street Hamakita

Recognitions and certifications on ESG

Won the first place in the “Eastern Asia - Retail - Listed” category in GRESB



Participated in the GRESB Real Estate Assessment in 2018 consecutively from the first participation in 2016

Awarded “**Green Star**” as KRR received high evaluation on both “implementation and measurement” and “management and policy” for four consecutive years

Earned “**Four Star GRESB Rating**,” which is relative indication of the global performance

Won the first place in the “Eastern Asia - Retail - Listed” category

Acquired DBJ Green Building Certifications

Certified properties: 14 properties, Total certified floor area: 340,251.61m² (54.5%)

★★★★ Properties with outstanding environmental & social awareness



MONA Shin-Urayasu

**Daikanyama
Address Dixsept**

Blumer Maitamon

Update!

★★★ Properties with excellent environmental & social awareness

Passaggio Nishiarai

Unicus Yoshikawa

**Kawamachi
Yahagi Mall**

Blumer HAT Kobe

Update!

Carino Esaka

Update!

Roseo Mito

Ashico Town Ashikaga

Sun Street

Hamakita

Update!

★★ Properties with high environmental & social awareness

Unicus Ina

Yumemachi Narashinodai Mall

Resora Obu Resora Obu

Environmental Considerations Rating from Sumitomo Mitsui Banking Corporation

Awarded an “A” grade from Sumitomo Mitsui Banking Corporation in recognition of its commitment to environmental initiatives in asset management, based on SMBC Environmental Considerations Lending Program

MUFG ESG Rating Certificate for J-REIT supported by JCR

Awarded the highest rank of “S” in “MUFG ESG Rating Certificate for J-REIT supported by JCR” by Mitsubishi UFJ Research and Consulting Co., Ltd. in March 2019

Initiatives at Unicus Ina

Solar panel installation



Decrease CO₂ emissions

Cooperation with the local communities



Agreed for temporary shelter in case of a disaster

Greening of facilities



Awarded Green Award of Saitama Prefecture

Community-participating events



Summer festival

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 (623,999.98 m²) (partial ownership and mutual ownership properties are calculated according to their ownership ratio). Furthermore, the total number of certifiable properties is 43 properties out of 55 properties owned as of September 30, 2019, excluding 12 land-only properties.

The Kenedix Group's strong commitment to J-REITs

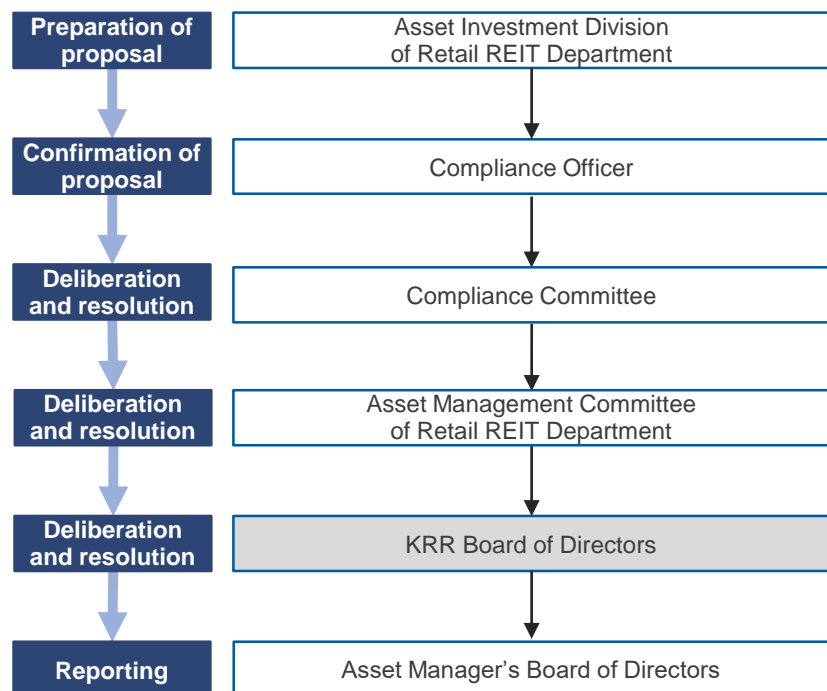
Because of the importance of the J-REIT business to the Kenedix Group, KRR's sound growth is in line with Kenedix's interests



