

# Kenedix Retail REIT Corporation

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





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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**

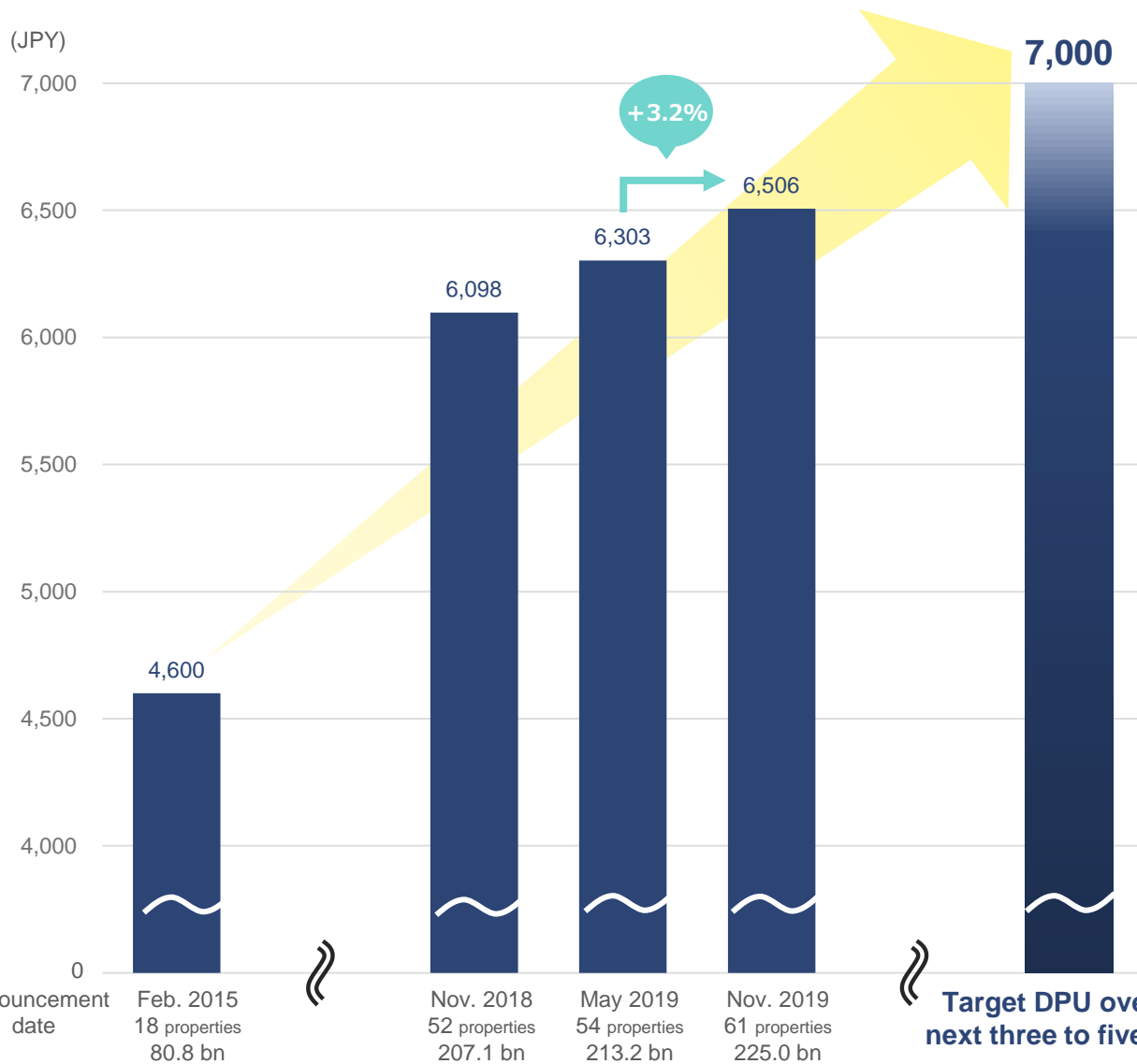
Shopping centers for daily needs close to end consumption areas that **have high compatibility with last-mile distribution centers**

**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

# Stabilized DPU



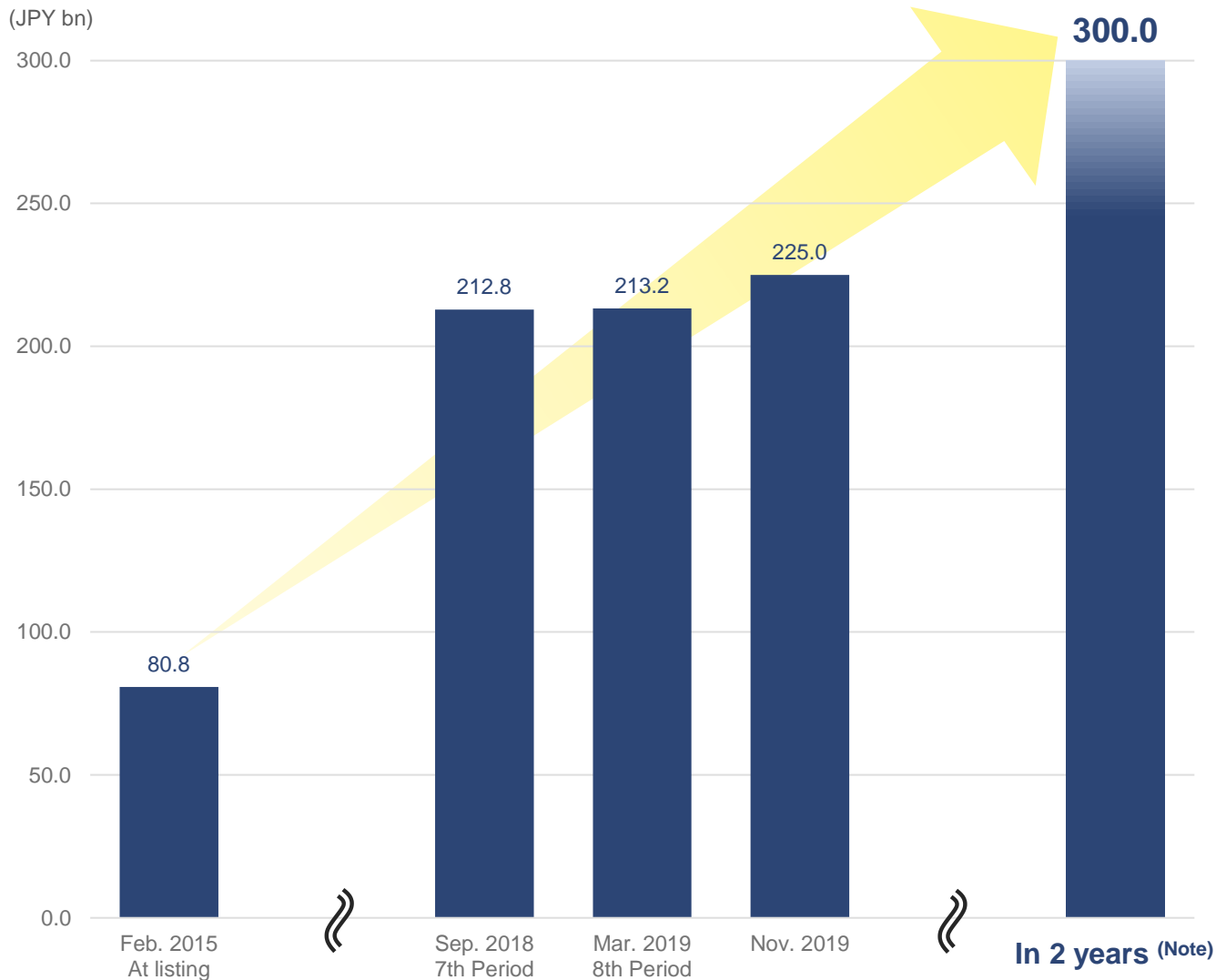
**Achieved the target** stabilized DPU of JPY 6,500, **one year ahead of schedule**

**Target DPU** over the next three to five years:  
**JPY 7,000**  
 per fiscal period

Assuming that property-related taxes were expensed, and excluding one-time factors such as gain/loss on sale of property

Note: The dates above indicate the dates of financial announcements. The number of properties and the price indicate those used for the forecasts.

# Growth road map



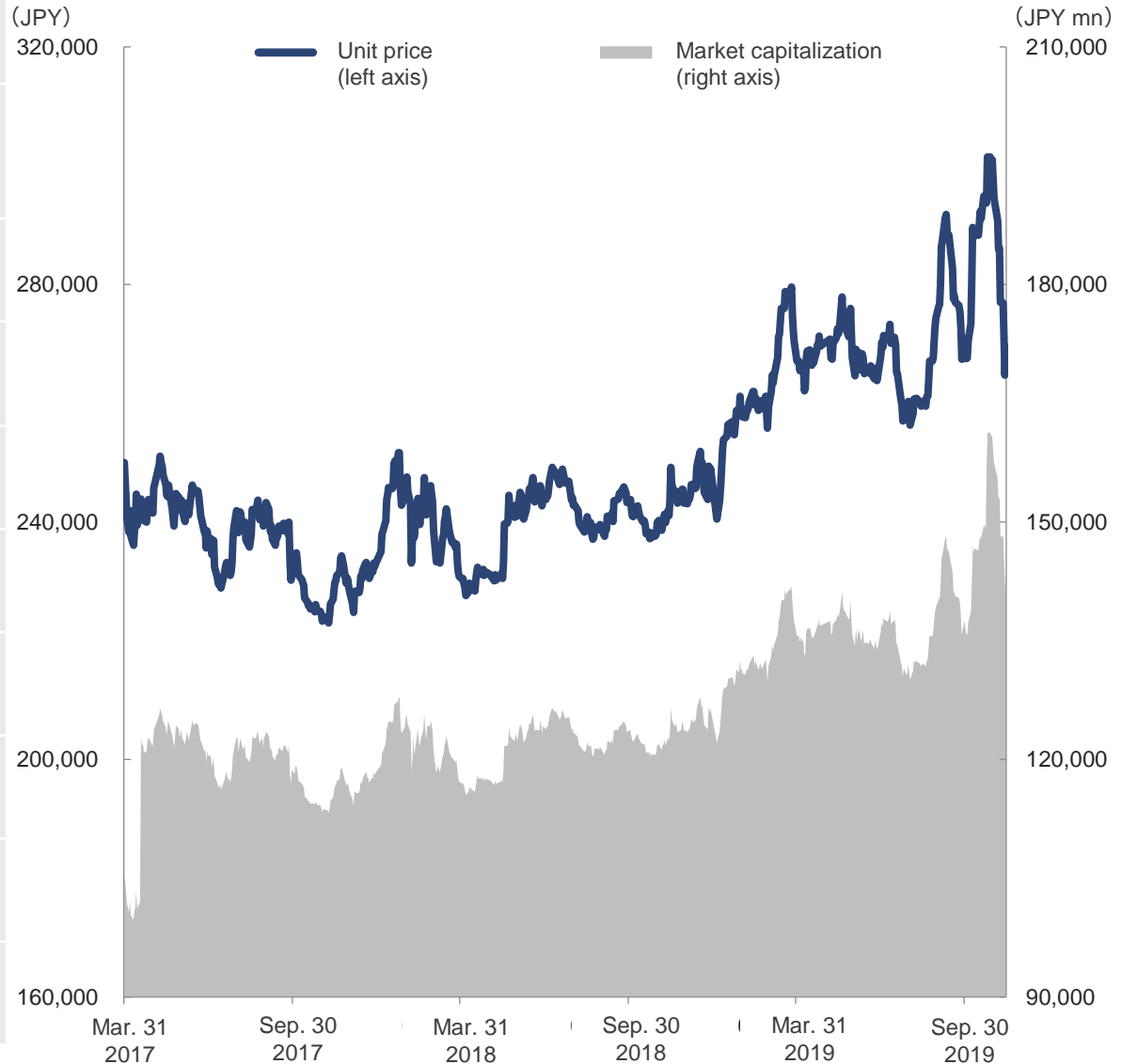
**AUM target of  
300 bn yen**

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

**Overview**

<b>Offering structure</b>	Domestic offering with extraordinary report filing		(JPY) 320,000
<b>Offering size</b>	Total:	JPY 8,054 mn	
	Units offered:	JPY 7,721 mn	
	(Overseas sales):	(JPY 2,749 mn)	
	Over-allotment (OA):	JPY 332 mn	
<b>Number of units issued</b>	Total 28,477 units (including OA 1,177 units)		280,000
<b>Total number of units outstanding (after 4th PO)</b>	536,177 Units		
<b>Offer price</b>	JPY 282,847		240,000
<b>Net proceeds</b>	JPY 7,784 mn		
<b>Launch date</b>	October 8, 2019		200,000
<b>Pricing date</b>	October 16, 2019		
<b>Application period</b>	October 17 to October 18, 2019		160,000
<b>Payment date</b>	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%**

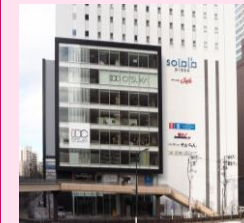
## 4 properties disposed of



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

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

<b>Disposing asset NOI yield</b>	<b>4.7%</b>	<b>Portfolio average appraisal NOI yield</b>	<b>5.3%</b>
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- 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 <sup>(Note 2)</sup>

<b>Top 5 properties</b>	<b>21.4%</b>	<b>(-4.4% vs end of 8th FP)</b>
<b>Top 10 tenants</b>	<b>31.3%</b>	<b>(-1.6% vs end of 8th FP)</b>
<b>% of GMS tenant category</b>	<b>0.0%</b>	<b>(-4.6% vs end of 8th FP)</b>

- 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.

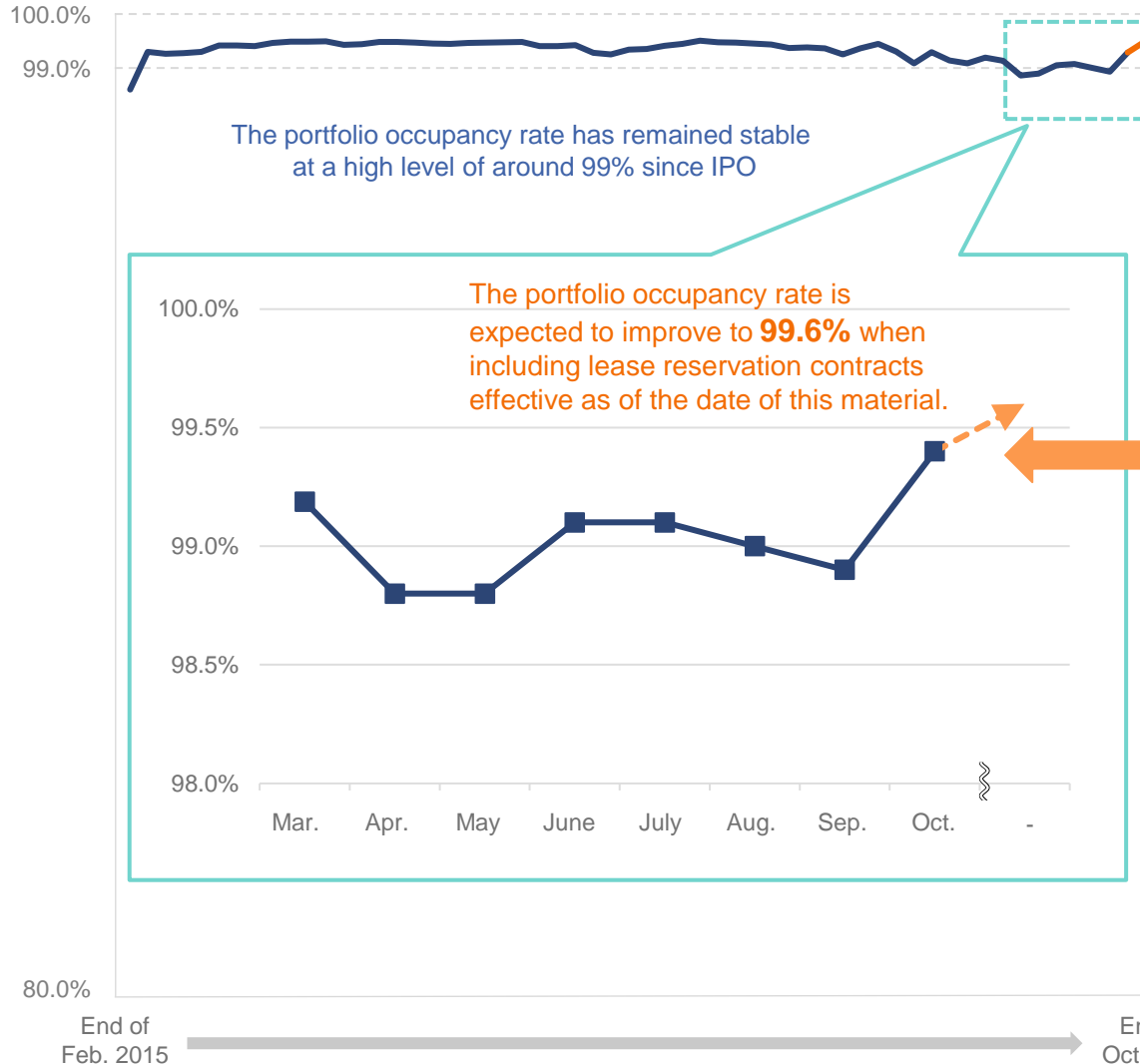
Note 3: "Grocery anchored shopping centers" ratio is calculated by dividing total acquisition price of grocery anchored shopping centers by total acquisition price of retail properties.




