

# Kenedix Retail REIT Corporation

Interim Financial Results  
for the 1<sup>st</sup> Financial period ending Sep. 2015

May 26, 2015





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## Section 1

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**The first J-REIT specialized in neighborhood, community and other shopping centers for daily needs**

**KENEDIX**

# IPO Highlights

We are the first J-REIT specialized in neighborhood, community and other shopping centers for daily needs

## IPO Summary

Type of offering	Global offering Domestic offering and international offering (Reg.S+144A)
Securities code	3453
Total offering	260,000 units (including over-allotment of 5,750 units)
Offering amount	JPY59.8 billion
Issue price	JPY230,000
Listing date	February 10, 2015
Tranche split	Domestic 66.5%: International 33.5% (excluding the units allocated to Kenedix, Inc.)

## Media reports

...The deal was marketed successfully to investors as the IPO of the first J-REIT specialized in neighborhood, community and other shopping centers that cater to the day-to-day needs of local area customers.

Kenedix Retail REIT (KRR) IPO was priced today. The tranche split was initially set at 70:30 between domestic and international offerings, with the domestic tranche to be allocated 80% to retail investors and 20% to institutional investors.

However, in response to strong demand from institutional investors in the book-building process, 5% of the domestic retail tranche was shifted to the domestic and overseas institutional investors.

The final tranche split turned out to be 51:15.5:33.5 among domestic retail investors, domestic institutional investors and overseas investors. **"The offering was oversubscribed by more than 20 times, with the domestic retail tranche nearly 17 times, the domestic institutional tranche more than 11 times and the overseas tranche more than 30 times oversubscribed."** (informed sources)

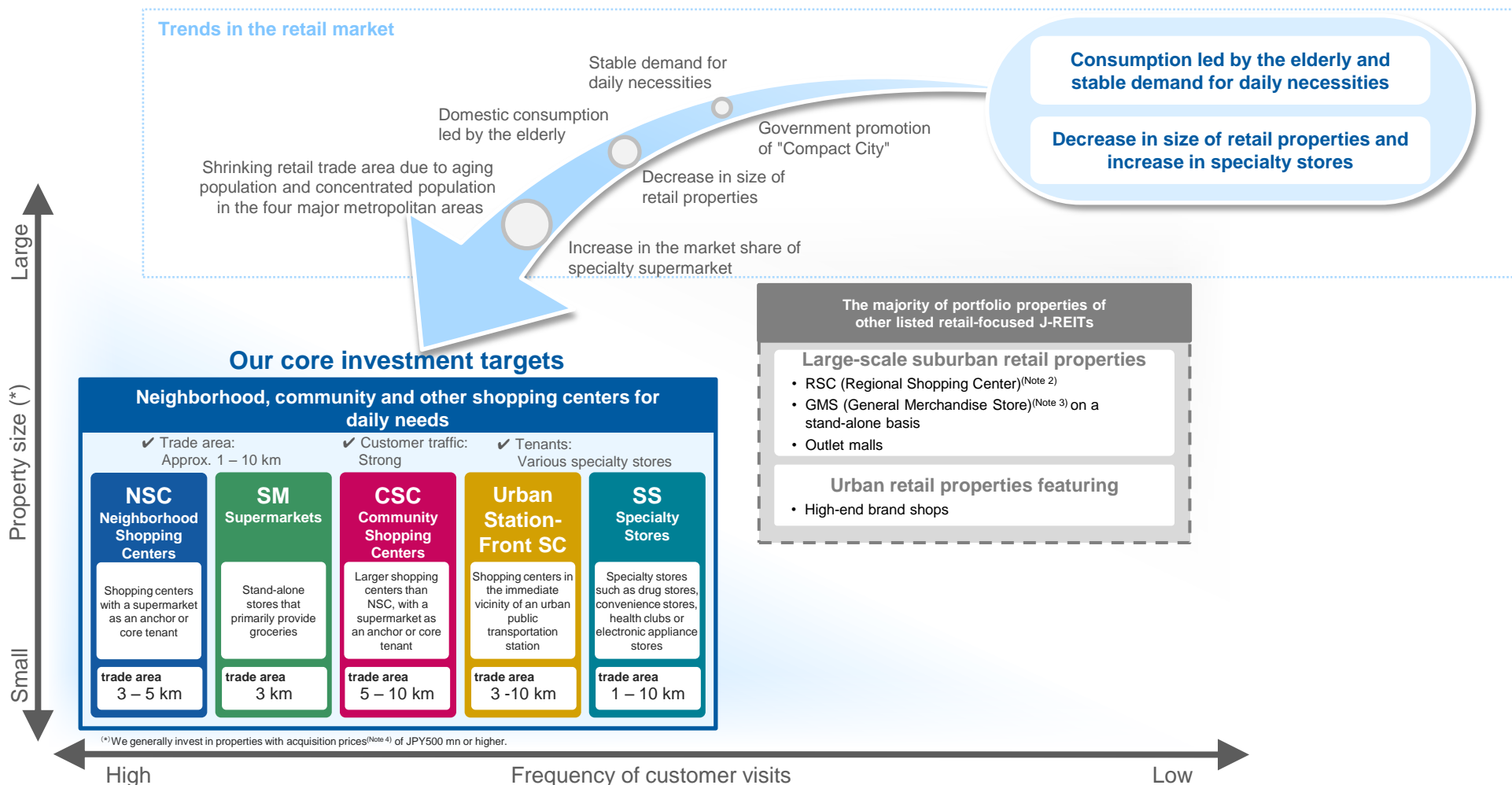
Kenedix Retail REIT, as a J-REIT managed by Kenedix Group, **attracted a large number of investors from "every direction"** by emphasizing the unique advantages of its portfolio composition and the asset class it invests in and also structuring the IPO as a global offering. (the same informed sources)

....(Abridged)

(Data provided by Thomson Reuters DealWatch)

# The first J-REIT Specialized in Neighborhood, Community and other Shopping Centers for Daily Needs

- We seek to invest primarily in neighborhood, community and other shopping centers located in the four major metropolitan areas (note 1), that cater to the day-to-day needs of local area customers and have stable demand from retailers and customers, in order to provide stable investment returns over the long term



Note 1: "Four major metropolitan areas" refers to the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama and Chiba prefectures), the Greater Osaka area (Osaka, Kyoto, Hyogo, Nara and Shiga prefectures), the Greater Nagoya area (Aichi, Gifu and Mie prefectures) and the Fukuoka area (Fukuoka prefecture).

Note 2: "RSC (Regional Shopping Center)" refers generally to a large-scale shopping center (typically larger than CSC) with 100 or more tenants and with a retail trade area of a 10 or more kilometer radius.

Note 3: "GMS (General Merchandise Store)" refers to a retail property which provides groceries and daily necessities as well as a wide selection of daily goods such as clothing, electronics and household furniture.