Investment in KRR by Kenedix, Inc. (as of the date of this document)

Number of units owned 10,050 units	Ownership 1.9%
--	--------------------------

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 calculation	
		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 9th FP

KRR's excess return against TSE REIT Total Return Index (Mar. 31, 2019 to Sep. 30, 2019)

KRR's total return: 2.58%

TSE REIT Total Return Index: 16.27%

KRR's total return < TSE REIT Total Return Index

→ In this case, there is no performance fee

An aerial photograph of a city, likely Tokyo, showing a dense urban landscape with numerous buildings and a prominent railway line running diagonally through the center. The left side of the image is partially covered by a semi-transparent blue overlay.

04

Financial results and forecasts

Security Code
3453

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

	Mar. 2019	Sep. 2019		Changes		Remarks on changes from forecasts
	8th Period Actual (A)	9th Period Forecast (B)	9th Period Actual (C)	C - A	C - B	
Rent revenue – real estate	7,068	7,125	7,129	+61	+4	Fixed rent: early move-in (Obu) +6, disposition (Yachiyo) -14 Sales-linked rent (Hamakita, Shin-Urayasu, etc.) +7
Other lease business revenue	1,128	1,261	1,237	+108	-23	Utility income -44, penalty (Esaka) +4, resorting (Hamakita, etc.) +7
Gains on sale	218	200	242	+24	+42	Yachiyo +40
Operating revenues	8,415	8,586	8,609	+194	+22	
Property related expenses (excl. depreciation)	2,742	2,901	2,872	+129	-29	Utility charge -55, property tax, etc. (Yachiyo) +33
NOI	5,454	5,484	5,494	+40	+10	
Depreciation	990	1,012	1,019	+28	+6	
NOI after depreciation	4,463	4,471	4,475	+11	+3	
Other operating expenses	796	795	838	+41	+42	
Operating income	3,884	3,876	3,879	-5	+3	
Non-operating income	1	0	0	-1	+0	
Non-operating expenses	601	590	591	-10	+1	
Ordinary income	3,284	3,285	3,288	+4	+3	
Net income	3,283	3,284	3,287	+4	+2	
DPU (JPY)	6,477	6,480	6,486	+9	+6	

Financial forecasts: 10th and 11th fiscal periods (JPY mn)

Key financial information	Sep. 2019 9th Period (Actual)	Mar. 2020 10th Period (Forecast)	Changes
Operating revenues	8,609	8,257	-351
Gain on sales of real estate	242	56	-186
Operating expenses	4,729	4,170	-559
Operating income	3,879	4,087	+208
Non-operating expenses	591	605	+13
Interest expenses & financing-related expenses	567	578	+10
Amortization of investment unit issuance costs	19	27	+7
Ordinary income	3,288	3,482	+193
Net income	3,287	3,481	+193
DPU	6,486	6,501	+15

Mar. 2020 10th Period (Forecast)	Sep. 2020 11th Period (Forecast)	Changes
8,257	8,414	+156
56	-	-56
4,170	4,345	+174
4,087	4,069	-18
605	584	-20
578	576	-1
27	8	-19
3,482	3,484	+2
3,481	3,483	+2
6,501	6,506	+5

Related key indicator	Sep. 2019 9th Period (Actual)	Mar. 2020 10th Period (Forecast)	Changes
NOI	5,494	5,854	+359
NOI yield (%)	5.5%	5.2%	---
Depreciation	1,019	1,014	-5
NOI after depreciation	4,475	4,839	+364
NOI yield after depreciation (%)	4.5%	4.3%	---
FFO	4,093	4,470	+376
CAPEX	791	821	+30
LTV (%)	44.9%	44.5%	---

Mar. 2020 10th Period (Forecast)	Sep. 2020 11th Period (Forecast)	Changes
5,854	5,924	+70
5.2%	5.3%	---
1,014	1,025	+17
4,839	4,899	+59
4.3%	4.3%	---
4,470	4,521	+50
821	800	-20
44.5%	44.5%	---

Revenues and expenses of ten assets with sales-linked rent (JPY mn)