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%<sup>(Note 1)</sup> owing to active retail facility management.

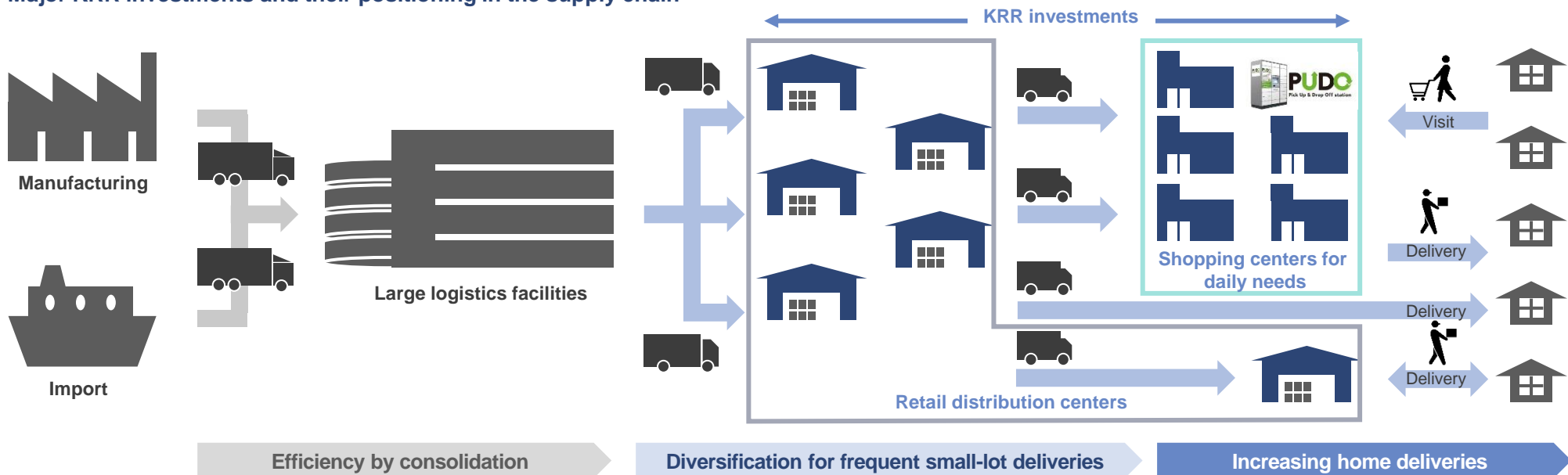


Property name	Occupancy rate <sup>(note 2)</sup> End of Apr. 2019 ▶ As of the date of this material, including reservation contracts
Fululu Garden Yachiyo 	Decided to dispose of  96.6% ▶ <b>Disposed of</b>
Resora Obu Shopping Terrace 	“Namco Resora Obu” open → Opened on July 26, 2019  86.3% ▶ <b>95.5%</b>
Ashico Town Ashikaga 	Completed reservation contract with a hot yoga store, etc. → Scheduled to open around March 2020  95.0% ▶ <b>98.3%</b>

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.

# Similar functions of retail and logistics facilities in providing customers with merchandise

## Major KRR investments and their positioning in the supply chain



## Shopping centers adapting to changing environment

### Pickup of products at retail facilities



### Delivery of products from 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.





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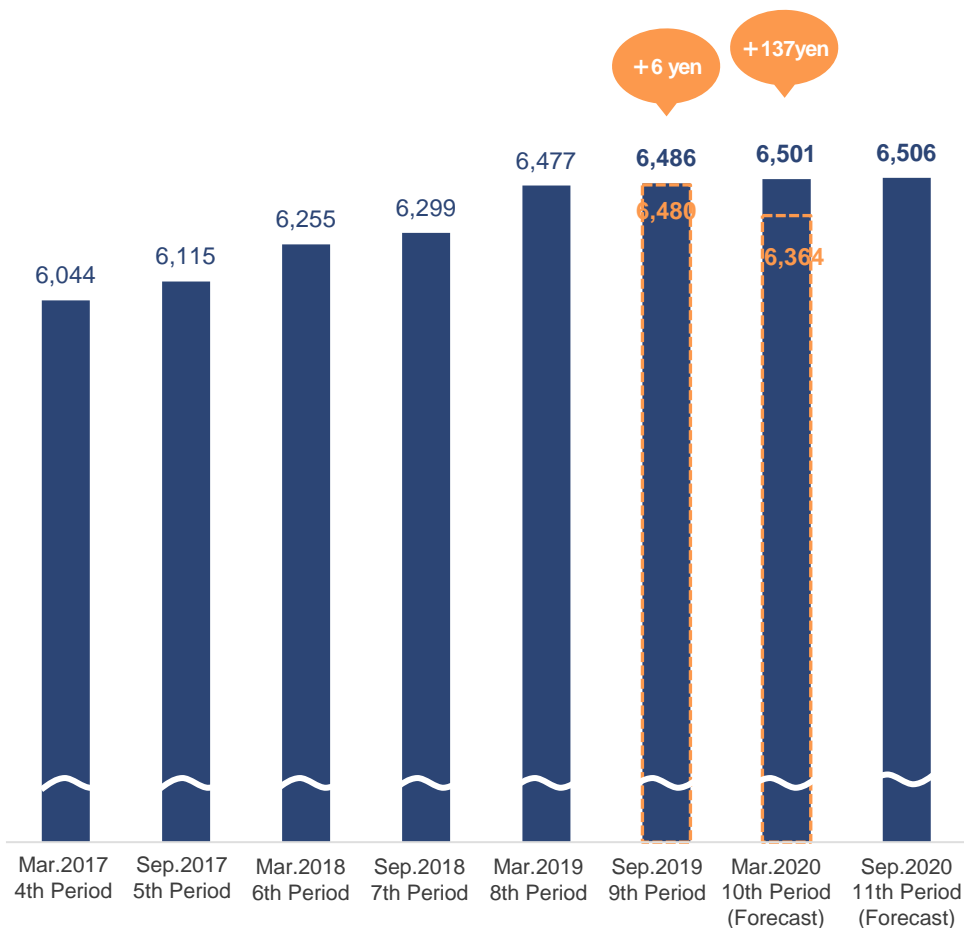
## KRR highlights and updates

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### 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

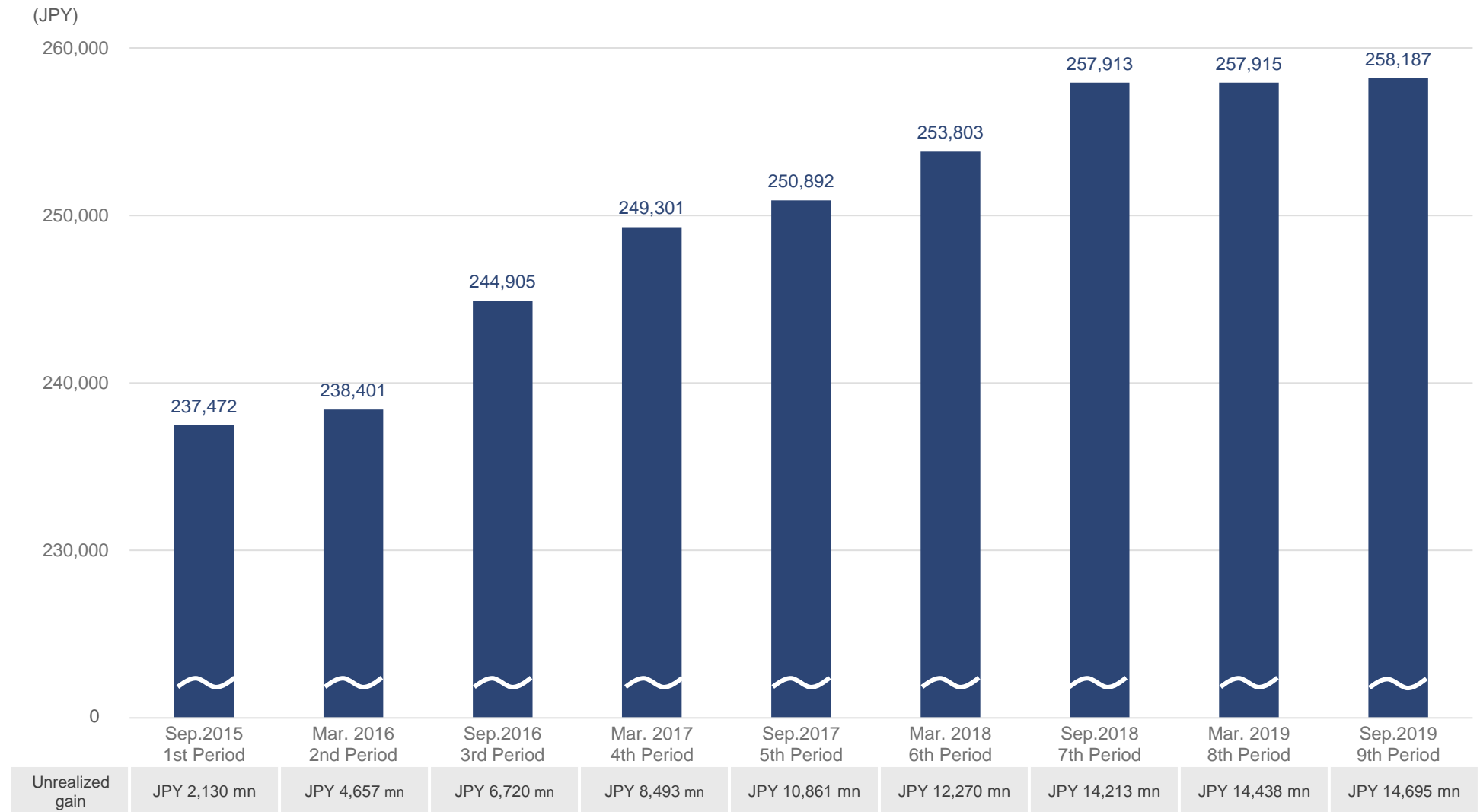
- **Full-period contribution** of the properties acquired in the 10th fiscal period to DPU growth
- Decrease in NOI resulting from **expensing property taxes** on the properties acquired in the 8th to the 10th fiscal period
- Increase in NOI by internal growth through Active tenant reshuffling, etc.

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



# NAV per unit and unrealized gain

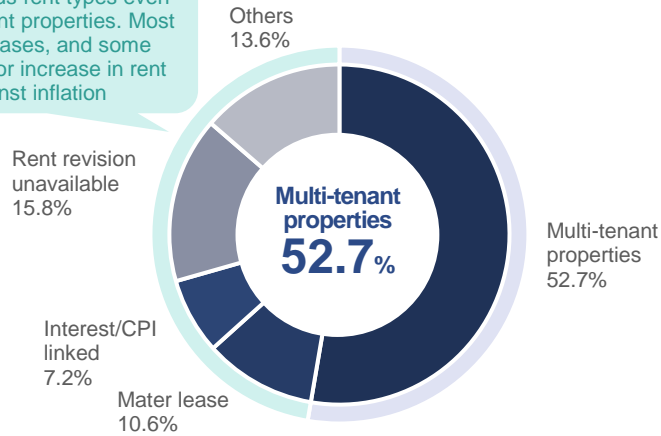
## NAV per unit



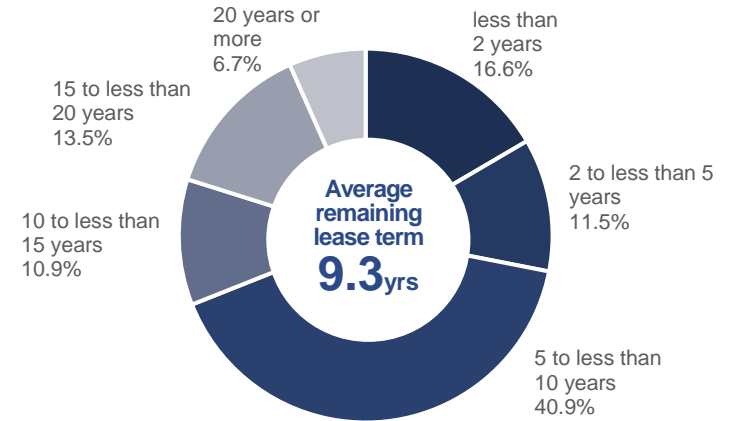
Note: NAV per unit at the end of each fiscal period = (net assets + unrealized appraisal gains/losses on the entire portfolio at the end of each fiscal period) / (total number of investment units issued at the end of each fiscal period)

## Multi-tenant properties (by acquisition prices)

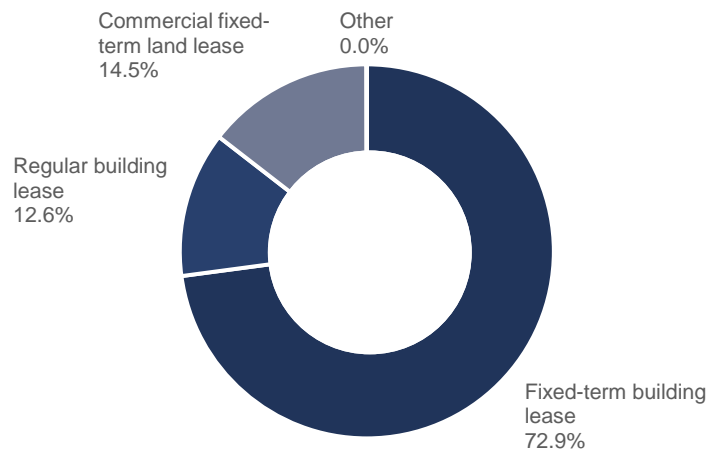
There are various rent types even with single tenant properties. Most are long-term leases, and some have potential for increase in rent and hedge against inflation



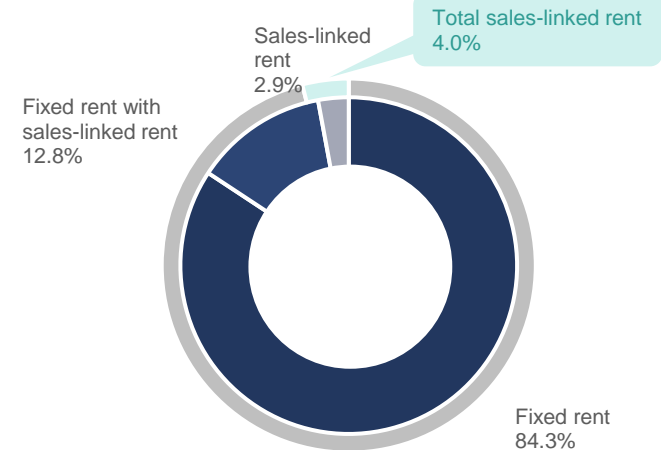
## Remaining lease term (by annual fixed rent)



## Lease contract type (by annual fixed rent)



## Rent type (Apr. 2019 to Sep. 2019)



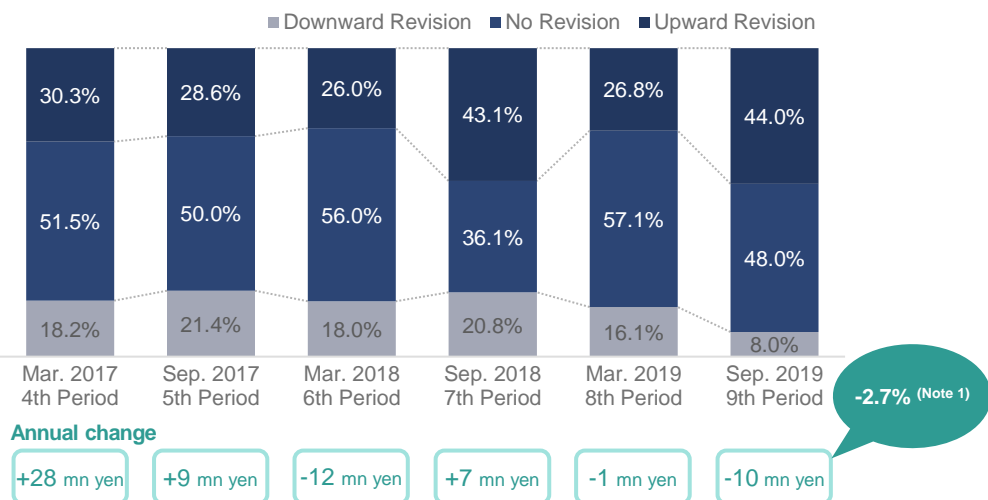
Note 1: The figures are as of Sep. 30, 2019, based on the 61 properties acquired by November 1, 2019. The figures of "Rent type" is for the 9th fiscal period.

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.