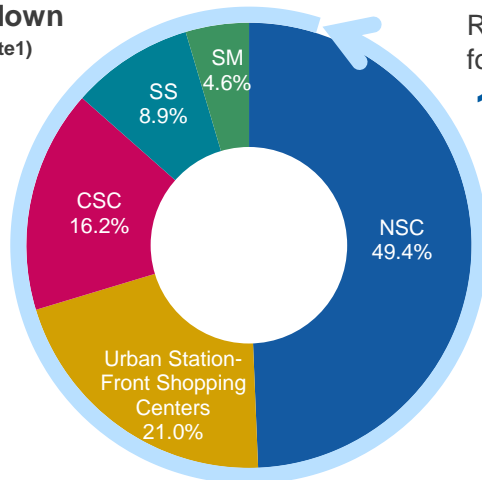
Note 4: "Acquisition prices" refers to the purchase prices of the properties, excluding consumption tax and other expenses.

# Characteristics of Our Portfolio (1)

- Our initial portfolio at listing + Blumer HAT Kobe-

## Portfolio composed of retail properties focused on daily needs

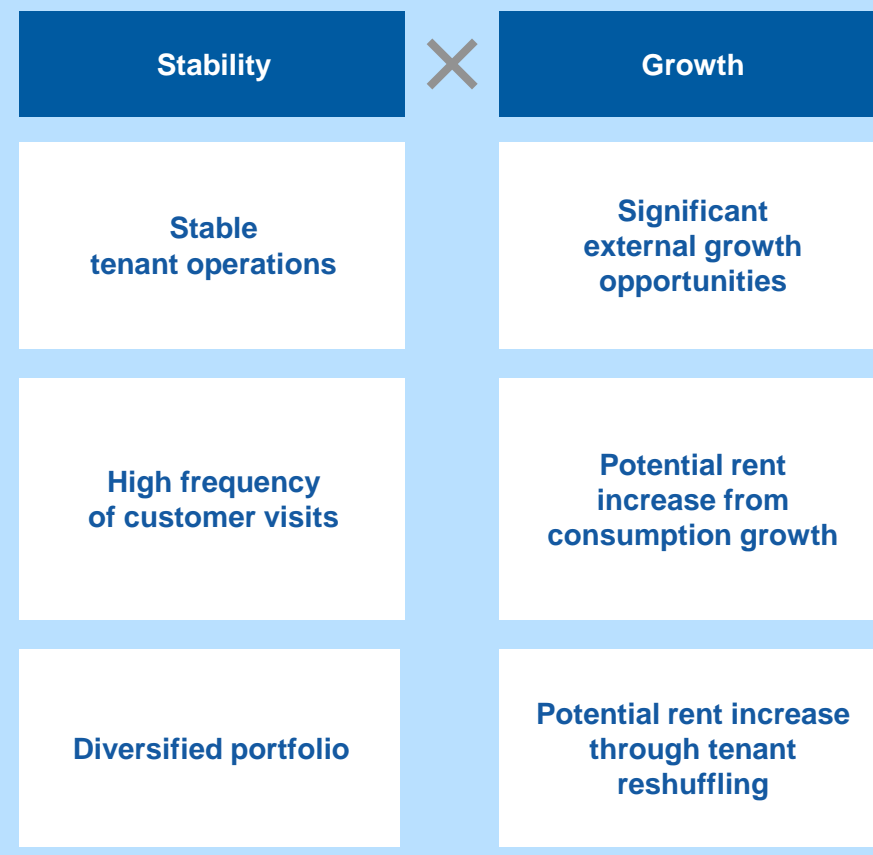
Portfolio breakdown by asset type<sup>(Note 1)</sup>



Retail properties focused on daily needs  
**100%**

## Portfolio that seeks both stability and growth potential

Generate stable cash flow while seeking profitability growth



Total acquisition price	<b>JPY91.8 bn</b>
Total appraisal value	<b>JPY93.5 bn</b>
Number of properties	<b>19</b>
Portfolio Appraisal NOI yield <sup>(Note 2)</sup>	<b>5.4%</b>
Average property age <sup>(Note 3)</sup>	<b>10.5 years</b>
Weighted average occupancy rate <sup>(Note 4)</sup>	<b>99.4%</b>
Number of tenants <sup>(Note 4)</sup>	<b>322</b>
Average remaining lease term <sup>(Note 5)</sup>	<b>8.3 years</b>

Note 1: Land-only properties are categorized based on the type of retail facilities above-ground. Data as of Apr. 16, 2015.

Note 2: "Portfolio Appraisal NOI yield" is the weighted average NOI yield based on acquisition prices of properties. The figure is rounded to the 1<sup>st</sup> decimal place.

Note 3: "Average property age" is the weighted (based on acquisition price) average age of the as of Mar. 31, 2015, with Blumer HAT Kobe included in the calculation.

Note 4: As of Mar. 31, 2015, with Blumer HAT Kobe included in the calculation.

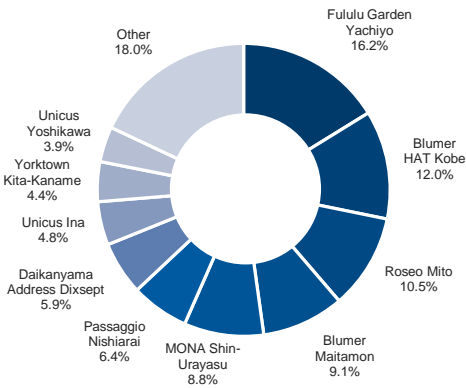
Note 5: "Average remaining lease term" is the weighted average lease term remaining as of Mar. 31, 2015, based on annual fixed rent as of such date. The figure is rounded to the 1<sup>st</sup> decimal place.

# Characteristics of Our Portfolio (2)

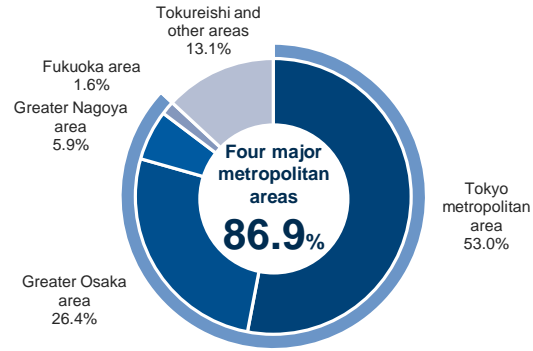
- Our initial portfolio at listing + Blumer HAT Kobe-