Forecast

	Shin-Urayasu		Nishiarai		Daikanyama		Maitamon		HAT Kobe		Esaka		Obu		Ashikaga		Hamakita		Yachiyo	
Period	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th
Rent (fixed)	328	325	207	210	185	185	354	353	346	363	151	150	207	209	177	189	429	432		
Rent (sales-linked)	35	38	13	13	5	4	17	13	10	9	41	44	14	14	8	12	6	6		
Utility charge reimbursement	41	46	34	39	29	35	78	100	68	83	29	33	45	54	47	65	59	69		
Penalty restoring reimbursement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Other revenues	105	105	60	43	47	47	28	28	33	34	76	77	15	15	7	7	23	23		
Revenues	512	516	316	307	268	272	477	495	459	489	298	305	282	294	241	275	518	532		
PM fees	76	77	47	46	52	53	61	63	65	67	42	42	38	37	40	42	70	67		
Utilities	60	63	34	35	34	40	58	68	55	66	30	39	44	52	48	56	47	53		
Taxes	23	23	35	35	12	12	41	41	47	47	25	25	26	26	25	24	25	25		
Repairs and maintenance	12	33	2	4	3	2	8	14	29	9	3	13	3	1	25	1	4	3		
Others	67	59	35	22	40	35	23	23	20	23	3	3	14	14	13	7	71	69		
Expenses	241	257	154	144	143	145	193	211	218	214	105	124	127	132	152	133	218	220		
NOI	270	259	161	162	125	127	284	284	240	274	193	180	155	161	88	142	299	311		

Actual

	Shin-Urayasu		Nishiarai		Daikanyama		Maitamon		HAT Kobe		Esaka		Obu		Ashikaga		Hamakita		Yachiyo	
Period	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th
Rent (fixed)	324	327	191	203	177	183	343	351	326	326	153	152	205	192	199	176	434	430	536	520
Rent (sales-linked)	38	42	14	12	5	4	18	14	25	22	43	46	14	14	8	10	6	18	63	57
Utility charge reimbursement	41	45	32	39	28	33	78	101	68	83	28	31	43	50	59	65	60	67	64	70
Penalty restoring reimbursement	0	0	0	0	6	0	0	0	0	0	0	4	0	0	0	70	0	5	3	2
Other revenues	111	110	62	63	48	48	35	28	34	37	77	77	54	15	9	9	25	25	31	27
Revenues	514	526	301	318	267	270	475	494	455	469	302	312	318	272	276	332	526	547	699	678
PM fees	79	81	47	50	52	53	61	68	69	67	41	44	39	37	39	40	68	71	143	138
Utilities	63	65	38	42	33	38	64	69	56	67	30	41	45	50	59	62	47	53	66	61
Taxes	23	23	35	35	12	12	41	41	47	47	24	25	26	26	24	24	25	25	69	103
Repairs and maintenance	7	26	3	3	7	11	10	33	10	3	3	42	4	18	6	13	11	23	33	45
Others	71	58	34	30	47	38	22	26	27	29	3	4	22	20	9	6	68	69	50	38
Expenses	245	255	159	162	153	154	201	239	211	215	103	158	139	152	140	148	222	243	364	387
NOI	269	270	142	155	114	116	274	255	244	254	199	154	179	120	136	184	303	303	334	290

Revenues and expenses of assets without sales-linked rent (JPY mn)

Forecast

Period	Existing properties				Properties acquired since 8th period				Disposed properties			
	Multi-tenant properties		Single-tenant properties		Multi-tenant properties		Single-tenant properties		Multi-tenant properties		Single-tenant properties	
	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th	10th	11th
Rent (fixed)	1,336	1,335	2,413	2,413	327	371	606	651	0	0	2	0
Rent (sales-linked)	0	0	0	0	0	0	0	0	0	0	0	0
Utility charge reimbursement	74	83	13	15	14	16	0	0	0	0	0	0
Penalty restoring reimbursement	0	0	0	0	0	0	0	0	0	0	0	0
Other revenues	21	20	2	2	12	14	0	0	0	0	0	0
Revenues	1,433	1,440	2,429	2,431	354	402	606	651	0	0	2	0
PM fees	93	95	56	56	10	11	15	15	0	0	0	0
Utilities	75	81	13	15	14	16	0	0	0	0	0	0
Taxes	128	128	237	236	0	46	0	65	0	0	0	0
Repairs and maintenance	36	38	37	12	4	4	9	20	0	0	0	0
Others	29	30	21	21	3	3	3	5	0	0	0	0
Expenses	363	373	365	341	32	82	28	107	0	0	0	0
NOI	1,069	1,066	2,063	2,090	321	319	578	544	0	0	1	0