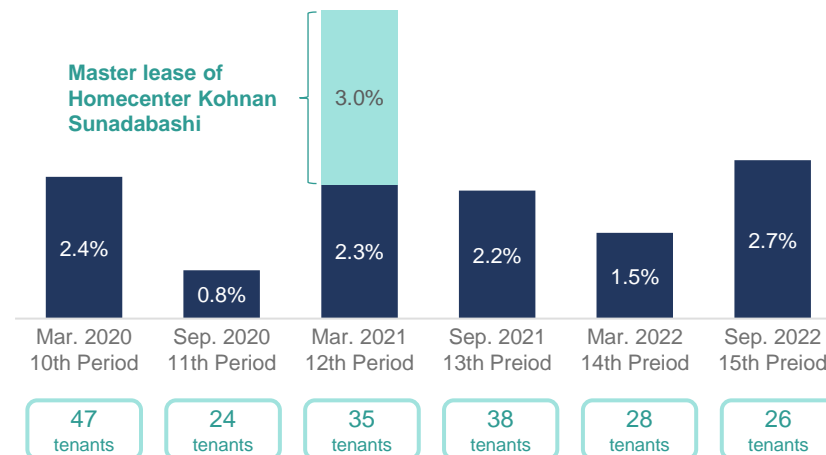


## Rent revisions (based on number of revisions)

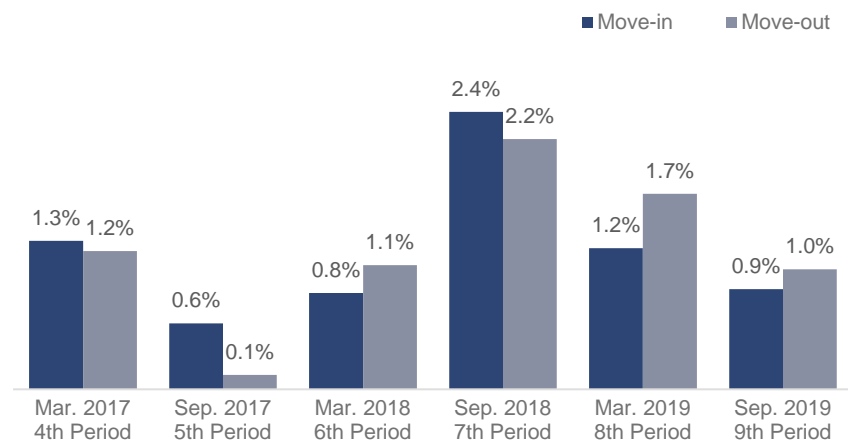


## Lease expiry (by annual fixed rent)

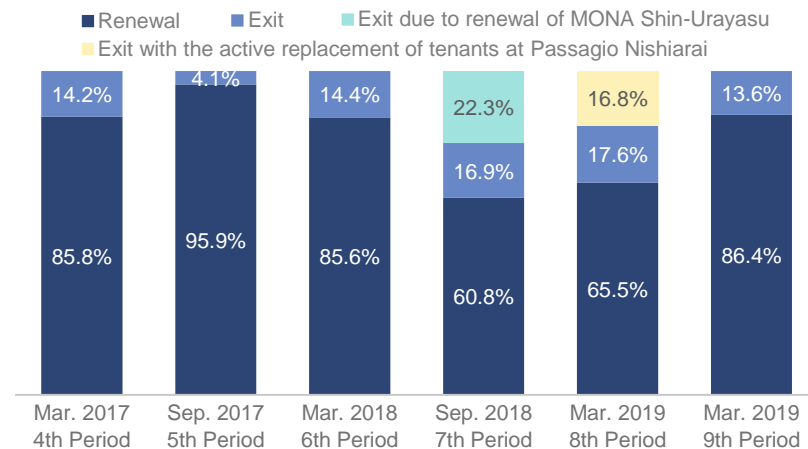
# of tenants and % of lease expiry in each period (Note 2)



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



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



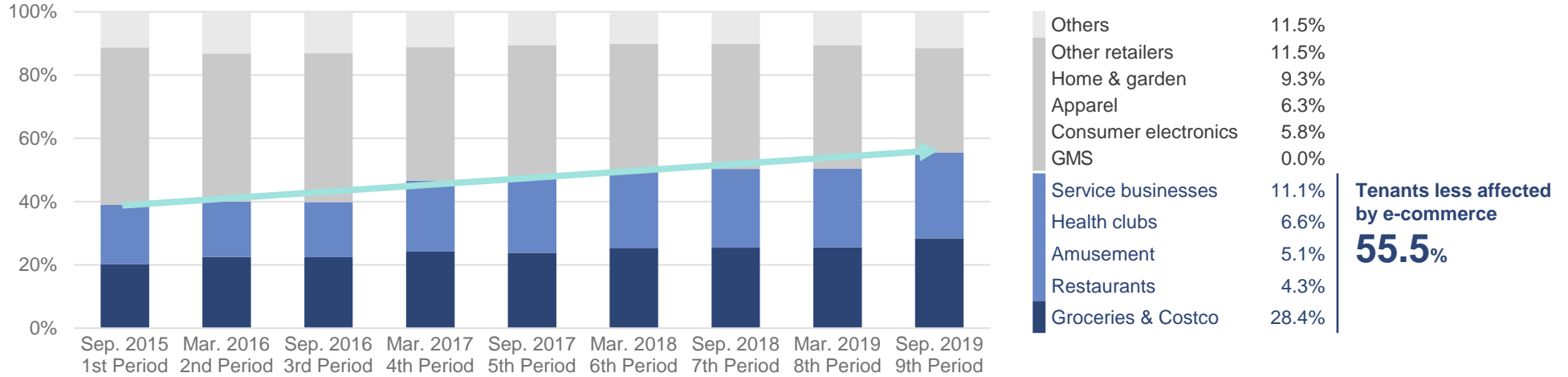
Note 1: Based on the rent including common area charges before revision of the tenants subject to rent revision.

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

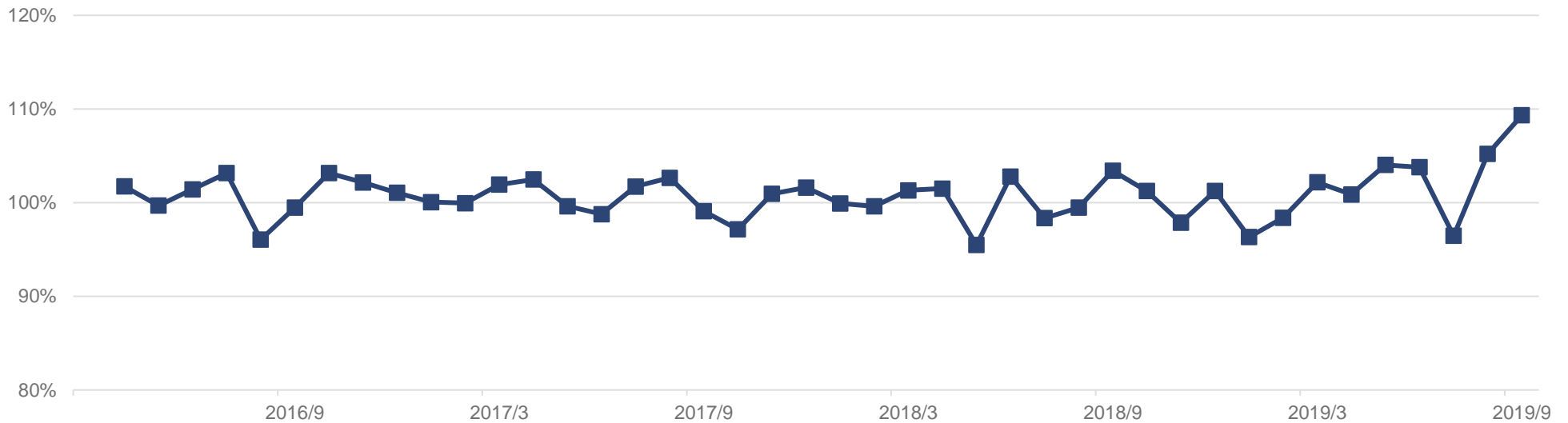
Note 3: Based on the rent revenue of the last month of each fiscal period.

# 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 (1)

## Financial highlights

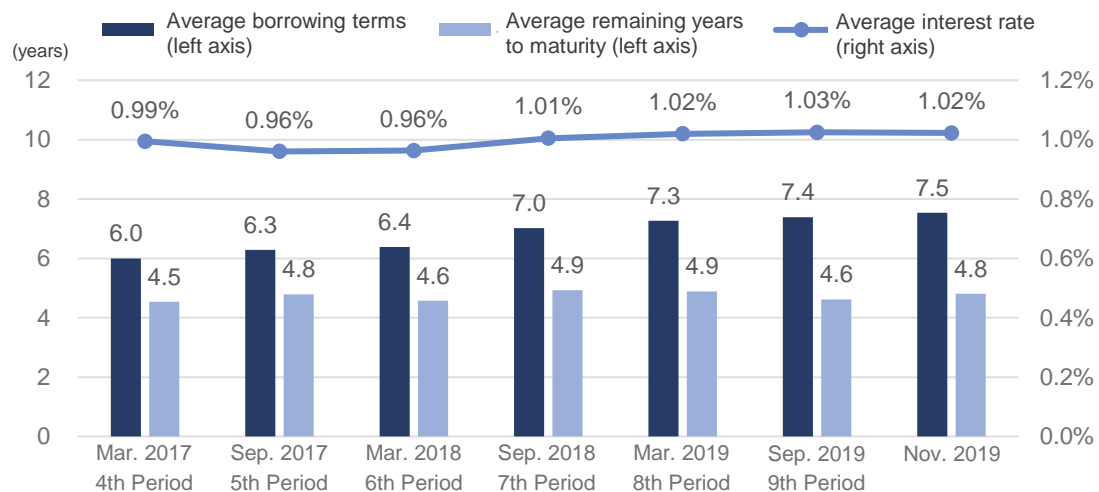
	8th Period	9th Period	After the offering
Long-term debt ratio <sup>(Note)</sup>	96.7%	96.2% >>	96.9%
Fixed interest debt ratio	92.7%	94.2% >>	96.9%
LTV	44.6%	44.9% >>	44.5%

## Credit rating

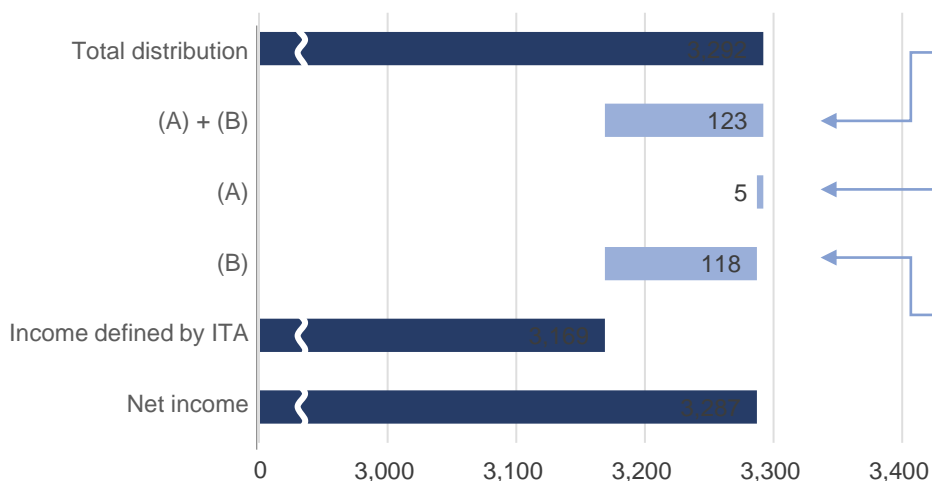
Long-term issuer rating  
(Japan Credit Rating Agency, Ltd.)

**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.**

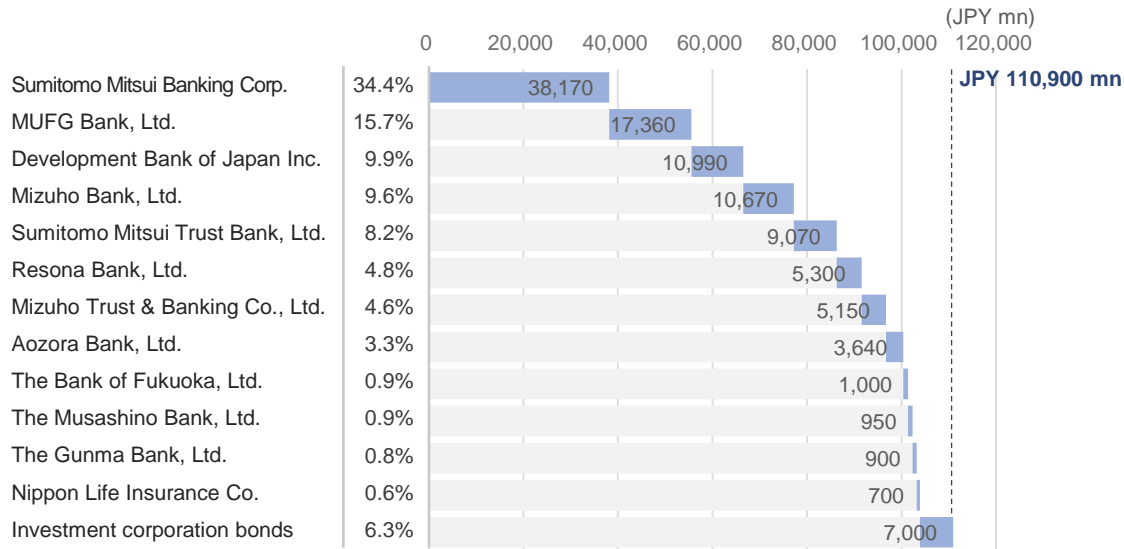
#### B: Net income vs. income in accordance with Investment Trust Act

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.**

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



## Breakdown of debt outstanding by lender and investment corporation bonds



## Commitment credit lines (as of September 30, 2019)

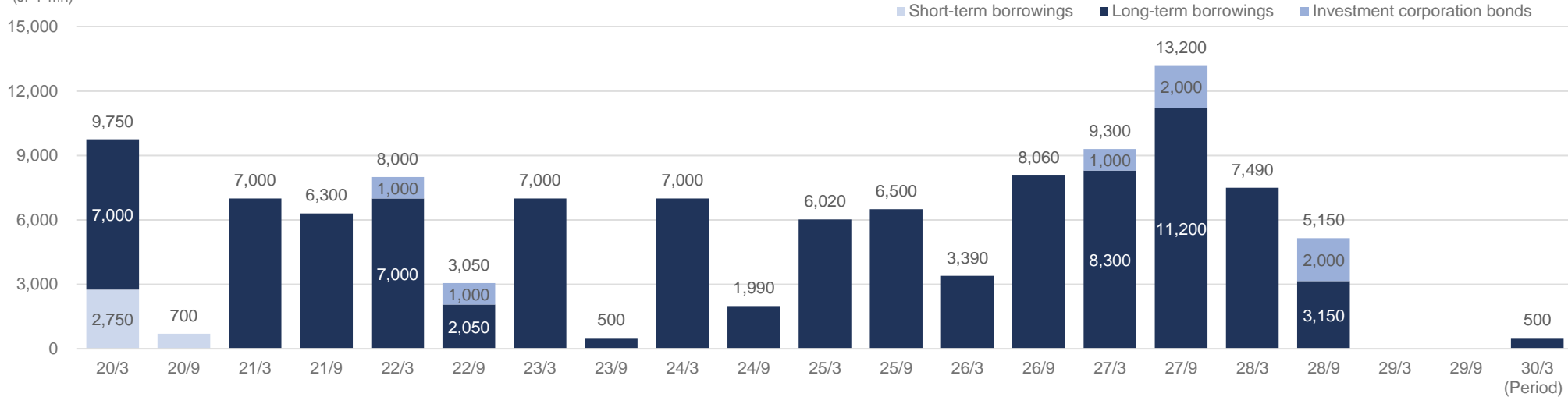
Counterparty	Limit of maximum amount	End of contract term
Sumitomo Mitsui Banking Corp.	JPY 1,000 mn	Mar. 31, 2020
Mizuho Bank, Ltd.	JPY 1,000 mn	Mar. 31, 2021
MUFG Bank, Ltd.	JPY 1,000 mn	Mar. 31, 2020

## 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.





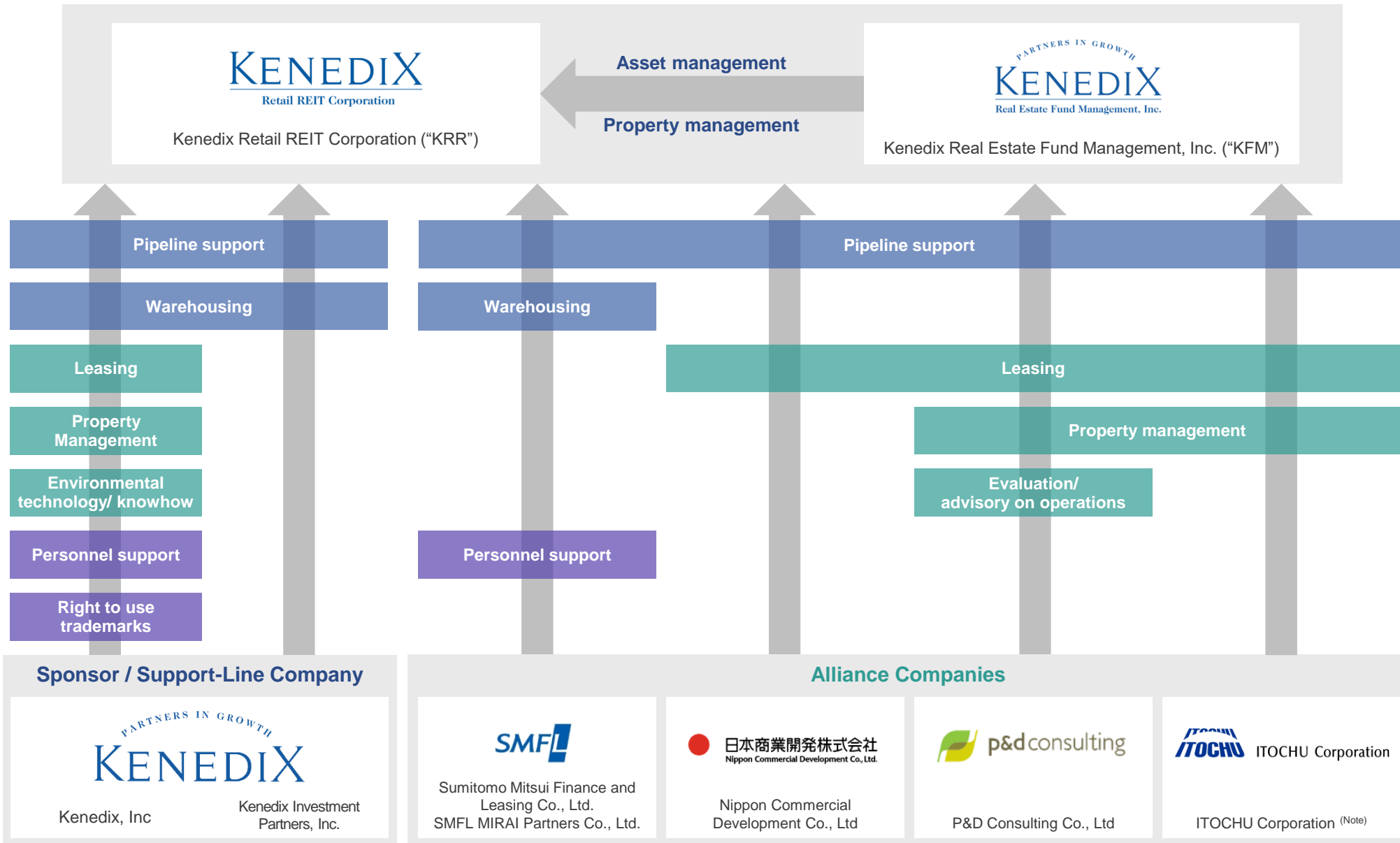
03

## Implementation of growth strategies

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# Strong support from the Kenedix Group and Alliance Companies



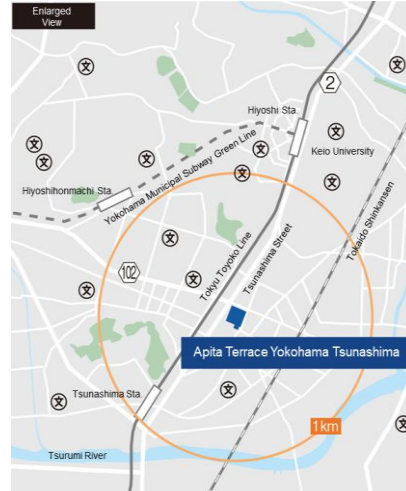
Note: Kenedix, Inc., the asset manager of the retail property development fund jointly created by ITOCHU Corporation ("Kenedix – ITOCHU Fund"), agrees to provide preferential access to potential acquisition opportunities regarding the fund, to KRR and KFM.