## Generating stable cash flow through portfolio diversification

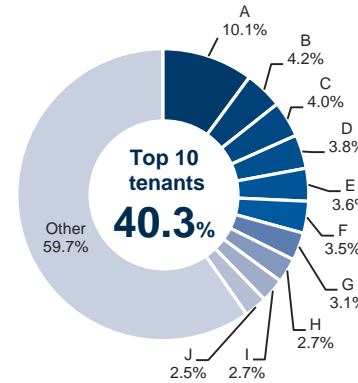
### Property distribution



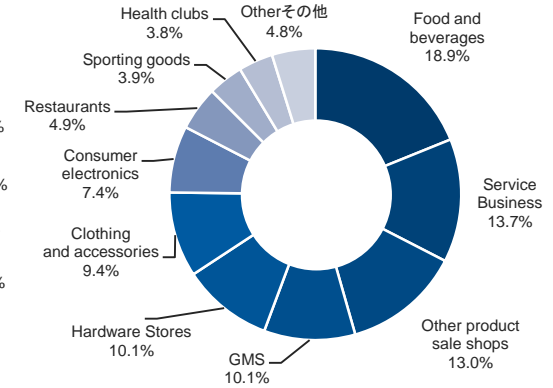
### Location



### Tenants

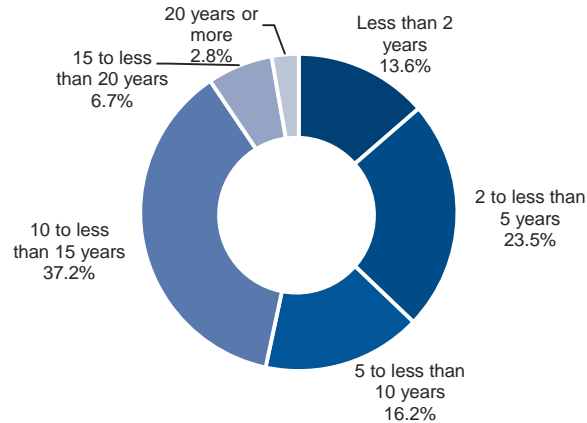


### Tenant categories

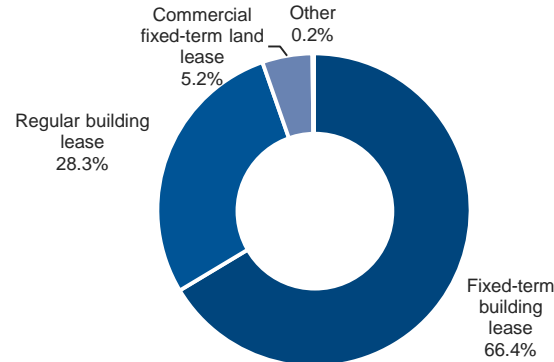


## Lease types that secure stability and enable growth potential

### Remaining lease term

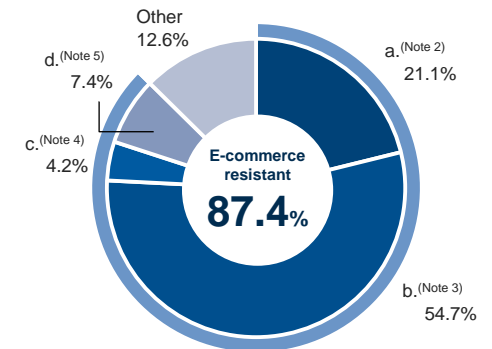


### Lease types



## E-commerce resistance

### Tenants with e-commerce resistant business



- a: Businesses difficult to be replaced by e-commerce
- b: Businesses where customers show preference in purchasing products at physical stores
- c: P&D Consulting Co., Ltd.
- d: Businesses that require physical visits to stores or handle products that consumers highly desire to evaluate in person

Note 1: Property distribution and location data are by acquisition price, tenants, tenant categories, remaining lease term and lease type are by annual fixed rent determined in the lease contract.

Note 2: "a" refers to businesses including medical services, hair salons, photography studios, for-profit schools and study centers, restaurants and health clubs that cannot be replaced by e-commerce.

Note 3: "b" refers to businesses where 50% or more of the respondents to the survey conducted by the Ministry of Internal Affairs and Communications titled "Product types for online shopping or physical stores" indicated their preference for purchasing products at a physical store and where 15% or fewer indicated their preference for purchasing such products on the internet.

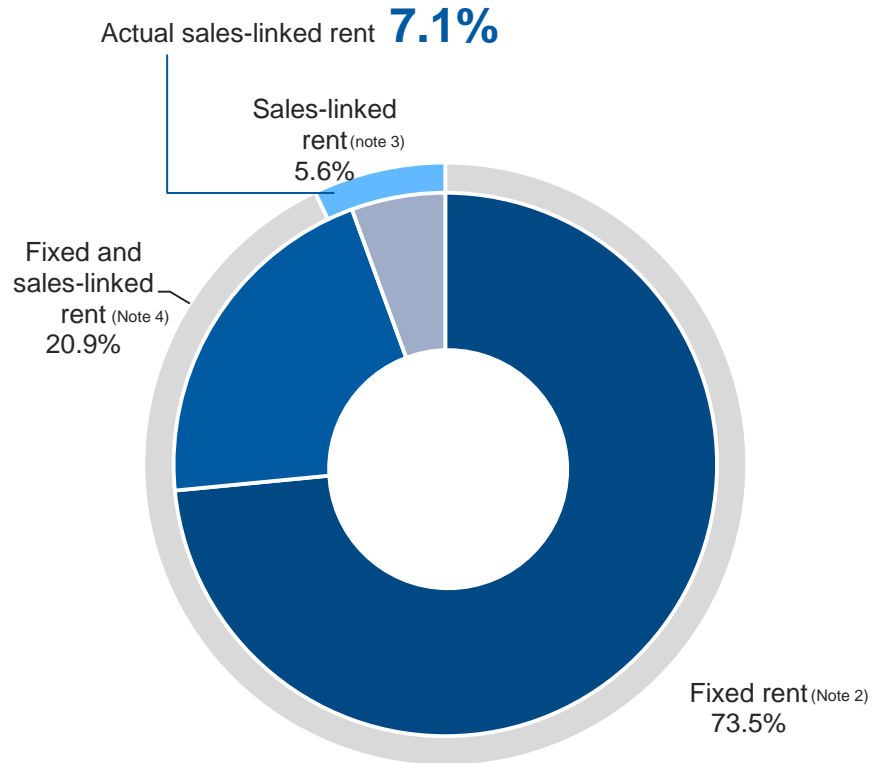
Note 4: "c" refers to businesses at properties leased to P&D Consulting Co. Ltd., whose sub-lessees primarily operate businesses falling under the two categories above and

Note 5: "d" refers to businesses that require physical visits to stores or handle products that consumers highly desire to evaluate in person (sporting goods, prescription eyewear, second-hand products, shoes, musical instruments and interior products).

# Characteristics of Our Portfolio (3)

- Our initial portfolio at listing + Blumer HAT Kobe -

## Portfolio breakdown by rent type (based on actual rent)<sup>(Note 1)</sup>



Note 1: Percentage is based on actual rent for the properties from April 1, 2014 to September 30, 2014, which may differ from the actual results under our operation.

Note 2: "Fixed rent" refers to predetermined rent in the leasing contract, which is not linked to the total sales volume of tenants.