Actual

Period	Existing properties				Properties acquired since 8th period				Disposed properties			
	Multi-tenant properties		Single-tenant properties		Multi-tenant properties		Single-tenant properties		Multi-tenant properties		Single-tenant properties	
	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th	8th	9th
Rent (fixed)	1,329	1,330	2,413	2,413	0	1	4	259	0	0	189	15
Rent (sales-linked)	0	0	0	0	0	0	0	0	0	0	0	0
Utility charge reimbursement	77	82	13	14	0	0	0	0	0	0	0	0
Penalty restoring reimbursement	0	0	0	0	0	0	0	0	0	0	0	0
Other revenues	22	24	7	1	0	0	0	0	0	0	0	0
Revenues	1,430	1,436	2,434	2,430	0	1	4	259	0	0	189	15
PM fees	92	94	56	56	0	0	0	7	0	0	40	1
Utilities	79	83	13	14	0	0	0	0	0	0	0	0
Taxes	128	128	205	236	0	0	0	0	0	0	23	5
Repairs and maintenance	24	46	73	28	0	0	0	0	0	0	3	0
Others	28	28	31	21	0	0	0	1	0	0	1	0
Expenses	352	380	379	356	0	0	0	9	0	0	69	7
NOI	1,077	1,056	2,054	2,073	0	1	4	250	0	0	120	8

Note: "Existing properties" refer to properties acquired by the end of 7th FP, excluding disposed properties.

An aerial photograph of a vast, densely populated urban area, likely Tokyo, Japan. The foreground and middle ground are filled with a dense grid of residential and commercial buildings, interspersed with green spaces and parks. A prominent railway line runs diagonally through the lower half of the image. In the far background, a dense skyline of skyscrapers is visible against a clear blue sky with some light clouds. The overall scene conveys a sense of a large, thriving, and complex urban environment.

05

Adapting to changing environment
for sustainable growth

Security Code
3453

Investments focusing on shopping center for daily needs

“Daily / Neighborhood” type

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

“Weekend / Destination” type

The majority of portfolio properties of preceding 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 Centers)

GMS (General Merchandise Stores)