# Properties acquired since September 2019 (1)

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

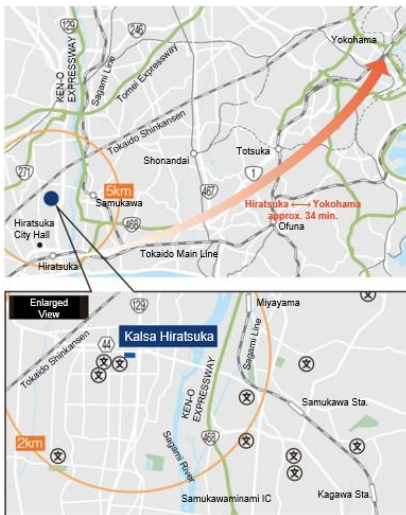
An NSC that meets diverse customer needs and constitutes a next-generation urban smart city in an area with a dense and growing population



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

## Kalsa Hiratsuka

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



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

## Chofu Center Building (Retail wing)

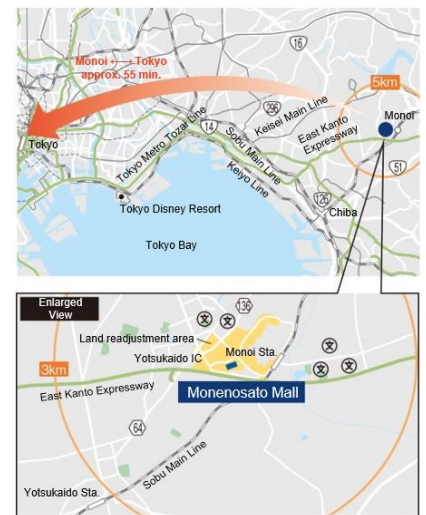
An NSC that serves the needs of its neighborhood, located in a commercial and residential district within walking distance of Chofu Station, and a grocery supermarket as its core tenant



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

## Monenosato Mall

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



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



# Properties acquired since September 2019 (2)

## Across Plaza Urayasu Higashino (Land)

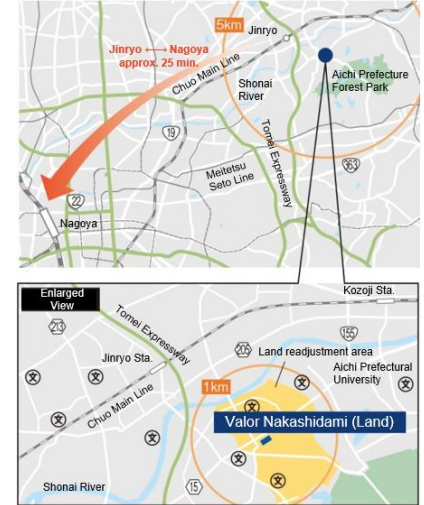
The underlying land for a relatively new NSC opened in December 2017 along a major road in a residential area in Urayasu, an area with continued population growth



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

## Valor Nakashidami (Land)

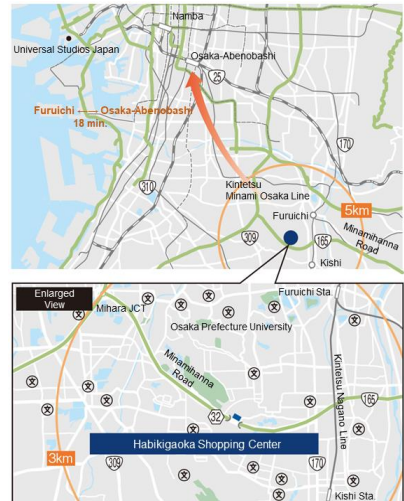
The underlying land for a relatively new grocery supermarket in Moriyama-ku, Nagoya, an area undergoing continued development, with a land readjustment project underway



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

## Habikigaoka Shopping Center

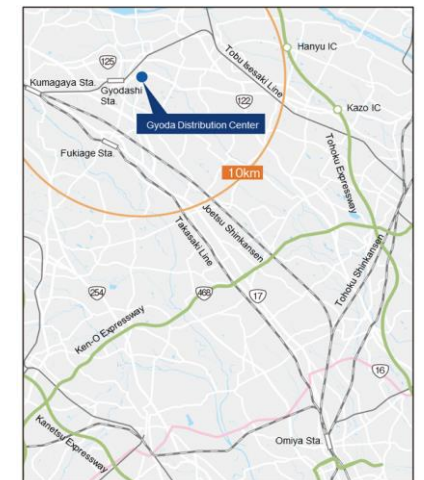
An NSC located in a new town undergoing land readjustment in the southeast part of Osaka Prefecture



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

## Gyoda Distribution Center

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



<b>Acquisition price</b>	JPY3,160 mn
<b>Location</b>	Gyoda, Saitama
<b>Appraisal value</b>	JPY3,350 mn
<b>Appraisal NOI yield</b>	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

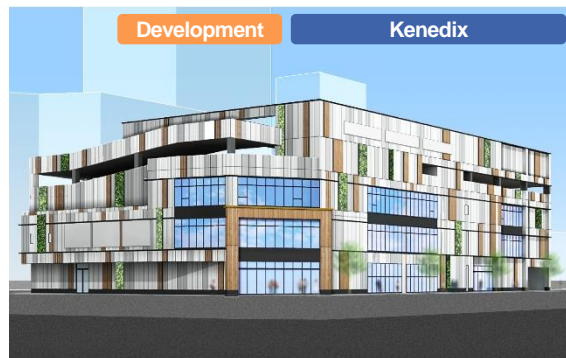
18,300.01m<sup>2</sup>

GFA

38,442.59m<sup>2</sup>

## Development Project in Fukuoka

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



Development

Kenedix

Land area

3,471.00m<sup>2</sup>

GFA

TBD

## Development Project in Ota-ku

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



Development

Kenedix (Brokerage)

Land area

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GFA

TBD

## Monenosato Mall (Expansion buildings)

Location: Yotsukaido, Chiba



Land area

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GFA

625.49m<sup>2</sup>

## Merado Daikai

Location: Kobe, Hyogo



Land area

7,256.34m<sup>2</sup>

GFA

19,465.69m<sup>2</sup>

## Distribution center for last mile delivery

Location: Tokyo 23 wards



Land area

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GFA

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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



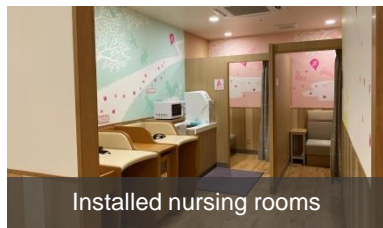
Installed tatami seating space



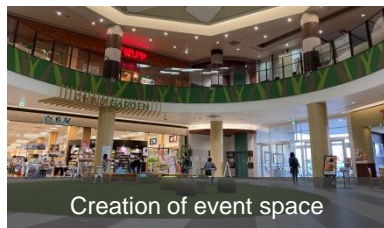
Opened Namco Asobi Park

### 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 <b>95</b> mn	NOI Increase JPY <b>+11</b> mn	Increased NOI yield <b>+12.0%</b>	Increase in appraisal value JPY <b>+240</b> 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: 340,251.61m<sup>2</sup> (54.5%)

★★★★ Properties with outstanding environmental & social awareness

★★★ Properties with excellent environmental & social awareness

★★ Properties with high environmental & social awareness



**MONA Shin-Urayasu**

**Daikanyama Address Dixsept** Update!

**Blumer Maitamon**

**Passaggio Nishiarai**

**Unicus Yoshikawa**  
**Kawamachi Yahagi Mall** Update!

**Blumer HAT Kobe**

**Carino Esaka** Update!

**Roseo Mito**  
**Ashico Town Ashikaga**  
**Sun Street Hamakita** Update!

**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 CO<sup>2</sup> emissions

Cooperation with the local communities



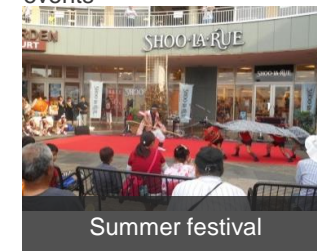
Agreed for temporary shelter in case of a disaster

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 m<sup>2</sup>) (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

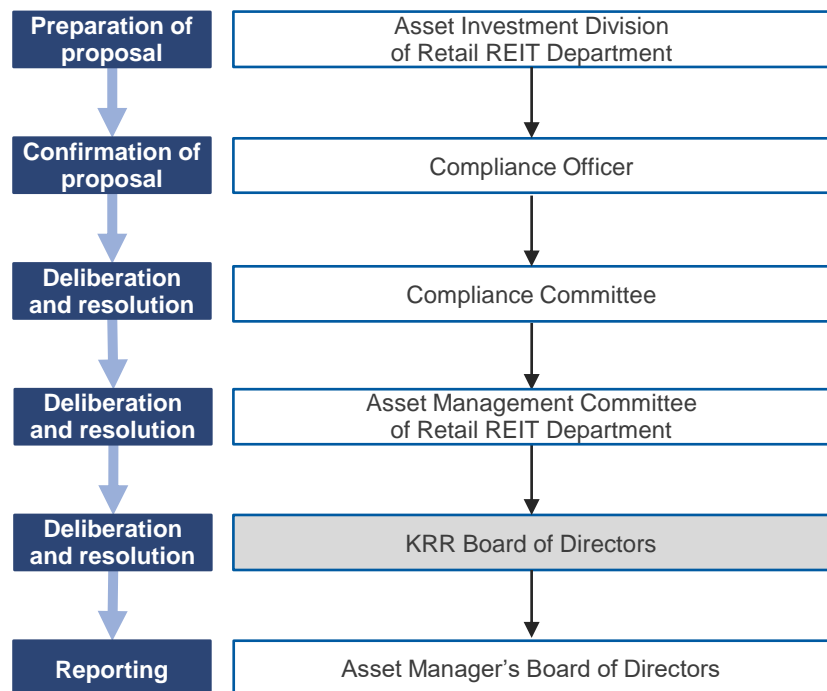
Because of the importance of the J-REIT business to the Kenedix Group, KRR's sound growth is in line with Kenedix's interests



## 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





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
<b>Operating revenues</b>	<b>8,415</b>	<b>8,586</b>	<b>8,609</b>	<b>+194</b>	<b>+22</b>	
Property related expenses (excl. depreciation)	2,742	2,901	2,872	+129	-29	Utility charge -55, property tax, etc. (Yachiyo) +33
<b>NOI</b>	<b>5,454</b>	<b>5,484</b>	<b>5,494</b>	<b>+40</b>	<b>+10</b>	
Depreciation	990	1,012	1,019	+28	+6	
<b>NOI after depreciation</b>	<b>4,463</b>	<b>4,471</b>	<b>4,475</b>	<b>+11</b>	<b>+3</b>	
Other operating expenses	796	795	838	+41	+42	
<b>Operating income</b>	<b>3,884</b>	<b>3,876</b>	<b>3,879</b>	<b>-5</b>	<b>+3</b>	
Non-operating income	1	0	0	-1	+0	
Non-operating expenses	601	590	591	-10	+1	
<b>Ordinary income</b>	<b>3,284</b>	<b>3,285</b>	<b>3,288</b>	<b>+4</b>	<b>+3</b>	
<b>Net income</b>	<b>3,283</b>	<b>3,284</b>	<b>3,287</b>	<b>+4</b>	<b>+2</b>	
<b>DPU (JPY)</b>	<b>6,477</b>	<b>6,480</b>	<b>6,486</b>	<b>+9</b>	<b>+6</b>	



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

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

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

Related key indicator	Sep. 2019 9th Period (Actual)	Mar. 2020 10th Period (Forecast)	Changes
<b>NOI</b>	<b>5,494</b>	<b>5,854</b>	<b>+359</b>
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
<b>LTV (%)</b>	<b>44.9%</b>	<b>44.5%</b>	<b>---</b>

Mar. 2020 10th Period (Forecast)	Sep. 2020 11th Period (Forecast)	Changes
<b>5,854</b>	<b>5,924</b>	<b>+70</b>
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
<b>44.5%</b>	<b>44.5%</b>	<b>---</b>



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

## Forecast

Period	Shin-Urayasu		Nishiarai		Daikanyama		Maitamon		HAT Kobe		Esaka		Obu		Ashikaga		Hamakita		Yachiyo	
	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		
<b>Revenues</b>	<b>512</b>	<b>516</b>	<b>316</b>	<b>307</b>	<b>268</b>	<b>272</b>	<b>477</b>	<b>495</b>	<b>459</b>	<b>489</b>	<b>298</b>	<b>305</b>	<b>282</b>	<b>294</b>	<b>241</b>	<b>275</b>	<b>518</b>	<b>532</b>		
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		
<b>Expenses</b>	<b>241</b>	<b>257</b>	<b>154</b>	<b>144</b>	<b>143</b>	<b>145</b>	<b>193</b>	<b>211</b>	<b>218</b>	<b>214</b>	<b>105</b>	<b>124</b>	<b>127</b>	<b>132</b>	<b>152</b>	<b>133</b>	<b>218</b>	<b>220</b>		
<b>NOI</b>	<b>270</b>	<b>259</b>	<b>161</b>	<b>162</b>	<b>125</b>	<b>127</b>	<b>284</b>	<b>284</b>	<b>240</b>	<b>274</b>	<b>193</b>	<b>180</b>	<b>155</b>	<b>161</b>	<b>88</b>	<b>142</b>	<b>299</b>	<b>311</b>		

## Actual

Period	Shin-Urayasu		Nishiarai		Daikanyama		Maitamon		HAT Kobe		Esaka		Obu		Ashikaga		Hamakita		Yachiyo	
	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
<b>Revenues</b>	<b>514</b>	<b>526</b>	<b>301</b>	<b>318</b>	<b>267</b>	<b>270</b>	<b>475</b>	<b>494</b>	<b>455</b>	<b>469</b>	<b>302</b>	<b>312</b>	<b>318</b>	<b>272</b>	<b>276</b>	<b>332</b>	<b>526</b>	<b>547</b>	<b>699</b>	<b>678</b>
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
<b>Expenses</b>	<b>245</b>	<b>255</b>	<b>159</b>	<b>162</b>	<b>153</b>	<b>154</b>	<b>201</b>	<b>239</b>	<b>211</b>	<b>215</b>	<b>103</b>	<b>158</b>	<b>139</b>	<b>152</b>	<b>140</b>	<b>148</b>	<b>222</b>	<b>243</b>	<b>364</b>	<b>387</b>
<b>NOI</b>	<b>269</b>	<b>270</b>	<b>142</b>	<b>155</b>	<b>114</b>	<b>116</b>	<b>274</b>	<b>255</b>	<b>244</b>	<b>254</b>	<b>199</b>	<b>154</b>	<b>179</b>	<b>120</b>	<b>136</b>	<b>184</b>	<b>303</b>	<b>303</b>	<b>334</b>	<b>290</b>