Note 3: "Sales-linked rent" refers to contractual rent whose amount is directly linked to tenants' sales volume.

Note 4: "Fixed and sales-linked rent" refers to contractual rent with both fixed rent portion and sales-linked rent portion.

## Properties with sales-linked rent

### Tokyo metropolitan area

**T-1** Fululu Garden Yachiyo



**T-2** MONA Shin-Urayasu



**T-3** Passaggio Nishiara



**T-4** Daikanyama Address Dixsept



### Greater Osaka area

**O-1** Blumer Maitamon



**O-1** Blumer HAT Kobe



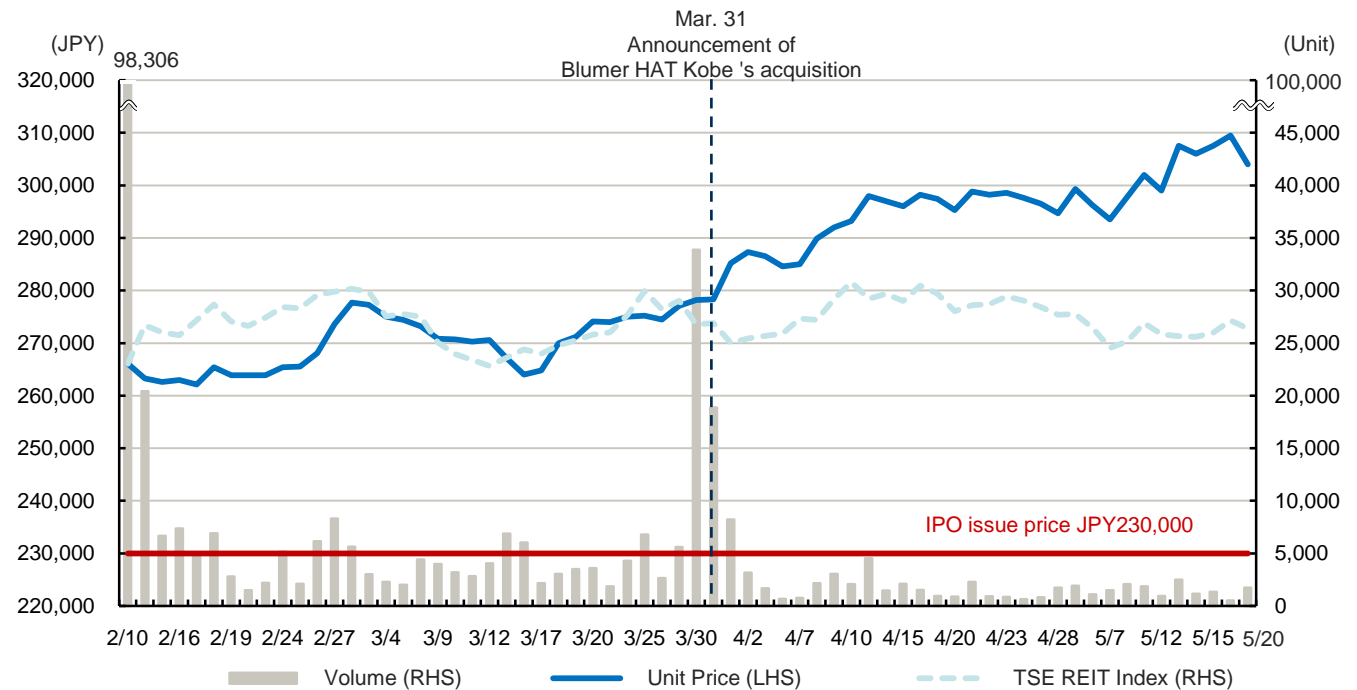


# Post-IPO Unit Price Performance

- Opening price on the listing date exceeded the issue price by 13.3%
- Our units have been trading above issue price since listing
- Our unit price has been outperforming TSE REIT Index since April, 2015

## Unit price performance since listing (Feb. 10 – May 20, 2015)

Trading conditions on listing day (Feb. 10, 2015)	
Issue price	JPY230,000
Opening price	JPY260,500
High price	JPY269,600
Low price	JPY260,100
Closing price	JPY266,100



Note: TSE REIT Index is adjusted to KRR's closing price on Feb. 10, 2015 (JPY266,100).

## Section 2

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**Performance since IPO and summary of interim financial results for the fiscal period ending Sep. 30, 2015**

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## Performance since IPO and Summary of Interim Results

- Unitholder value improved soon after the IPO through the acquisition of Blumer HAT Kobe and the building expansion of Roseo Mito

### External growth

#### Improved stability through AUM growth and portfolio diversification

- AUM increased from JPY80.8 billion to JPY91.8 billion following the acquisition of Blumer HAT Kobe from the market
- The proportion of the top 10 tenants declined from 45% to 40% after the acquisition

### Internal growth

#### Accelerated improvement in profitability and asset value

- Increase both profitability and asset value by constructing a new building on the underutilized site of Roseo Mito (anticipated investment return of 11.5%)
- Successfully raised rents with existing tenants at renewals by taking the chance of the maturities of fixed-term building lease contracts
- Promote local-community-enlivening activities and environmental initiatives

### Financial strategy

#### Optimum use of additional borrowing capacity created at listing for acquisitions

- An additional borrowing capacity of approx. JPY10.0 billion was created at listing, with the units being priced at JPY230,000, and hence the estimated LTV at the end of the 1st fiscal period (ending Sep. 31, 2015) was lowered from 41.8% to 33.9%
- With the expeditious acquisition of Blumer HAT Kobe, the estimated LTV post the acquisition rose to 40.8%

## DPU growth

### DPU forecasts revised upwardly with the acquisition of Blumer HAT Kobe

- Additional revenues from Blumer HAT Kobe reflected in the revenue estimates

	Before revision	After revision	Percentage increase
2015/9 period	JPY6,542	JPY7,127	+8.9%
2016/3 period	JPY5,434	JPY5,912	+8.8%
<b>Stabilized DPU<sup>(note)</sup></b>	<b>JPY4,600</b>	<b>JPY5,100</b>	<b>+10.9%</b>

Note: "Stabilized DPU" is calculated by adjusting the DPU of the period ending Mar. 2016 for changes such as NOI increase due to improved leasing conditions, property related taxes and decrease in AM fee and financing-related cost.