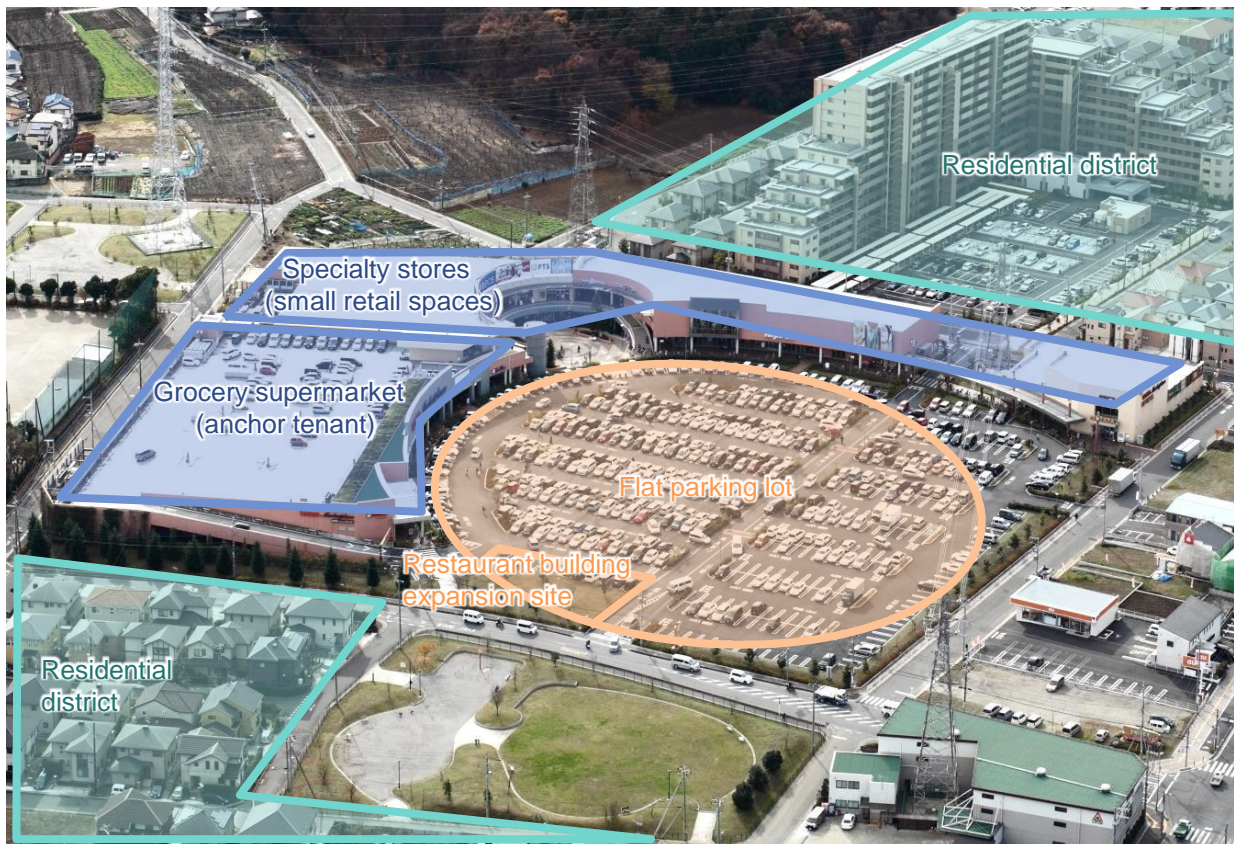
Stand-alone GMS is excluded from our investment criteria

Outlet malls

Urban retail properties featuring

High-end brand shops

Primary characteristics of shopping centers for daily needs



Location Located within residential areas of a metropolitan commuter district

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

Tenants Providing primarily daily necessities

- Housing Yaoko, a grocery supermarket, as the anchor tenant and a group of specialty stores



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	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

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

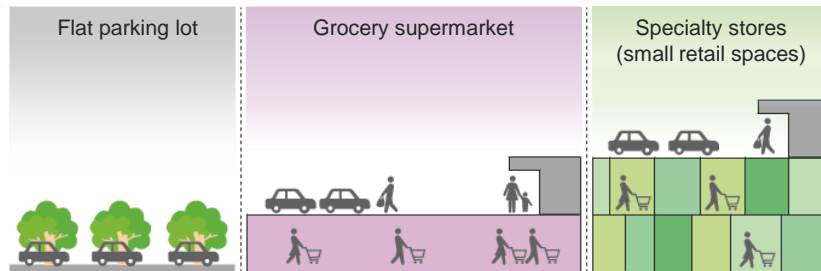
2019

(JPY bn)

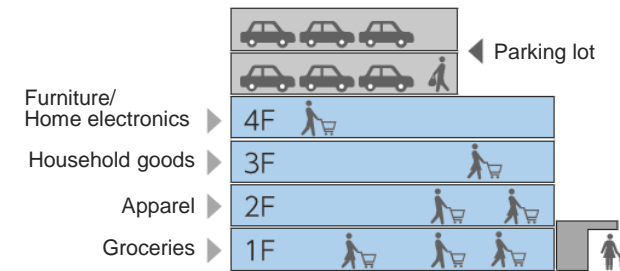
	Type of store	Sales	Change
1	Supermarket	16,507.6	+27.4%
2	Convenience store	10,969.5	+48.0%
3	Drug store	8,683.9	+135.2%
4	Other retailers	7,415.1	+29.1%
5	GMS	7,111.3	-17.3%
6	Apparel	5,969.0	+87.8%
7	Department store	5,889.9	-28.9%
8	Consumer electronics	5,561.1	-2.8%
9	Home and garden	3,436.1	+21.2%
10	Consumers' co-operative	2,390.4	-3.9%

Advantages of shopping centers for daily needs over GMS

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

Disclaimer

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 (<https://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.

Abbreviations of property names

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

KENEDIX

Retail REIT Corporation