# 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
<b>Revenues</b>	<b>1,433</b>	<b>1,440</b>	<b>2,429</b>	<b>2,431</b>	<b>354</b>	<b>402</b>	<b>606</b>	<b>651</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>
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
<b>Expenses</b>	<b>363</b>	<b>373</b>	<b>365</b>	<b>341</b>	<b>32</b>	<b>82</b>	<b>28</b>	<b>107</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NOI</b>	<b>1,069</b>	<b>1,066</b>	<b>2,063</b>	<b>2,090</b>	<b>321</b>	<b>319</b>	<b>578</b>	<b>544</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

## 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
<b>Revenues</b>	<b>1,430</b>	<b>1,436</b>	<b>2,434</b>	<b>2,430</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>189</b>	<b>15</b>
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
<b>Expenses</b>	<b>352</b>	<b>380</b>	<b>379</b>	<b>356</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>69</b>	<b>7</b>
<b>NOI</b>	<b>1,077</b>	<b>1,056</b>	<b>2,054</b>	<b>2,073</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>8</b>

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





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
<b>NSC</b>	Neighborhood Shopping Centers	Shopping centers with a supermarket as an anchor or core tenant	3-5km
<b>SM</b>	Supermarkets	Stand-alone stores that primarily provide groceries	3km
<b>CSC</b>	Community Shopping Centers	Larger Shopping centers than NSC, with a supermarket as an anchor or core tenant	5-10km
<b>Urban Station-Front</b>		Shopping centers in the immediate vicinity of an urban public transportation station	3-10km
<b>SS</b>	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)**

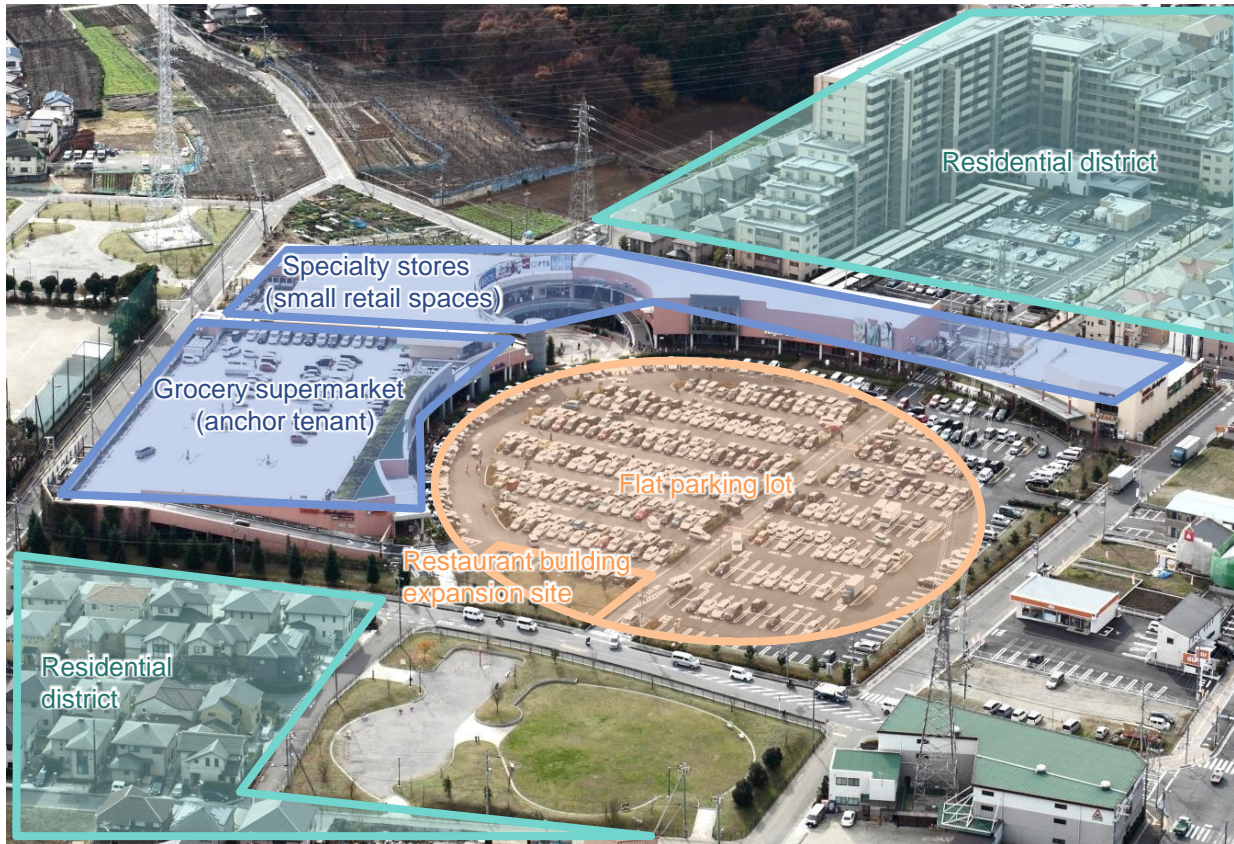
Stand-alone GMS is excluded from our investment criteria

**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 <sup>(Note)</sup>
  - 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



An anchor tenant with strong ability to attract customers



A group of specialty stores selected to satisfy the various needs of local residents (including apparel 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 <sup>2</sup>
Total construction cost	JPY 91 mn

Note: Populations in each radius are calculated based on the 2015 national census.

## 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

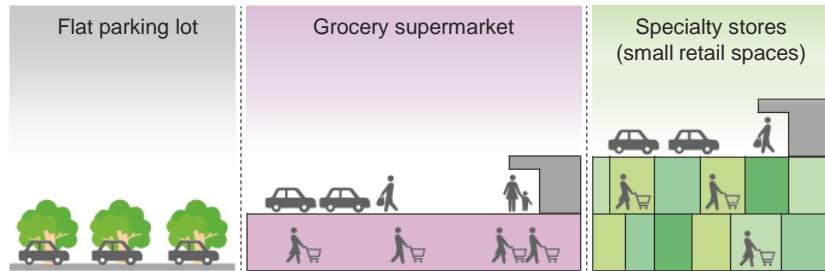
## Buying goods at specialty stores

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%

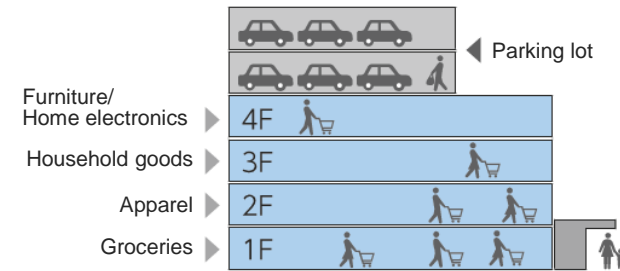


# Advantages of shopping centers for daily needs over GMS

## 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





06

## Key characteristics of KRR

Security Code

3453



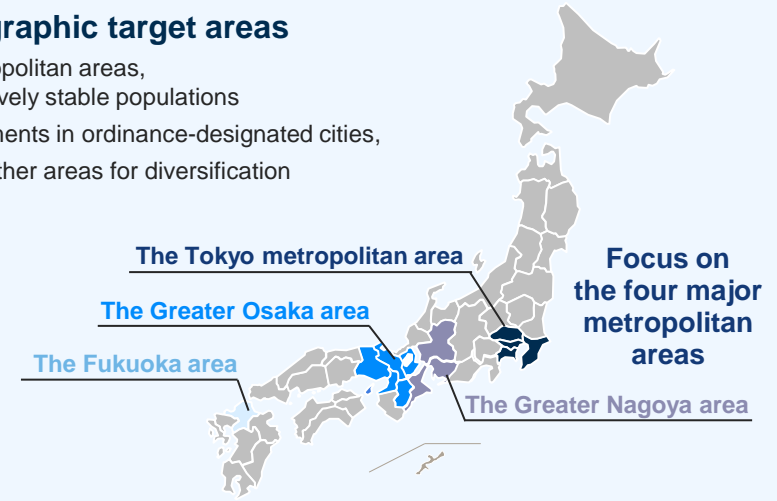
### Investment criteria

Focus on the following four elements in making investment decisions:

<b>Attractiveness</b>	<b>Location</b>
<ul style="list-style-type: none"> <li>Ability to serve particular day-to-day needs of local area customers</li> </ul>	<ul style="list-style-type: none"> <li>Demographic composition, number of households, competing facilities in local retail trade area</li> </ul>
<b>Profitability</b>	<b>Tenant mix</b>
<ul style="list-style-type: none"> <li>Occupancy, leasing status, rent level and lease term</li> </ul>	<ul style="list-style-type: none"> <li>Optimal tenant mix for the property considering tenant credit profiles and retail space usage</li> </ul>

### Primary geographic target areas

- Four major metropolitan areas, which have relatively stable populations
- Selective investments in ordinance-designated cities, core cities and other areas for diversification



### Target portfolio distribution (based on acquisition price)

Distribution centers  
Other retail facilities  
**20% or less**



### Investment in land - Seeking additional growth opportunities

We also seek investment opportunities in the underlying land of retail properties and distribution centers

- Strong demand from retail tenants (the majority of buildings on land-only properties held by J-REITs are retail facilities)
- Maintain maximum value upon termination of lease term, as the land is expected to be returned in its original state
- Investment in lands would be limited to 20% of the portfolio (based on acquisition price) as our general policy

#### Beneficial relationship for both Asset Manager and tenants

##### Advantages to Asset Manager

- Generation of long-term stable rents due to a decrease of vacancy risks because tenants will own buildings pursuant to fixed-term land lease agreements
- Stabilization of rent revenue as tenants will pay maintenance costs related to the buildings on such land
- Improvement of payout ratio as depreciation costs of buildings are borne by tenants
- Limited downside risk related to their asset value caused by external factors, such as fires

##### Advantages to tenants

- Tenants that are both the lessee and property owner bear a smaller financial burden when opening a store
- Increased capital efficiency through treatment of land as off balance sheet
- Simplified procedures for interior renovation of buildings

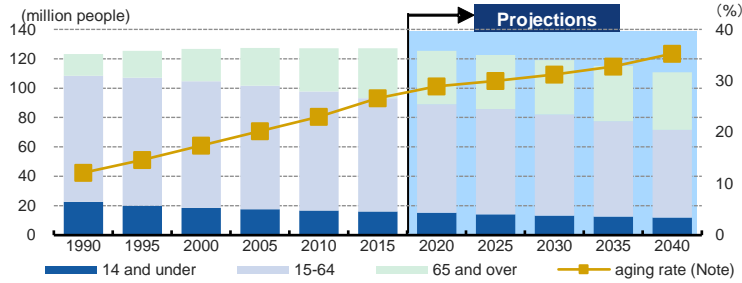
Note: Target areas for distribution centers include locations near expressways or major public highways and easy access to a major metropolitan area or an ordinance-designated city and core city.



# Retail property trends and macroeconomic conditions (1)

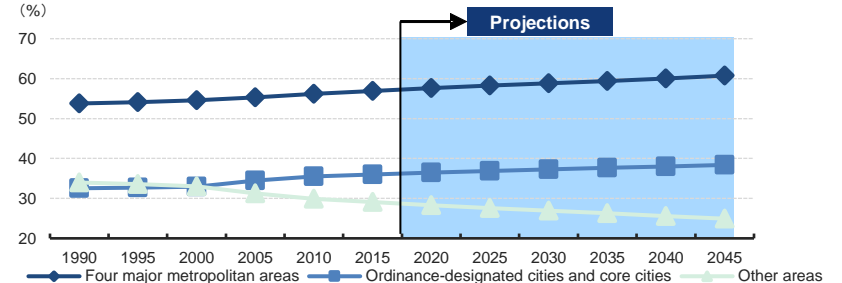
Shrinking retail trade area due to aging and concentrating population in Japan

Demographic shift in Japan



Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research (as of 2017)

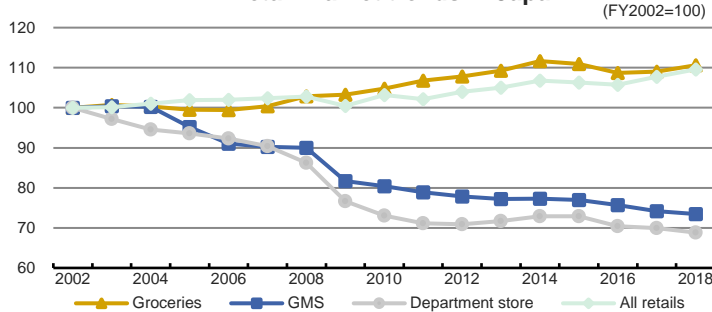
Population share in Japan by area



Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research

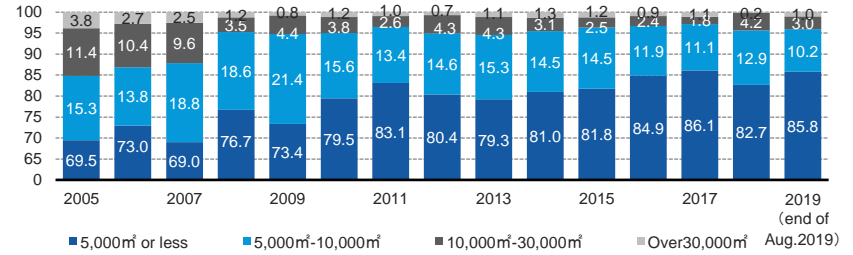
Changing retail facilities

Retail market trends in Japan



Source: Ministry of Economy, Trade and Industry

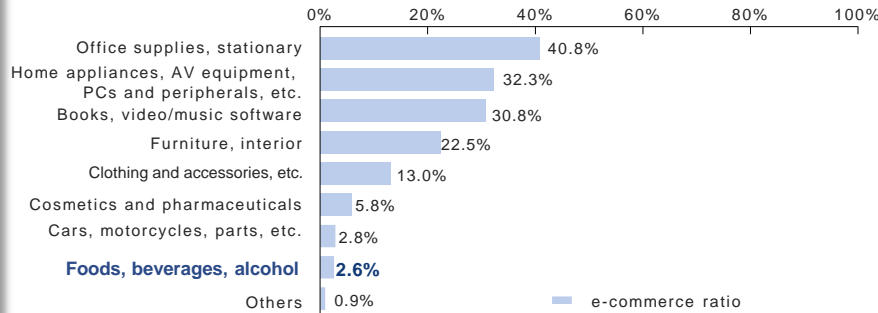
Retail property opening applications by property size



Source: Ministry of Economy, Trade and Industry

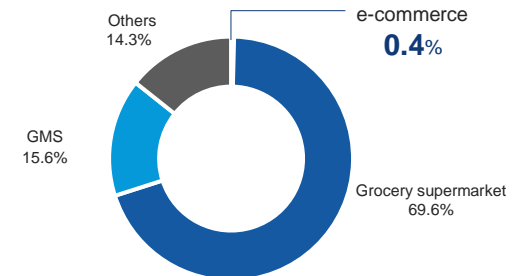
Shopping Centers for daily needs are highly resistant to e-commerce

Foods, etc. with relatively low e-commerce penetration



Source: FY2018 E-Commerce Market Survey by the Ministry of Economy, Trade and Industry

Low e-commerce penetration in the purchase of fresh foods



Source: 2015 Supermarket White Paper by the National Supermarket Association of Japan

	Japan	US	Japan : US
<b>Land area (km<sup>2</sup>)</b> (Source 1)	364,485	9,147,593	1 : 25
<b>Habitable area (km<sup>2</sup>)</b> (Source 2)	114,996	6,043,720	1 : 53
<b>Population (thousand)</b> (Source 3)	126,494	327,352	1 : 2.5
<b>Population density (Land area) (persons/km<sup>2</sup>)</b>	347	35	10 : 1
<b>Population density (Habitable area) (persons/km<sup>2</sup>)</b>	1,105	53	20 : 1
<b>Number of SC</b> (Source 4)	3,220	47,176	1 : 15
<b>Total floor area for SC (m<sup>2</sup>)</b> (Source 4)	53,193,597	624,060,000	1 : 12
<b>Number of SC per million people</b>	25	144	1 : 6
<b>Floor area for SC per capita (m<sup>2</sup>/person)</b>	0.42	1.90	1 : 5
<b>EC share</b> (Source 5)	6.2%	9.9%	—
<b>Grocery EC share</b> (Source 6)	1.9%	1.1%	—
<b>Share of expenses for meats, fishes and fresh vegetables to all food expense</b> (Source 7)	27.9%	19.8%	—
<b>Share of expense for restaurant meals to all food expense</b> (Source 7)	17.8%	43.5%	—

Source 1: Central Intelligence Agency "The World Factbook"

Source 2: World Bank, World Development Indicators (2016)

Source 3: International Monetary Fund "World Economic Outlook Database" (2018)