## NAV growth

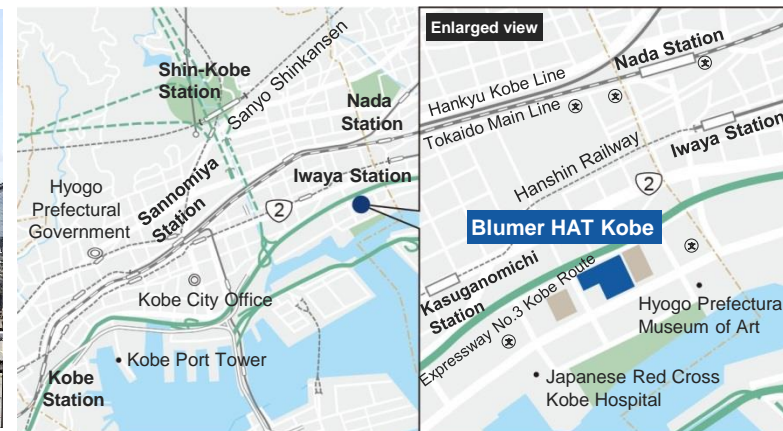
### NAV per unit increased

- As of Mar. 31, 2015: JPY227,758
- After acquisition of Blumer HAT Kobe: JPY228,525

\* No appraisal values available for the interim results

## Newly Acquired Property: Blumer HAT Kobe

- Flexible acquisition from the market, leveraging the low LTV (high borrowing capacity) at listing



Property name	Blumer HAT Kobe
Property type	NSC
Location	Kobe-shi, Hyogo
Gross floor area	50,538.47 m <sup>2</sup>
Year built	September 13, 2005
Occupancy rate	99.5%
Number of tenants	43
Acquisition price	JPY11,000 million
Appraisal value at acquisition	JPY11,200 million
Seller	Fukoku Mutual Life Insurance Company
Acquisition date	April 16, 2015
Appraisal NOI yield	5.3%

### 1. Property features

- Opened in October 2005 as a core retail property in "HAT Kobe," an area redeveloped as a symbol of reconstruction from the Great Hanshin-Awaji Earthquake
- An NSC catering to day-to-day needs of local area customers, occupied by a total of about 40 tenants, including anchor tenants (such as a grocery supermarket, clothing stores and a baby goods store on the first floor and a cinema complex on the second floor), other clothing stores, commercial goods stores, restaurants and service businesses

### 2. Overview of retail trade area

#### (1) Location and access

- Located about 2 km east of Sannomiya, the center of Kobe. "Nada" station on JR Tokaido Main Line and "Iwaya" Station on Hanshin Line, the nearest railway stations, are one station and two stations away from "Sannomiya" station and "Kobe Sannomiya" station, respectively. Due to the ease of access to Sannomiya, many residential developments are underway in the surrounding areas
- Hanshin Highway No. 3 and National Route 2, located on the north of the property, and other wide roads in the surrounding areas, developed as part of urban planning projects, have made the property easily accessible by car

#### (2) Characteristics of the retail trade area

- According to 2010 National Census, the residential population in the surrounding areas has been on the rise since 2005, with about 38,000 people within a 1 km radius, 175,000 people within a 3 km radius, and 357,000 people within a 5 km radius. The population is especially dense within a 1 km radius
- The location can also attract daytime population of workers from nearby offices and other facilities

Note 1: "Occupancy rate" and "Number of tenants" are the figures as of March 31, 2015; the occupancy rate is rounded to the first decimal place. The number of end-tenants is counted for "Number of tenants"

Note 2: "Appraisal NOI" represents the net operating income (annual) used in the DCF method; appraisal NOI yield is rounded to the first decimal place.

## Our Portfolio After Acquisition of Blumer HAT Kobe

	At listing (Feb. 10, 2015)	As of Mar. 31, 2015	New property (Blumer HAT Kobe)	After acquisition of Blumer HAT Kobe
<b>Improving portfolio profitability and stability</b>				
# of properties	18	18	1	19
Total acquisition price (JPY bn)	80.8	80.8	11.0	91.8
Total appraisal value (JPY bn)	82.3	82.3	11.2	93.5
Portfolio appraisal NOI (JPY mn) <sup>(Note 1)</sup>	4,418	4,418	577	4,996
Portfolio appraisal NOI yield <sup>(Note 1)</sup>	5.5%	5.5%	5.3%	5.4%
Weighted average occupancy rate <sup>(Note 2)</sup>	98.6%	99.4%	99.5%	99.4%
# of tenants <sup>(Note 2)</sup>	286	279	43	322
% of properties in the four major metropolitan areas	85.1%	85.1%	100.0%	86.9%
Weight of the top 10 tenants <sup>(Note 2)</sup>	45.0%	44.3%	---	40.3%
<b>Leveraging acquisition capacity and enhancing financial stability</b>				
LTV <sup>(Note 3)</sup>	---	33.4%	---	41.6%
NAV per unit <sup>(Note 4)</sup>	227,886	227,758		228,525

Note 1: "Appraisal NOI" refers to the annual net operating income assumed by the appraiser of the relevant property for the direct capitalization analysis in the appraisal reports. The figures for appraisal NOI yield are rounded to the 1<sup>st</sup> decimal place.

Note 2: As of Mar. 31, 2015. The figures for "Weighted average occupancy rate" are rounded to the 1<sup>st</sup> decimal place.

Note 3: "LTV" refers to "loan-to-value ratio", which is calculated as the ratio of the total amount of short-term debt, long-term debt, corporate bonds and tenant leasehold and security deposits (net amounts reserved for return of tenant leasehold and security deposits) divided by total assets as of the end of the previous fiscal period minus amounts reserved for return of tenant leasehold and security deposits.

Note 4: "NAV per unit" is calculated as (total net assets + unrealized gains)/number of outstanding units.

## Internal Growth through Property Expansion

- Improve asset value and profitability through property expansion, leveraging the underutilized space at Roseo Mito

Total construction cost

**JPY371** million



NOI yield (Note 2) (Investment return)

**11.5%**

Assumed increase in NOI (Note 1)

**JPY42** million



Appraisal value after property expansion

**JPY10,500** million

Appraisal value before property expansion:

**JPY9,780** million

+ **JPY720** million

### Anticipated timeline

May 1, 2015

Execution of contract for the transfer of status and rights in relation to the construction of the New Building



Mid-June 2015

Construction starts



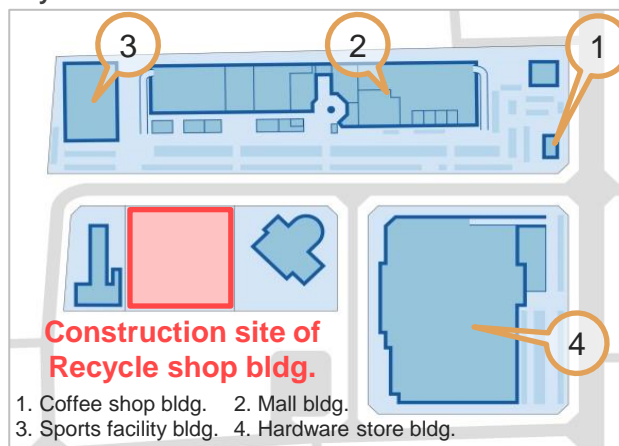
Towards the end of December 2015

Completion and delivery of the New Building

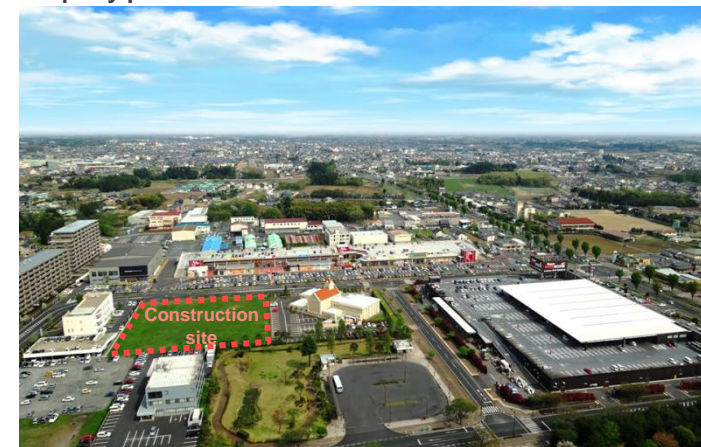
Perspective drawing (Note 3)