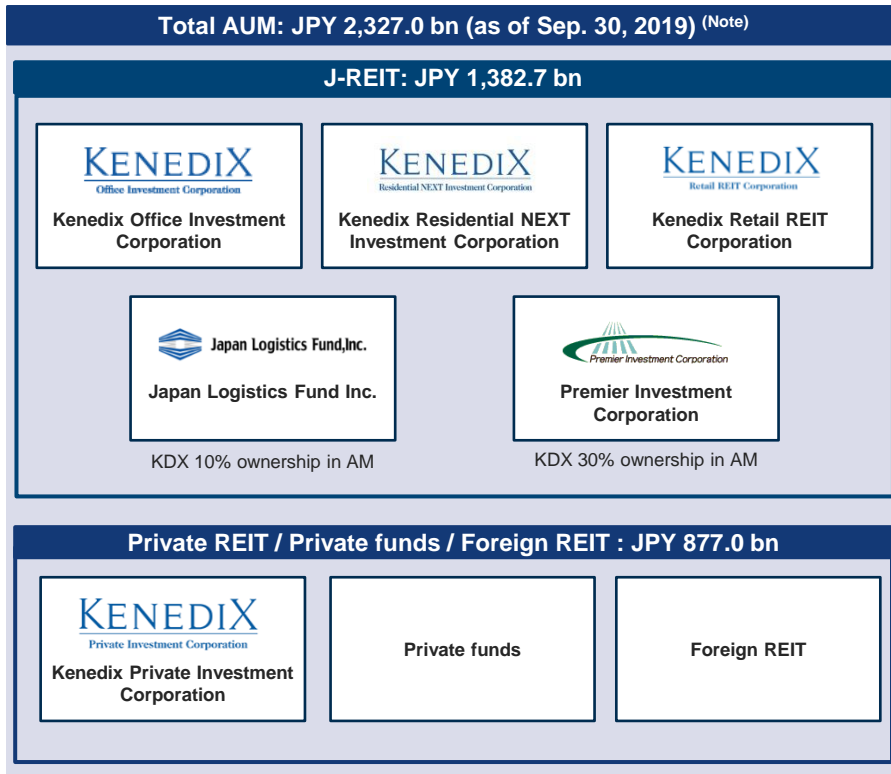
Source 4: Japan Council of Shopping Center (2017) (Japan), Japan Council of Shopping Center "SC White paper" (2018, excluding CVC) (US)

Source 5: The Ministry of Economy, Trade and Industry "Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)" (2019) (Japan), Statista (2019) (US)

Source 6: The Ministry of Agriculture, Forestry and Fisheries "Survey of E-Commerce for Food" (2018)

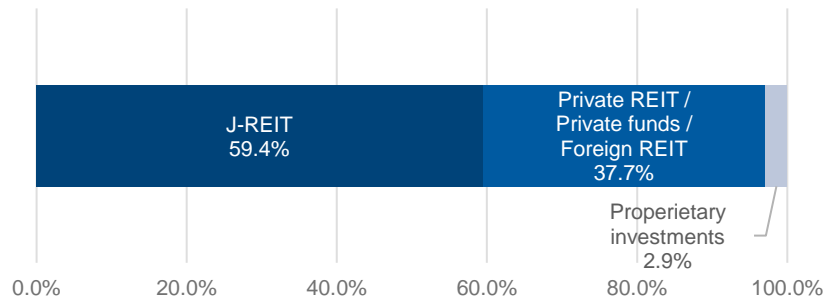
Source 7: The Ministry of Internal Affairs and Communications "Family Budget Survey" (2017) (Japan), Bureau of Labor Statistics (2017) (US)

## The Kenedix Group's strong commitment to J-REITs



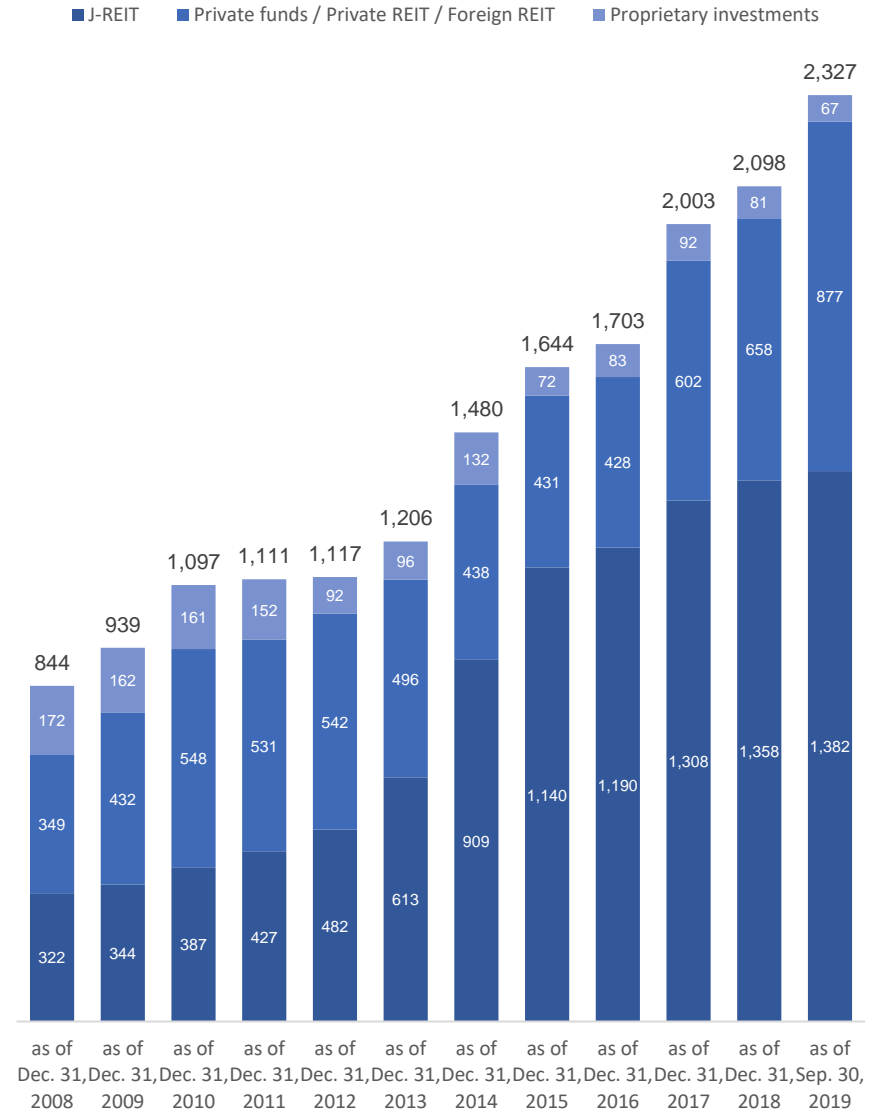
Note: The Kenedix Group's total AUM includes proprietary investments of JPY 67.1 bn.

Breakdown of AUM as of Sep. 30, 2019



## The Kenedix Group's total AUM

(JPY bn)







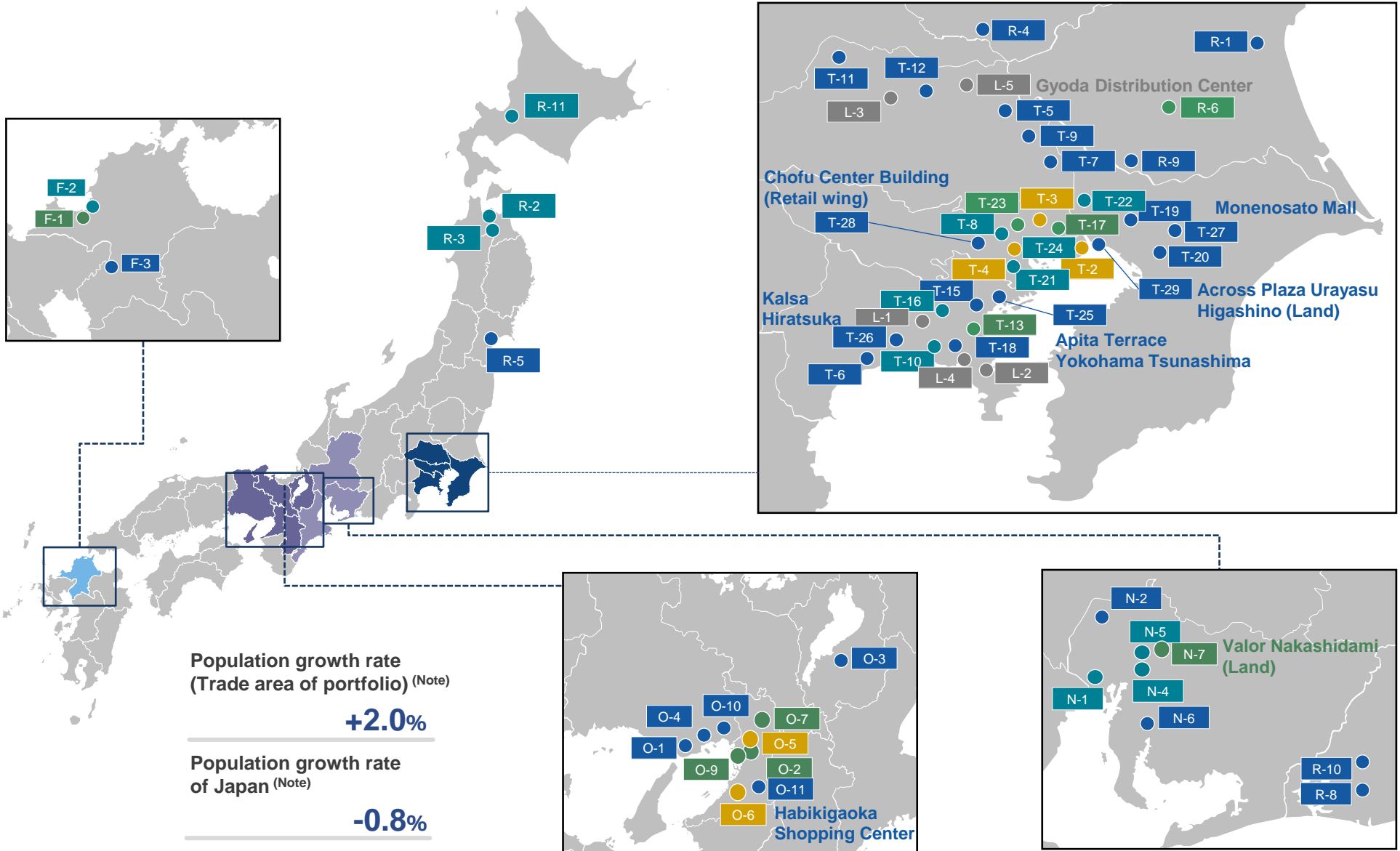
07

## Portfolio and unitholder information

Security Code  
3453



# Portfolio map (as of Nov. 1, 2019)



Population growth rate  
(Trade area of portfolio) (Note)

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**+2.0%**

Population growth rate  
of Japan (Note)

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**-0.8%**

Note: Population growth rates are based on 2010 and 2015 census. "Population growth rate (Trade area of portfolio)" is calculated as the growth rate of the population within a three-km radius of KRR's retail properties (one-km or two-km radius for some of the properties).

## Portfolio overview (as of Nov. 1, 2019)

No	Name of property	Location (city/ward, prefecture)	Acquisition price (JPY mn)	Appraisal value (JPY mn)	Appraisal NOI yield (%)	Occupancy rate (%)	Number of Tenants
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	9,820	6.5	100.0	58
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	6,840	5.2	100.0	42
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	6,140	4.2	99.1	27
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,470	5,120	5.6	100.0	1
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	4,350	5.4	100.0	1
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	3,850	5.2	99.6	10
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	2,750	5.0	100.0	1
T-9	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	4,815	5,580	4.3	100.0	1
T-10	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	3,169	3,490	5.0	100.0	1
T-11	Unicus Kamisato (Land)	Kodama-gun, Saitama	3,000	3,050	4.6	100.0	1
T-12	Unicus Konosu (Land)	Konosu, Saitama	1,700	1,780	4.6	100.0	1
T-13	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	1,442	1,410	4.5	100.0	1
T-15	Nakamachidai Tokyu Store	Yokohama, Kanagawa	3,360	3,810	5.4	100.0	1
T-16	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	1,724	1,820	5.4	81.0	1
T-17	Life Kameido	Koto ward, Tokyo	1,450	1,520	4.5	100.0	1
T-18	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	4,170	4,320	4.6	100.0	2
T-19	Yumemachi Narashinodai Mall	Funabashi, Chiba	3,416	3,510	5.1	100.0	14
T-20	Kawamachi Yahagi Mall	Chiba, Chiba	3,097	3,220	5.1	100.0	12
T-21	Prime Square Jiyugaoka	Meguro ward, Tokyo	2,820	2,830	4.1	100.0	2
T-22	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	1,880	1,970	5.2	100.0	1
T-23	Ozeki Tokiwadai	Itabashi ward, Tokyo	1,263	1,350	4.6	100.0	1
T-24	Konami Sports Club Shibuya	Shibuya ward, Tokyo	3,400	3,410	4.0	100.0	1
T-25	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	5,899	6,220	4.8	100.0	1
T-26	Kalsa Hiratsuka	Hiratsuka, Kanagawa	5,980	6,010	4.7	100.0	3
T-27	Monenosato Mall	Yotsukaido, Chiba	2,410	2,510	5.3	98.7	5
T-28	Chofu Center Building (Retail wing)	Chofu, Tokyo	2,300	2,440	5.5	100.0	3
T-29	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	2,248	2,300	4.0	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	9,660	6.1	99.7	50
O-2	Life Takadono (Land)	Osaka, Osaka	2,685	3,150	4.8	100.0	1
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	2,140	2,550	7.1	100.0	2
O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	11,500	5.1	84.4	41

Note: The figures are as of Sep. 30, 2019. "Appraisal value" and "Appraisal NOI yield" are as of Sep. 1, 2019 for Kalsa Hiratsuka, Monenosato Mall, Chofu Center Building (Retail wing), Across Plaza Urayasu Higashino (Land), Valor Nakashidami (Land) and Gyoda Distribution Center.



## Portfolio overview (as of Nov. 1, 2019)

No	Name of property	Location (city/ward, prefecture)	Acquisition price (JPY mn)	Appraisal value (JPY mn)	Appraisal NOI yield (%)	Occupancy rate (%)	Number of Tenants
O-5	Carino Esaka	Suita, Osaka	6,555	7,190	5.1	100.0	30
O-6	COMBOX Komyoike	Izumi, Osaka	6,450	6,580	6.0	100.0	1
O-7	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	1,280	1,330	5.9	100.0	1
O-9	Life Nishi-Tengachaya	Osaka, Osaka	1,505	1,690	5.2	100.0	1
O-10	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	3,723	3,980	4.2	100.0	1
O-11	Habikigaoka Shopping Center	Habikino, Osaka	2,000	2,020	5.3	100.0	2
N-1	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	2,700	5.0	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	2,360	6.0	100.0	1
N-4	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	7,140	7,300	5.1	100.0	1
N-5	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	1,370	1,440	4.4	100.0	1
N-6	Resora Obu Shopping Terrace	Obu, Aichi	7,911	7,060	4.6	95.5	39
N-7	Valor Nakashidami (Land)	Nagoya, Aichi	2,551	2,560	4.7	100.0	1
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	1,630	5.3	100.0	1
F-2	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	5,020	5,720	5.7	100.0	1
F-3	Kurume-Nishi Shopping Center	Kurume, Fukuoka	1,515	1,800	6.1	100.0	4
R-1	Roseo Mito	Mito, Ibaraki	10,046	11,800	5.9	100.0	23
R-2	K's Denki Aomori Honten	Aomori, Aomori	1,469	1,580	6.4	100.0	1
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	939	6.4	100.0	1
R-4	Ashico Town Ashikaga	Ashikaga, Tochigi	4,180	5,030	6.4	95.0	28
R-5	Yorktown Shinden-Higashi	Sendai, Miyagi	3,252	3,340	6.0	100.0	2
R-6	Kasumi Technopark Sakura	Tsukuba, Ibaraki	830	877	5.6	100.0	1
R-8	P-1 Plaza Tenno	Hamamatsu, Shizuoka	4,010	4,350	5.8	100.0	7
R-9	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	4,111	4,240	4.1	100.0	1
R-10	Sun Street Hamakita	Hamamatsu, Shizuoka	10,746	11,160	5.9	99.4	50
R-11	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	4,210	4,410	4.8	100.0	1
L-1	Zama Distribution Center	Zama, Kanagawa	1,400	1,640	6.0	100.0	1
L-2	Oppama Distribution Center	Yokosuka, Kanagawa	1,300	1,570	6.5	100.0	1
L-3	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	3,879	4,000	5.7	100.0	1
L-4	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	790	840	5.0	100.0	1
L-5	Gyoda Distribution Center	Gyoda, Osaka	3,160	3,350	5.7	100.0	1
<b>Total / Average</b>			<b>225,000</b>	<b>242,766</b>	<b>5.3</b>	<b>99.0</b>	<b>494</b>

Note: The figures are as of Sep. 30, 2019. "Appraisal value" and "Appraisal NOI yield" are as of Sep. 1, 2019 for Kalsa Hiratsuka, Monenosato Mall, Chofu Center Building (Retail wing), Across Plaza Urayasu Higashino (Land), Valor Nakashidami (Land) and Gyoda Distribution Center.