Layout



Property photo



Note 1: Assumed increase in NOI is calculated by deducting assumed annual operating expenses (excluding depreciation) from assumed annual operating revenue of the New Building; however, special items for the first year are excluded, and maintenance expenses, taxes and dues, insurance premium, etc. are included in expenses; as for operating revenue, since the lease contract with the tenant includes a step-up clause for the rent, the average rent for the lease term is used for the calculation.

Note 2: Assumed increase in NOI of the New Building to the construction cost.

Note 3: Perspective drawing is provided for illustrative purposes, and thus, the actual building may differ from the drawing.

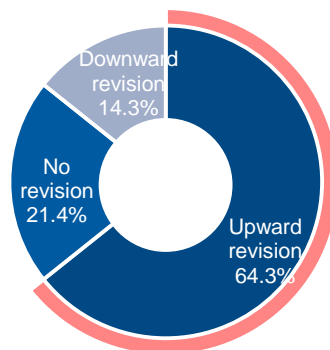
## Leasing Overview

Internal growth strategy:  
optimization of tenant mixStabilize revenues and improve profitability  
through optimizing tenant mix.

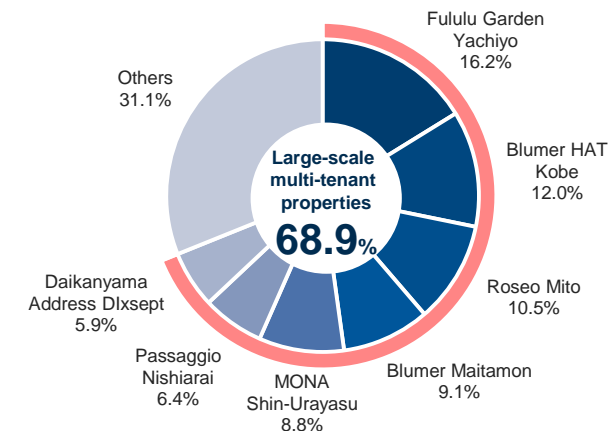
- Seek to raise rents at both re-contract and renewal by taking advantage of the maturities of fixed-term leases as an opportunity for upward rent revisions
- With the tenants hoping for downward rent revisions, reduce rents only in exchange for additional contract terms, such as the extension of leasing and/or irrevocability period

Rent revisions  
(based on number of revisions)

(February 10, 2015 – March 31, 2015)

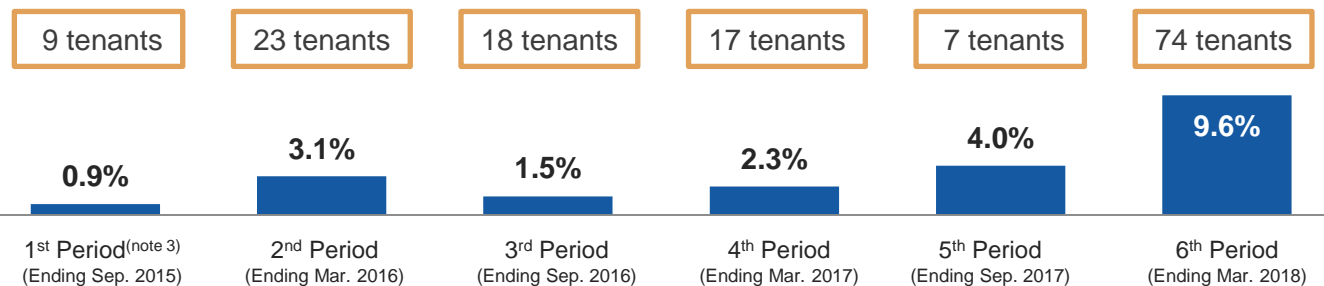


	Number of contracts
Re-contract (fixed-term building lease)	12
Move-in	4
Move-out	3

Weight of large-scale multi-tenant properties  
(based on acquisition prices)<sup>(note 1)</sup>

Note 1: "Large-scale multi-tenant properties" refers to multi-tenant properties with acquisition prices more than JPY 5 billion

## Anticipated timing of rent revisions (based on rent for Fixed-term building lease)

# of tenants and % of lease contract for rent revision in each period<sup>(Note 2)</sup>

Properties with high potential for rent growth

**Property name**  
 •Fululu Garden Yachiyo  
 •MONA Shin-Urayasu  
 •Passaggio Nishiarai

**Property name**  
 •Passaggio Nishiarai

**Property name**  
 •Blumer Maitamon

**Property name**  
 •Fululu Garden Yachiyo  
 •MONA Shin-Urayasu  
 •Blumer HAT Kobe

Note 2: Based on the contractual rent determined in the lease contract, including regular building leases.  
 Note 3: Figures calculated based on contracts maturing in period from Apr. 1, 2015 through Sep. 30, 2015.

## Occupancy (Multi-tenant properties)

Property name	Sep. 2014	Mar. 2015
Fululu Garden Yachiyo	100.0%	99.7%
MONA Shin-Urayasu	100.0%	99.5%
Passaggio Nishiarai	99.1%	98.7%
Daikanyama Address Dixsept	95.2%	92.6%
Blumer Maitamon	97.2%	97.2%
Blumer HAT Kobe	–	99.5%
Roseo Mito	94.6%	100.0%

## Proactive Retail Properties Management and Environmental Initiatives

- We proactively participate in local-community-enlivening activities and take environmental initiatives

### Enliven local communities

We seek to enhance the medium- to long-term asset value of our retail properties by attracting tenants engaged in service businesses and holding local events at our properties to enliven the local community.



Yosakoi Dance  
at Anniversary Festival  
(Unicus Ina)



Roseo Festival  
(Roseo Mito)



Concert "Minnanokotoba"  
(Fululu Garden Yachiyo)



Yoshikawa Marche  
(Unicus Yoshikawa)

### Environmental initiatives

The following properties in our portfolio acquired "DBJ Green Building" certificate.

DBJ Green Building certificate is a certification system developed by DBJ in Apr. 2011 to support real estate with high environmental and social awareness.

**T-1** Fululu Garden Yachiyo



DBJ Green Building  
2014

**T-2** MONA Shin-Urayasu



DBJ Green Building  
2014

**O-1** Blumer Maitamon



DBJ Green Building  
2014

**T-5** Unicus Ina



DBJ Green Building  
2014

**T-7** Unicus Yoshikawa



DBJ Green Building  
2014



# Financial Highlights

## Summary of interest-bearing debt

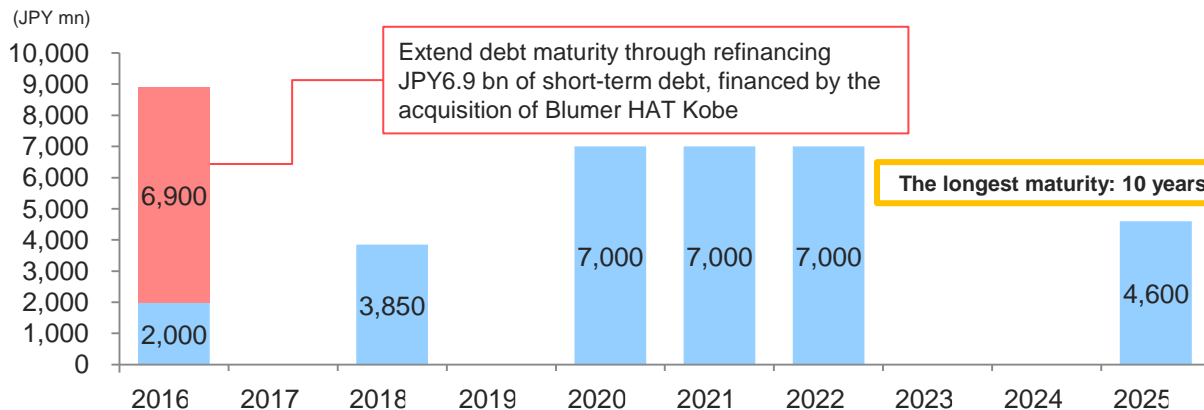
- Conducted debt financing with consideration of the balance between borrowing costs and maturities
- Realized steady growth while maintaining financial health through adequate management of LTV
- Extended maturities and increased the proportion of fixed-interest debt

		As of IPO date (Feb. 10, 2015)	As of March 2015	New debt	After acquisition of Blumer HAT Kobe (as of Apr. 16, 2015)
Breakdown of borrowings	Total debt outstanding (JPY mn)	28,172.5	26,850.0	11,500.0	<b>38,350.0</b>
	Long-term debt ratio	88.2%	92.6%	40.0%	<b>76.8%</b>
	Fixed-interest debt ratio	88.2%	92.6%	40.0%	<b>76.8%</b>
	Average debt cost <sup>(note1)</sup>	---	0.99%	---	<b>1.05%</b>
	Average years to debt repayment dates	5.0 years	5.1 years	4.6 years	<b>4.9 years</b>
	Number of lenders	11	11	1	<b>11</b>
Status of interest-bearing debt	Total interest-bearing debt (JPY mn)	---	30,045		<b>41,510</b>
	LTV <sup>(note2)</sup>	---	33.4%	<b>Leverage borrowing capacity</b>	<b>41.6%</b>

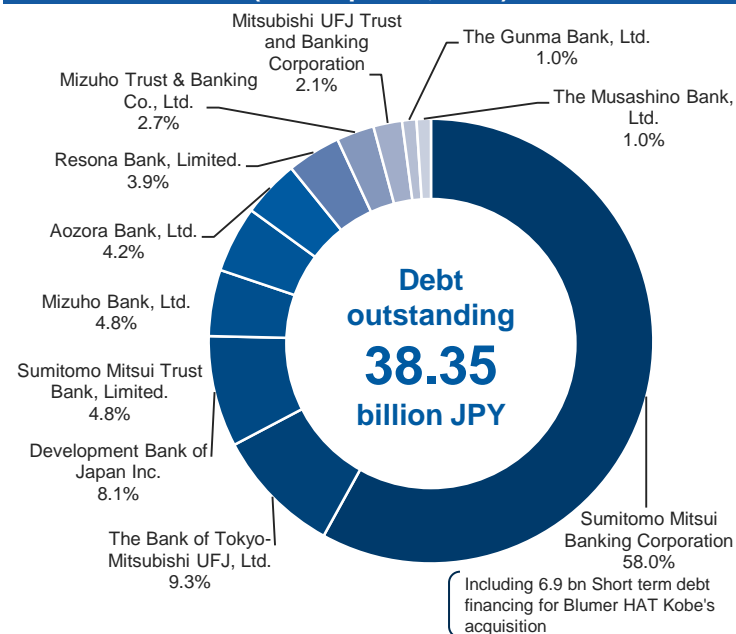
Note 1: "Average debt cost" is calculated as the weighted average interest of debt with upfront cost included, based on the amount outstanding. For variable-interest debt, the debt cost is calculated using the interest rate fixed through interest swap. In the case that there is no interest swap, TIBOR rate for each specific date above is adapted in the calculation.

Note 2: "LTV" refers to "loan-to-value ratio", which is calculated as the ratio of the total amount of short-term debt, long-term debt, corporate bonds and tenant leasehold and security deposits (net amounts reserved for return of tenant leasehold and security deposits) divided by total assets as of the end of the previous fiscal period minus amounts reserved for return of tenant leasehold and security deposits.

## Staggered maturities of interest-bearing debts (as of April 16, 2015)



## Breakdown of debt outstanding by lender (as of April 16, 2015)



## Optimum use of security/guarantee deposits

Total amount of security/guarantee deposits (as of Mar. 31, 2015)	JPY8.1 bn
(Amount kept as cash for deposit repayment)	JPY5.0 bn
(as of Apr. 16, 2015)	JPY8.9 bn
(Amount kept as cash for deposit repayment)	JPY5.4 bn

## Rating (JCR)

(Long-term issuer rating as of March 31, 2015)

Japan Credit Rating Agency, Ltd. (JCR)

**A**

## Summary of Interim Financial Results

- Summary of financial result of the 180-day period from Oct. 3, 2014 through Mar. 31, 2015
- Actual operating period: 50 days since Feb. 10, 2015

### Interim Balance Sheet

	(in million JPY)
<b>Current assets</b>	<b>11,772</b>
Total property, plant and equipment, net	82,058
Intangible assets	177
Investments and other assets	363
<b>Total noncurrent assets</b>	<b>82,599</b>
<b>Deferred assets</b>	<b>240</b>
<b>Total assets</b>	<b>94,611</b>
Current Liabilities	3,428
Noncurrent liabilities	32,992
<b>Total liabilities</b>	<b>36,420</b>
<b>Total net assets</b>	<b>58,191</b>
<b>Total liabilities and net assets</b>	<b>94,611</b>