## Appraisal value (properties as of Sep. 30, 2019) (1)

No.	Property name	Appraisal date	Appraisal value (JPY mn)			Income capitalization approach value								
						Direct capitalization method			DCF method					
			Direct cap rate (%)			Discount rate (%)			Terminal cap rate (%)					
			Previous	Latest	Changes	Previous	Latest	Changes	Previous	Latest	Changes	Previous	Latest	Changes
T-2	MONA Shin-Urayasu	Sep. 30, 2019	9,760	9,820	60	4.8	4.6	-0.2	4.5	4.3	-0.2	5.0	4.8	-0.2
T-3	Passaggio Nishiirai	Sep. 30, 2019	6,810	6,840	30	4.3	4.3	0.0	4.1	4.1	0.0	4.5	4.5	0.0
T-4	Daikanyama Address Dixsept	Sep. 30, 2019	6,440	6,140	-300	3.4	3.4	0.0	3.2	3.2	0.0	3.6	3.6	0.0
T-5	Unicus Ina	Sep. 30, 2019	5,230	5,120	-110	4.7	4.6	-0.1	4.4	4.3	-0.1	4.9	4.8	-0.1
T-6	Yorktown Kita-Kaname	Sep. 30, 2019	4,350	4,350	0	4.9	4.9	0.0	4.7	4.7	0.0	5.1	5.1	0.0
T-7	Unicus Yoshikawa	Sep. 30, 2019	3,840	3,850	10	4.7	4.7	0.0	4.5	4.5	0.0	4.9	4.9	0.0
T-8	Sports Club Renaissance Fujimidai	Sep. 30, 2019	2,750	2,750	0	4.6	4.6	0.0	4.4	4.4	0.0	4.8	4.8	0.0
T-9	Super Viva Home Iwatsuki (Land)	Sep. 30, 2019	5,540	5,580	40	-	-	-	4.6	4.6	0.0	-	-	-
T-10	K's Denki Shonan-Fujisawa (Land)	Sep. 30, 2019	3,500	3,490	-10	-	-	-	4.3	4.3	0.0	-	-	-
T-11	Unicus Kamisato (Land)	Sep. 30, 2019	3,050	3,050	0	-	-	-	4.6	4.6	0.0	-	-	-
T-12	Unicus Konosu (Land)	Sep. 30, 2019	1,780	1,780	0	-	-	-	4.5	4.5	0.0	-	-	-
T-13	Inageya Yokohama Minamihonjuku (Land)	Sep. 30, 2019	1,410	1,410	0	-	-	-	4.0	4.0	0.0	4.8	4.8	0.0
T-15	Nakamachidai Tokyu Store	Sep. 30, 2019	3,810	3,810	0	4.6	4.6	0.0	4.4	4.4	0.0	4.8	4.8	0.0
T-16	Central Wellness Club Nagatsuta Minamidai	Sep. 30, 2019	1,890	1,820	-70	5.0	5.0	0.0	4.8	4.8	0.0	5.2	5.2	0.0
T-17	Life Kameido	Sep. 30, 2019	1,520	1,520	0	4.2	4.2	0.0	3.9	3.9	0.0	4.4	4.4	0.0
T-18	Totsuka-Fukaya Shopping Center (Land)	Sep. 30, 2019	4,320	4,320	0	4.7	4.7	0.0	4.6	4.6	0.0	-	-	-
T-19	Yumemachi Narashinodai Mall	Sep. 30, 2019	3,510	3,510	0	4.9	4.9	0.0	4.7	4.7	0.0	5.1	5.1	0.0
T-20	Kawamachi Yahagi Mall	Sep. 30, 2019	3,210	3,220	10	4.8	4.8	0.0	4.6	4.6	0.0	5.0	5.0	0.0
T-21	Prime Square Jiyugaoka	Sep. 30, 2019	2,830	2,830	0	3.6	3.6	0.0	3.4	3.4	0.0	3.8	3.8	0.0
T-22	Round1 Ichikawa-Onitaka	Sep. 30, 2019	1,970	1,970	0	4.8	4.8	0.0	4.6	4.6	0.0	5.0	5.0	0.0
T-23	Ozeki Tokiwadai	Sep. 30, 2019	1,350	1,350	0	4.2	4.2	0.0	4.0	4.0	0.0	4.4	4.4	0.0
T-24	Konami Sports Club Shibuya	Sep. 30, 2019	3,410	3,410	0	3.8	3.8	0.0	3.9	3.9	0.0	4.0	4.0	0.0
O-1	Blumer Maitamon	Sep. 30, 2019	9,380	9,660	280	5.3	5.2	-0.1	5.4	5.3	-0.1	5.5	5.4	-0.1
O-2	Central Square Takadono (Land)	Sep. 30, 2019	3,150	3,150	0	-	-	-	3.9	3.9	0.0	-	-	-
O-3	DCM Kahma MEGA Don Quijote UNY Omihachiman	Sep. 30, 2019	2,510	2,550	40	6.0	5.9	-0.1	5.7	5.6	-0.1	6.2	6.1	-0.1
O-4	Blumer HAT Kobe	Sep. 30, 2019	11,500	11,500	0	4.8	4.8	0.0	4.6	4.6	0.0	5.0	5.0	0.0
O-5	Carino Esaka	Sep. 30, 2019	7,180	7,190	10	4.3	4.3	0.0	4.0	4.0	0.0	4.5	4.5	0.0

Note 1: "Previous" refers to appraisal value at the previous appraisal dated Mar. 31, 2019 for properties acquired by 8th period, Zama Distribution Center and Oppama Distribution Center, dated Sep. 1, 2019 for Habikigaoka Shopping Center, and dated Feb. 1, 2019 for Yokohama Kamigo Distribution Center. "Latest" refers to the latest appraisal date. Discount rate for DCF method shows the discount rate for the nearest period.

Note 2: "Direct cap rate", "Discount rate" and "Terminal cap rate" for Ashico Town Ashikaga show the rates for the building.

## Appraisal value (properties as of Sep. 30, 2019) (2)

No.	Property name	Appraisal date	Appraisal value (JPY mn)			Income capitalization approach value									
						Direct capitalization method			DCF method						
			Direct cap rate (%)			Discount rate (%)			Terminal cap rate (%)						
			Previous	Latest	Changes	Previous	Latest	Changes	Previous	Latest	Changes	Previous	Latest	Changes	
O-6	COMBOX Komyoike	Sep. 30, 2019	6,630	6,580	-50	5.3	5.3	0.0	4.9	4.9	0.0	5.4	5.4	0.0	
O-7	Hankyu Oasis Hirakatadeguchi	Sep. 30, 2019	1,330	1,330	0	5.5	5.5	0.0	5.3	5.3	0.0	5.7	5.7	0.0	
O-8	Welcia Kishiwadakamori (Land)	Sep. 30, 2019	488	488	0	-	-	-	4.0	4.0	0.0	4.7	4.7	0.0	
O-9	Life Nishi-Tengachaya	Sep. 30, 2019	1,690	1,690	0	4.6	4.6	0.0	4.7	4.7	0.0	4.8	4.8	0.0	
O-10	Million Town Tsukaguchi (Land)	Sep. 30, 2019	3,950	3,980	30	-	-	-	4.0	4.0	0.0	-	-	-	
O-11	Habikigaoka Shopping Center	Sep. 30, 2019	2,020	2,020	0	5.1	5.1	0.0	5.1	5.1	0.0	5.3	5.3	0.0	
N-1	DCM Kahma Nakagawa Tomita (Land)	Sep. 30, 2019	2,700	2,700	0	-	-	-	4.3	4.3	0.0	-	-	-	
N-2	Valor Ichinomiya-Nishi	Sep. 30, 2019	2,360	2,360	0	5.1	5.1	0.0	4.8	4.8	0.0	5.3	5.3	0.0	
N-4	Homecenter Kohnan Sunadabashi	Sep. 30, 2019	7,290	7,300	10	4.8	4.8	0.0	4.6	4.6	0.0	5.0	5.0	0.0	
N-5	K's Denki Shin-moriyama (Land)	Sep. 30, 2019	1,440	1,440	0	-	-	-	3.8	3.8	0.0	4.3	4.3	0.0	
N-6	Resora Obu Shopping Terrace	Sep. 30, 2019	7,440	7,060	-380	4.9	4.9	0.0	5.0	5.0	0.0	5.1	5.1	0.0	
F-1	Sunny Noma	Sep. 30, 2019	1,660	1,630	-30	4.6	4.5	-0.1	4.4	4.3	-0.1	5.0	4.9	-0.1	
F-2	Round1 Stadium Hakata-Hanmichibashi	Sep. 30, 2019	5,610	5,720	110	5.1	5.0	-0.1	4.8	4.7	-0.1	5.3	5.2	-0.1	
F-3	Kurume-Nishi Shopping Center	Sep. 30, 2019	1,760	1,800	40	5.0	4.9	-0.1	4.7	4.6	-0.1	5.2	5.1	-0.1	
R-1	Roseo Mito	Sep. 30, 2019	11,600	11,800	200	5.0	4.9	-0.1	4.7	4.6	-0.1	5.2	5.1	-0.1	
R-2	K's Denki Aomori Honten	Sep. 30, 2019	1,580	1,580	0	5.5	5.5	0.0	5.2	5.2	0.0	5.7	5.7	0.0	
R-3	Super Sports Xebio Aomori-Chuo	Sep. 30, 2019	939	939	0	5.5	5.5	0.0	5.2	5.2	0.0	5.7	5.7	0.0	
R-4	Ashico Town Ashikaga	Sep. 30, 2019	5,030	5,030	0	5.3	5.3	0.0	5.1	5.1	0.0	5.5	5.5	0.0	
R-5	Yorktown Shinden-Higashi	Sep. 30, 2019	3,340	3,340	0	5.5	5.5	0.0	5.3	5.3	0.0	5.7	5.7	0.0	
R-6	Kasumi Technopark Sakura	Sep. 30, 2019	877	877	0	5.1	5.1	0.0	4.9	4.9	0.0	5.3	5.3	0.0	
R-8	P-1 Plaza Tenno	Sep. 30, 2019	4,350	4,350	0	5.1	5.1	0.0	4.8	4.8	0.0	5.3	5.3	0.0	
R-9	Seiyu Rakuichi Moriya (Land)	Sep. 30, 2019	4,240	4,240	0	4.3	4.3	0.0	4.2	4.2	0.0	-	-	-	
R-10	Sun Street Hamakita	Sep. 30, 2019	11,160	11,160	0	5.4	5.4	0.0	5.1	5.1	0.0	5.7	5.7	0.0	
R-11	Costco Wholesale Sapporo Warehouse	Sep. 30, 2019	4,410	4,410	0	4.5	4.5	0.0	4.2	4.2	0.0	4.7	4.7	0.0	
L-1	Zama Distribution Center	Sep. 30, 2019	1,640	1,640	0	4.8	4.8	0.0	4.8	4.8	0.0	5.0	5.0	0.0	
L-2	Oppama Distribution Center	Sep. 30, 2019	1,570	1,570	0	4.9	4.9	0.0	5.0	5.0	0.0	5.1	5.1	0.0	
L-3	Musashi Ranzan Distribution Center	Sep. 30, 2019	4,000	4,000	0	5.3	5.3	0.0	5.3	5.3	0.0	5.5	5.5	0.0	
L-4	Yokohama Kamigo Distribution Center	Sep. 30, 2019	840	840	0	4.5	4.5	0.0	4.5	4.5	0.0	4.7	4.7	0.0	
Total			217,944	217,864	-80	-	-	-	-	-	-	-	-	-	

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Note 2: "Direct cap rate", "Discount rate" and "Terminal cap rate" for Ashico Town Ashikaga show the rates for the building.



# Portfolio highlights (Tokyo metropolitan area) (1)

Name	T-2 MONA Shin-Urayasu	T-3 Passaggio Nishiara	T-4 Daikanyama Address Dixsept	T-5 Unicus Ina	T-6 Yorktown Kita-Kaname
Photo					
Location	Urayasu, Chiba	Adachi ward, Tokyo	Shibuya ward, Tokyo	Kitaadachi-gun, Saitama	Hiratsuka, Kanagawa
Acquisition price (JPY)	8,063 mn	5,850 mn	5,390 mn	4,379 mn	4,000 mn
Highlights	<ul style="list-style-type: none"> <li>● Located in front of Shin-Urayasu Sta. (17 min from Tokyo Sta. by train)</li> <li>● Approx. 60 tenants, including supermarkets and clothing stores</li> <li>● Conducted renovations in 2017 and 2018</li> </ul>	<ul style="list-style-type: none"> <li>● The surrounding area has a significant inflow of families due to large developments</li> <li>● Houses an apparel store, restaurants, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Occupies the retail section of a large complex facility in front of Daikanyama Sta.</li> <li>● Houses sophisticated and stylish retailers as well as tenants that cater to day-to-day needs of customers</li> </ul>	<ul style="list-style-type: none"> <li>● Highly competitive by housing supermarket Yaoko among other tenants</li> <li>● The population in the surrounding area is increasing by continued residential developments</li> <li>● Constructed a restaurant building in 2017</li> </ul>	<ul style="list-style-type: none"> <li>● Population increase with residential developments</li> <li>● Plays an important role in the local community by housing tenants including a supermarket, a drug store and a restaurant</li> </ul>
Name	T-7 Unicus Yoshikawa	T-8 Sports Club Renaissance Fujimidai	T-9 Super Viva Home Iwatsuki (Land)	T-10 K's Denki Shonan-Fujisawa (Land)	T-11 Unicus Kamisato (Land)
Photo					
Location	Yoshikawa, Saitama	Nerima ward, Tokyo	Saitama, Saitama	Fujisawa, Kanagawa	Kodama-gun, Saitama
Acquisition price (JPY)	3,600 mn	2,586 mn	4,815 mn	3,169 mn	3,000 mn
Highlights	<ul style="list-style-type: none"> <li>● Conveniently located along a heavily traveled road in a population increasing area</li> <li>● Houses a supermarket, Life, and a home and garden store, Kohnan, as anchor tenants</li> </ul>	<ul style="list-style-type: none"> <li>● A well-equipped membership-based health club with a gym, two studios and a swimming pool</li> <li>● Large housing developments surrounding Fujimidai Sta. (15min from Ikebukuro Sta. by train)</li> </ul>	<ul style="list-style-type: none"> <li>● Comprises a large home and garden store, a supermarket and a food court</li> <li>● A number of major routes near the property potentially enlarge trade areas including adjacent cities</li> </ul>	<ul style="list-style-type: none"> <li>● Faces major routes, which give the property a wide retail trade area</li> <li>● More than ten years remain on a fixed-term land lease with K's Holdings</li> </ul>	<ul style="list-style-type: none"> <li>● Underlying land of the largest NSC in Kamisato developed by P&amp;D</li> <li>● Competitive due to its concentration of highly recognizable tenants including a supermarket and a cinema complex</li> </ul>

# Portfolio highlights (Tokyo metropolitan area) (2)

Name	T-12 Unicus Konosu (Land)	T-13 Inageya Yokohama Minamihonjuku (Land)	T-15 Nakamachidai Tokyu Store	T-16 Central Wellness Club Nagatsuta Minamidai	T-17 Life Kameido
Photo					
Location	Konosu, Saitama	Yokohama, Kanagawa	Yokohama, Kanagawa	Yokohama, Kanagawa	Koto ward, Tokyo
Acquisition price (JPY)	1,700 mn	1,442 mn	3,360 mn	1,724 mn	1,450 mn
Highlights	<ul style="list-style-type: none"> <li>● Underlying land of the largest NSC in Konosu developed by P&amp;D</li> <li>● Easy access and high visibility by car given its location facing the largest trunk road within the relevant trade area</li> </ul>	<ul style="list-style-type: none"> <li>● Underlying land of Inageya grocery supermarket opened in Mar. 2015</li> <li>● Comprises a trade area that cater daily needs together with a restaurant and a drug store nearby</li> </ul>	<ul style="list-style-type: none"> <li>● A station-front NSC in an area with high population growth and easy access to central Tokyo</li> <li>● Houses a supermarket and other retailers that cater daily needs</li> </ul>	<ul style="list-style-type: none"> <li>● Located in an area with high population growth, housing a health club as its core tenant</li> <li>● Convenient car access due to its roadside location, with good visibility</li> </ul>	<ul style="list-style-type: none"> <li>● A supermarket located in one of the most densely populated retail trade areas in Tokyo</li> <li>● “Kameido Residence”, a large-scale condominium consisting of approx. 700 residential units in the neighborhood</li> </ul>
Name	T-18 Totsuka Fukaya Shopping Center (Land)	T-19 Yumemachi Narashinodai Mall	T-20 Kawamachi Yahagi Mall	T-21 Prime Square Jiyugaoka	T-22 Round1 Ichikawa-Onitaka
Photo					
Location	Yokohama, Kanagawa	Funabashi, Chiba	Chiba, Chiba	Meguro ward, Tokyo	Ichikawa, Chiba
Acquisition price (JPY)	4,170 mn	3,416 mn	3,097 mn	2,820 mn	1,880 mn
Highlights	<ul style="list-style-type: none"> <li>● Underlying land of an NSC opened in Mar. 2015</li> <li>● NSC houses a grocery supermarket and a home and garden store</li> <li>● Located in an area with population growth, with new residential development in surrounding areas</li> </ul>	<ul style="list-style-type: none"> <li>● Located in an area with high population growth, housing a competitive supermarket as the anchor tenant</li> <li>● The tenants, including the core grocery supermarket, cater to diverse daily needs of consumers</li> </ul>	<ul style="list-style-type: none"> <li>● A new NSC developed by Kenedix housing tenants with a high level of customer attraction</li> <li>● Located in an area with significant population growth potential, near a national road and a highway JCT</li> <li>● Flat parking lot for up to 320 vehicles</li> </ul>	<ul style="list-style-type: none"> <li>● Located in the neighborhood of Jiyugaoka along the Tokyu Toyoko Line</li> <li>● Leased to Central Sports Co., Ltd., a leading fitness club operator</li> </ul>	<ul style="list-style-type: none"> <li>● A road-side amusement facility located in an area with easy access and high population growth</li> <li>● Attractive occupancy cost and no other Round One stores near the retail trade area</li> </ul>

# Portfolio highlights (Tokyo metropolitan area) (3)

Name	T-23 Ozeki Tokiwadai	T-24 Konami Sports Club Shibuya	T-25 Apita Terrace Yokohama Tsunashima	T-26 Kalsa Hiratsuka	T-27 Monenosato Mall
Photo					
Location	Itabashi ward, Tokyo	Shibuya ward, Tokyo	Yokohama, Kanagawa	Hiratsuka, Kanagawa	Yotsukaido, Chiba
Acquisition price (JPY)	1,263 mn	3,400 mn	5,899mn	5,980mn	2,410mn
Highlights	<ul style="list-style-type: none"> <li>● New supermarket opened in Sep. 2017, located in one of the most densely populated retail trade areas in Tokyo</li> <li>● Leased to Ozeki Co., Ltd., which runs many stores in densely populated areas near train stations in Tokyo metropolitan area</li> </ul>	<ul style="list-style-type: none"> <li>● A sports club located in an upper class residential area, approx. 12 minutes from JR Shibuya Sta.</li> <li>● Konami Sports Club is the largest sports club operator in Japan, with Shibuya ward as its strategic focus area</li> </ul>	<ul style="list-style-type: none"> <li>● NSC that meets diverse customer needs and constitutes a next-generation urban smart city in an area with a dense and growing population</li> <li>● Opened in March 2018, located between Tokyu Toyoko Line Tsunashima and Hiyoshi Stations</li> </ul>	<ul style="list-style-type: none"> <li>● NSC with the retail trade area covering Hiratsuka and Chigasaki, the core of the Shonan area</li> <li>● Tenants include a grocery supermarket, a home &amp; garden store, and a general sporting goods shop</li> </ul>	<ul style="list-style-type: none"> <li>● NSC opened in March 2019 in "Monenosato," a new town undergoing residential development</li> <li>● Tenants include a grocery supermarket Yorkmart, a drugstore, an apparel store and a dollar shop</li> </ul>
Name	T-28 Chofu Center Building (Retail wing)	T-29 Across Plaza Urayasu Higashino (Land)			
Photo					
Location	Chofu, Tokyo	Urayasu, Chiba			
Acquisition price (JPY)	2,300mn	2,248mn			
Highlights	<ul style="list-style-type: none"> <li>● NSC located in the commercial and residential district within walking distance of Chofu Station</li> <li>● Tenants include grocery supermarket, a dollar shop, a drug store, beauty salon, and a health club</li> </ul>	<ul style="list-style-type: none"> <li>● Underlying land for an NSC opened in December 2017</li> <li>● The population of the area has been consistently growing by good accessibility to Tokyo CBD from the nearest Maihama Station</li> </ul>			



# Portfolio highlights (Greater Osaka area)

Name	O-1 Blumer Maitamon	O-2 LifeTakadono (Land)	O-3 DCM Kahma MEGA Don Quijote UNY Omihachiman	O-4 Blumer HAT Kobe	O-5 Carino Esaka
Photo					
Location	Kobe, Hyogo	Osaka, Osaka	Omihachiman, Shiga	Kobe, Hyogo	Suita, Osaka
Acquisition price (JPY)	8,389 mn	2,685 mn	2,140 mn	11,000 mn	6,555 mn
Highlights	<ul style="list-style-type: none"> <li>● Located within a newly developed residential area</li> <li>● Consists of approx. 50 tenants, including a supermarket, an electronic appliance store and a major clothing store as core tenants</li> </ul>	<ul style="list-style-type: none"> <li>● A supermarket which Life Corporation opened on the land in 2015</li> <li>● Located in a densely populated area bordering central Osaka</li> <li>● Highly accessible by car as well</li> </ul>	<ul style="list-style-type: none"> <li>● NSC consisted of two buildings, MEGA Don Quijote UNY and DCM Kahma (home and garden store)</li> <li>● The trade area surrounding Omihachiman Sta. is a residential area with young families</li> </ul>	<ul style="list-style-type: none"> <li>● Landmark NSC in “HAT Kobe District”, a revival symbol project from the Kobe earthquake</li> <li>● Houses a cinema complex, a grocery store, clothing stores and restaurants</li> </ul>	<ul style="list-style-type: none"> <li>● Attractively located near Esaka Sta., only 10min from Umeda Sta.</li> <li>● The retail trade area is popular among young families</li> <li>● Core tenant is Tokyu Hands</li> </ul>
Name	O-6 COMBOX Komyoike	O-7 Hankyu Oasis Hirakatadeguchi	O-8 Welcia Kishiwadakamori (Land)	O-9 Life Nishi-Tengachaya	O-10 Million Town Tsukaguchi (Land)
Photo					
Location	Izumi, Osaka	Hirakata, Osaka	Kishiwada, Osaka	Osaka, Osaka	Amagasaki, Hyogo
Acquisition price (JPY)	6,450 mn	1,280 mn	487 mn	1,505 mn	3,723 mn
Highlights	<ul style="list-style-type: none"> <li>● The largest retail property in the central area of Komyoike</li> <li>● Located in the area accessible to Namba Sta. in 30 min by train</li> </ul>	<ul style="list-style-type: none"> <li>● A supermarket located in a highly populated area</li> <li>● Approx. 100 car parking lots make easy accessibility by car in addition to consumers coming on foot</li> </ul>	<ul style="list-style-type: none"> <li>● Disposed of on October 31, 2019</li> </ul>	<ul style="list-style-type: none"> <li>● A supermarket located in a densely populated retail area</li> <li>● The tenant, Life Corporation, has dominant strategy in Osaka and continues store opening</li> </ul>	<ul style="list-style-type: none"> <li>● A newly opened NSC located in an area as a part of the large-scale redevelopment project in front of Tsukaguchi Sta.</li> <li>● Opened with grocery supermarket Mandai as a core tenant, as well as a drug store and clinics</li> </ul>

# Portfolio highlights (Greater Osaka area / Nagoya)

<b>Name</b>	<b>O-11 Habikigaoka Shopping Center</b>				
<b>Photo</b>					
<b>Location</b>	Habikino, Osaka				
<b>Acquisition price (JPY)</b>	2,000mn				
<b>Highlights</b>	<ul style="list-style-type: none"> <li>● NSC located in New Town with housing developments in the southeastern part of Osaka Prefecture</li> <li>● Consists of Sunplaza, a grocery supermarket, and Joshin, a consumer electronics store, as core tenants</li> </ul>				
<b>Name</b>	<b>N-1 DCM Kahma Nakagawa Tomita (Land)</b>	<b>N-2 Valor Ichinomiya-Nishi</b>	<b>N-4 Homecenter Kohnan Sunadabashi</b>	<b>N-5 K's Denki Shin-Moriyama (Land)</b>	<b>N-6 Resora Obu Shopping Terrace</b>
<b>Photo</b>					
<b>Location</b>	Nagoya, Aichi	Ichinomiya, Aichi	Nagoya, Aichi	Nagoya, Aichi	Obu, Aichi
<b>Acquisition price (JPY)</b>	2,311 mn	2,174 mn	7,140 mn	1,370 mn	7,911 mn
<b>Highlights</b>	<ul style="list-style-type: none"> <li>● Located near a number of major routes</li> <li>● Comprises an integrated retail zone in the surrounding area, together with a supermarket and a sporting goods store on the adjacent lot</li> </ul>	<ul style="list-style-type: none"> <li>● Located in a commuter town for Nagoya (10 min from Nagoya Sta. by train)</li> <li>● NSC composed of Valor, a successful supermarket chain in the Chubu Region, as its core tenant, in addition to an electronic appliance store and a health club</li> </ul>	<ul style="list-style-type: none"> <li>● Houses a large home and garden store and a large sporting goods store</li> <li>● A large residential property was developed in the neighborhood. A supermarket also opened, generating synergies with the home and garden store</li> </ul>	<ul style="list-style-type: none"> <li>● Land on which an electronics retail store resides. Located in a high population growth area, facing a major roadway with heavy traffic</li> <li>● Many road-side stores along the road and many single-family residences in the surrounding neighborhood</li> </ul>	<ul style="list-style-type: none"> <li>● The largest NSC in Obu, Aichi, opened in Apr. 2008 as a part of the development project including a medical mall and a condominium</li> <li>● Yamanaka, a grocery supermarket as its main tenant and over 40 tenants</li> </ul>

# Portfolio highlights (Greater Nagoya / Fukuoka)

Name	<b>N-7</b> Valor Nakashidami (Land)		
Photo			
Location	Moriyama-ku, Nagoya, Aichi		
Acquisition price (JPY)	2,551mn		
Highlights	<ul style="list-style-type: none"> <li>● Underlying land for a standalone grocery supermarket in the Valor chain</li> <li>● Valor is a supermarket chain with strong strategic dominance in the Tokai region</li> </ul>		
Name	<b>F-1</b> Sunny Noma	<b>F-2</b> Round1 Stadium Hakata-Hanmichibashi	<b>F-3</b> Kurume-Nishi Shopping Center
Photo			
Location	Fukuoka, Fukuoka	Fukuoka, Fukuoka	Kurume, Fukuoka
Acquisition price (JPY)	1,497 mn	5,020 mn	1,515 mn
Highlights	<ul style="list-style-type: none"> <li>● Rebuilt in 2007 after enjoying strong support from the local community for 35 years</li> <li>● The strongest performing supermarket among other Sunny supermarkets in the surrounding area</li> </ul>	<ul style="list-style-type: none"> <li>● A large-scale flagship store for Round One that offers a variety of amusement and sporting facilities</li> <li>● Located in Fukuoka with population growth</li> <li>● The store ranks high in sales among all Round One stores</li> </ul>	<ul style="list-style-type: none"> <li>● An NSC located in a residential district near downtown Kurume City</li> <li>● Tenants include a grocery supermarket, a baby goods store and a drug store</li> <li>● Facing a national route, providing good visibility</li> </ul>



# Portfolio highlights (Ordinance-designed cities, core cities and other areas)

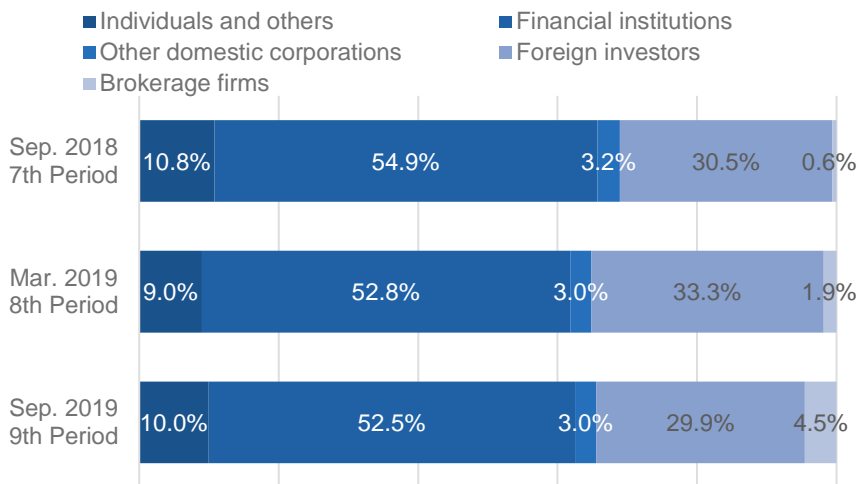
Name	R-1 Roseo Mito	R-2 K's Denki Aomori Honten	R-3 Super Sports Xebio Aomori-Chuo	R-4 Ashico Town Ashikaga	R-5 Yorktown Shinden-Higashi
Photo					
Location	Mito, Ibaraki	Aomori, Aomori	Aomori, Aomori	Ashikaga, Tochigi	Sendai, Miyagi
Acquisition price (JPY)	10,046 mn	1,469 mn	898 mn	4,180 mn	3,252 mn
Highlights	<ul style="list-style-type: none"> <li>● Located in a population growing area with many young families</li> <li>● Houses a supermarket and a home and garden store as core tenants</li> <li>● Constructed a secondhand shop building in 2015</li> </ul>	<ul style="list-style-type: none"> <li>● Opened in 2005 in Hamada District in Aomori, which has the highest concentration of retailers in Aomori</li> </ul>	<ul style="list-style-type: none"> <li>● Located in Hamada district in Aomori</li> <li>● Some major routes bring customers from broad retail trade area</li> </ul>	<ul style="list-style-type: none"> <li>● A large-scale multi-tenant NSC with supermarket as a core tenant</li> <li>● Easily accessibility by car due to its location along a major local route</li> <li>● Cinema reopened in Mar. 2016</li> </ul>	<ul style="list-style-type: none"> <li>● Located in eastern Sendai conveniently commutable to Sendai Sta.</li> <li>● Houses a supermarket and a home and garden store as core tenants</li> </ul>
Name	R-6 Kasumi Technopark Sakura	R-8 P-1 Plaza Tenno	R-9 Seiyu Rakuichi Moriya (Land)	R-10 Sun Street Hamakita	R-11 Costco Wholesale Sapporo Warehouse
Photo					
Location	Tsukuba, Ibaraki	Hamamatsu, Shizuoka	Moriya, Ibaraki	Hamamatsu, Shizuoka	Sapporo, Hokkaido
Acquisition price (JPY)	830 mn	4,010 mn	4,111 mn	10,746 mn	4,210 mn
Highlights	<ul style="list-style-type: none"> <li>● 24-hour Kasumi supermarket</li> <li>● The retail trade area includes the college town of Tsukuba University</li> <li>● Kasumi is headquartered in Tsukuba, and has a dominant presence in the area</li> </ul>	<ul style="list-style-type: none"> <li>● Located in a large scale retail area in northeast Hamamatsu where road-side retail facilities concentrate</li> <li>● Houses tenants including a local supermarket, a drug store and a relaxation spa area</li> </ul>	<ul style="list-style-type: none"> <li>● Underlying land of an NSC with a grocery supermarket as the anchor tenant</li> <li>● Located in a population growing area with the 2005 opening of Tsukuba Express</li> <li>● Land acquired at a price lower than the official land price</li> </ul>	<ul style="list-style-type: none"> <li>● Located in an area with high population growth</li> <li>● Expected to generate synergies among the tenants that offer services and experiences, with Seiyu as the core tenant</li> <li>● Seiyu focuses on groceries in the trend of "shift from GMS to specialty stores"</li> </ul>	<ul style="list-style-type: none"> <li>● Costco is a "membership warehouse club" with over 740 warehouse stores worldwide</li> <li>● Sapporo Warehouse is the only Costco warehouse in Hokkaido and covers Sapporo metropolitan area as its trade area</li> </ul>

# Portfolio highlights (Distribution Centers)

Name	L-1 Zama Distribution Center	L-2 Oppama Distribution Center	L-3 Musashi Ranzan Distribution Center	L-4 Yokohama Kamigo Distribution Center	L-5 Gyoda Distribution Center
Photo					
Location	Zama, Kanagawa	Yokosuka, Kanagawa	Hiki-gun, Saitama	Yokohama, Kanagawa	Gyoda, Saitama
Acquisition price (JPY)	1,400 mn	1,300 mn	3,879 mn	790 mn	3,160mn
Highlights	<ul style="list-style-type: none"> <li>● Distribution center for a major convenience store chain that delivers to its stores</li> <li>● Located within Zama area in Kanagawa Prefecture, with a concentration of logistics facilities</li> <li>● The tenant is a major convenience store chain</li> </ul>	<ul style="list-style-type: none"> <li>● Core distribution center of a major convenience store chain that delivers to its stores and features a process center function</li> <li>● Located within Tokyo metropolitan bay area</li> <li>● Location with high potential for local deliveries as well as wide area distribution</li> </ul>	<ul style="list-style-type: none"> <li>● Distribution center in an area with a concentration of logistics facilities, near a Kan-Etsu Expressway interchange</li> <li>● The location allows the tenant to make daily deliveries to Tokyo Metropolitan area and 24-hour operation</li> </ul>	<ul style="list-style-type: none"> <li>● Distribution center of a home delivery service firm within a residential district</li> <li>● Spaces for distribution centers are limited in the area</li> <li>● Currently leased to a major home delivery service firm</li> </ul>	<ul style="list-style-type: none"> <li>● A highly versatile storage-type distribution center for regional and wider area delivery in the metropolitan area</li> <li>● Nippon Express Co., Ltd., a major logistics company, is using the distribution center for shippers of food-related and home appliances</li> </ul>

# Unitholder information (as of Sep. 30, 2019)

## Ownership ratio by investor type



## Number of unitholders by investor type

	Sep. 2018 7th Period	Mar. 2019 8th Period	Sep. 2019 9th Period
<b>Individuals and others</b>	11,644	10,359	10,308
<b>Financial institutions</b>	City/ Trust banks	13	12
	Regional banks	27	24
	Shinkin banks and others	70	61
	Life/ Nonlife	6	5
	<b>Total</b>	116	102
<b>Other domestic corporations</b>	261	239	232
<b>Foreign investors</b>	222	216	235
<b>Brokerage firms</b>	18	15	28
<b>Total</b>	12,261	10,931	10,907

## Major unitholders

Name	# of units held	Ratio (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust Acct.)	74,410	14.65%
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust Acct.)	51,984	10.23%
JP MORGAN BANK LUXEMBURG S.A. 384500	24,140	4.75%
THE NOMURA TRUST AND BANKING CO., LTD. (Investment Trust Acct.)	21,649	4.26%
TRUST & CUSTODY SERVICE BANK, LTD. (Securities Investment Trust Acct.)	16,462	3.24%
MIZUHO TRUST & BANKING CO., LTD.	13,621	2.68%
AOZORA BANK, LTD.	11,439	2.25%
BNYM AS AGT/CLTS 10 PERCENT	10,985	2.16%
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	8,841	1.74%
STATE STREET BANK WEST CLIENT-TREATY 505234	7,507	1.47%

Note: "Ratio" is based on number of units issued and outstanding, rounded down to the second decimal place.



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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.

## 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 Kishiwadadakamori (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		

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