### Interim Statement of Income and Retained Earnings

	(in million JPY)
Rental revenues	822
Other rental revenues	180
<b>Operating revenue</b>	<b>1,003</b>
Property related expenses	294
Net operating income (NOI)	708
Operating expenses	504
<b>Operating profit</b>	<b>498</b>
Non-operating income	0
Non-operating expenses	163
<b>Ordinary income</b>	<b>335</b>
<b>Net income</b>	<b>334</b>

## Revisions to Financial Forecasts

### ■ Earnings forecasts revised upwardly to reflect the acquisition of Blumer HAT Kobe

	1 <sup>st</sup> period ending Sep. 2015	2 <sup>nd</sup> period ending Mar. 2016
<b>Key financial results (JPY mn)</b>		
<b>Operating revenue</b>	<b>4,857</b>	<b>3,962</b>
Operating expense	2,378	1,959
(Major operating expense)		
Depreciation	552	433
<b>Operating income</b>	<b>2,334</b>	<b>1,874</b>
Non-operating expense	457	328
(Major non-operating expense)		
Financing-related expense	389	278
Amortization of investment unit issuance and organization expense	66	44
<b>Ordinary income</b>	<b>1,876</b>	<b>1,545</b>
<b>Net income</b>	<b>1,858</b>	<b>1,541</b>

### Related information (JPY mn)

<b>NOI</b>	<b>3,253</b>	<b>2,668</b>
NOI yield (%) <sup>(Note)</sup>	5.5%	5.8%
<b>NOI after depreciation</b>	<b>2,700</b>	<b>2,235</b>
NOI yield after depreciation (%)	4.6%	4.9%
<b>LTV</b>	<b>40.8%</b>	<b>40.8%</b>

Note: Property-related taxes for the 19 properties in our portfolio are not going to be expensed in the periods above.

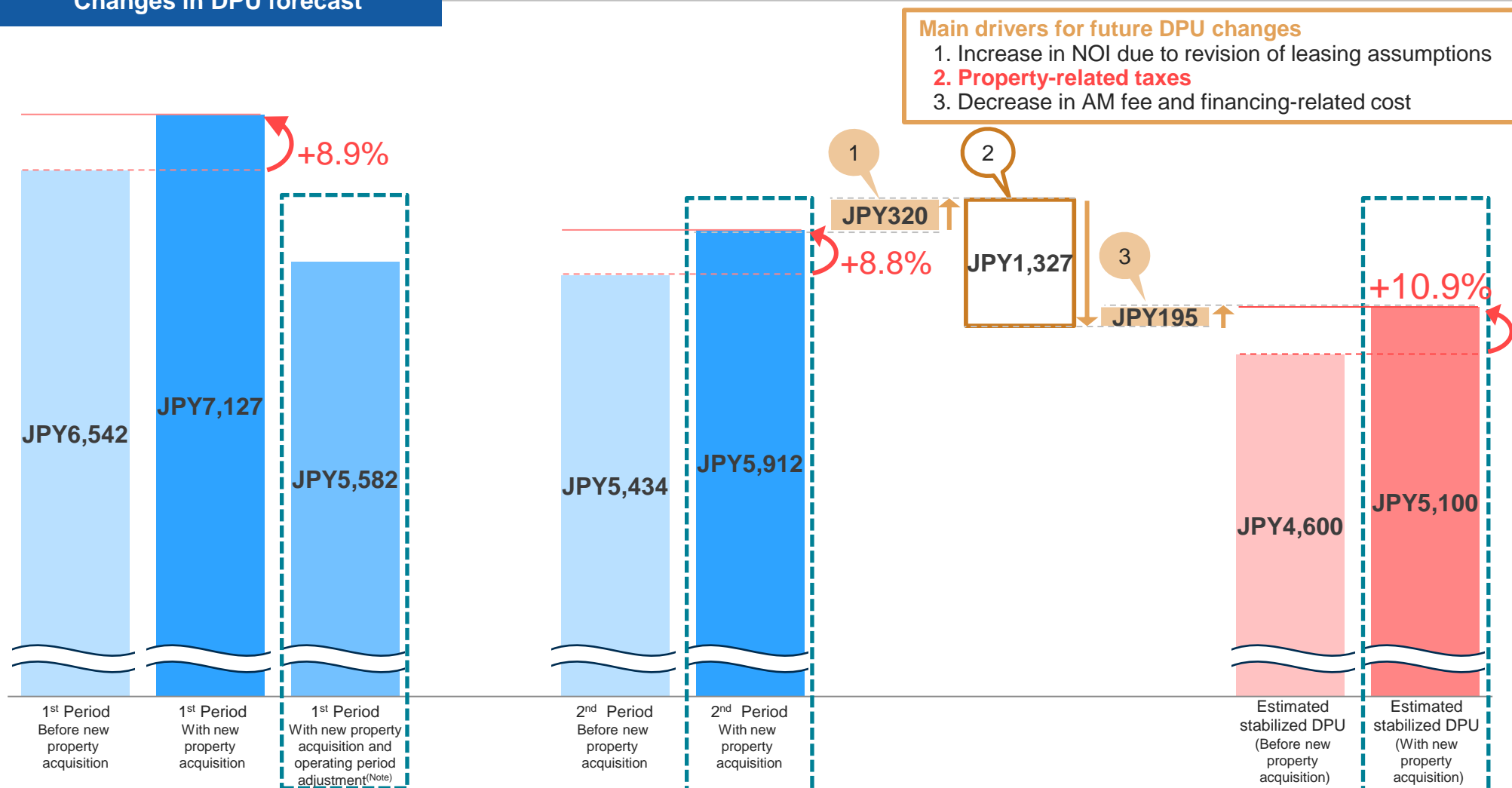
	Increase/decrease (1 <sup>st</sup> period)		
	Previous forecast (Feb. 10, 2015)		
Operating revenue	4,394	+462 +10.5%	→ 4,857
Operating income	2,143	+191 +8.9%	→ 2,334
Ordinary income	1,724	+152 +8.8%	→ 1,876
Net income	1,706	+152 +8.9%	→ 1,858

	Increase/decrease (2 <sup>nd</sup> period)		
	Previous forecast (Feb. 10, 2015)		
Operating revenue	3,472	+489 +14.1%	→ 3,962
Operating income	1,666	+207 +12.5%	→ 1,874
Ordinary income	1,420	+124 +8.8%	→ 1,545
Net income	1,416	+124 +8.8%	→ 1,541

## Revisions to DPU Forecast

- Increased DPU forecast as a result of the acquisition of Blumer HAT Kobe
- Forecast a 5,100 level for stabilized DPU, after considering factors including the property-related tax effect

### Changes in DPU forecast



Note: Pro rata based DPU after adjusting the operating days for the 1<sup>st</sup> Period from 233 days (actual) to 183 days.

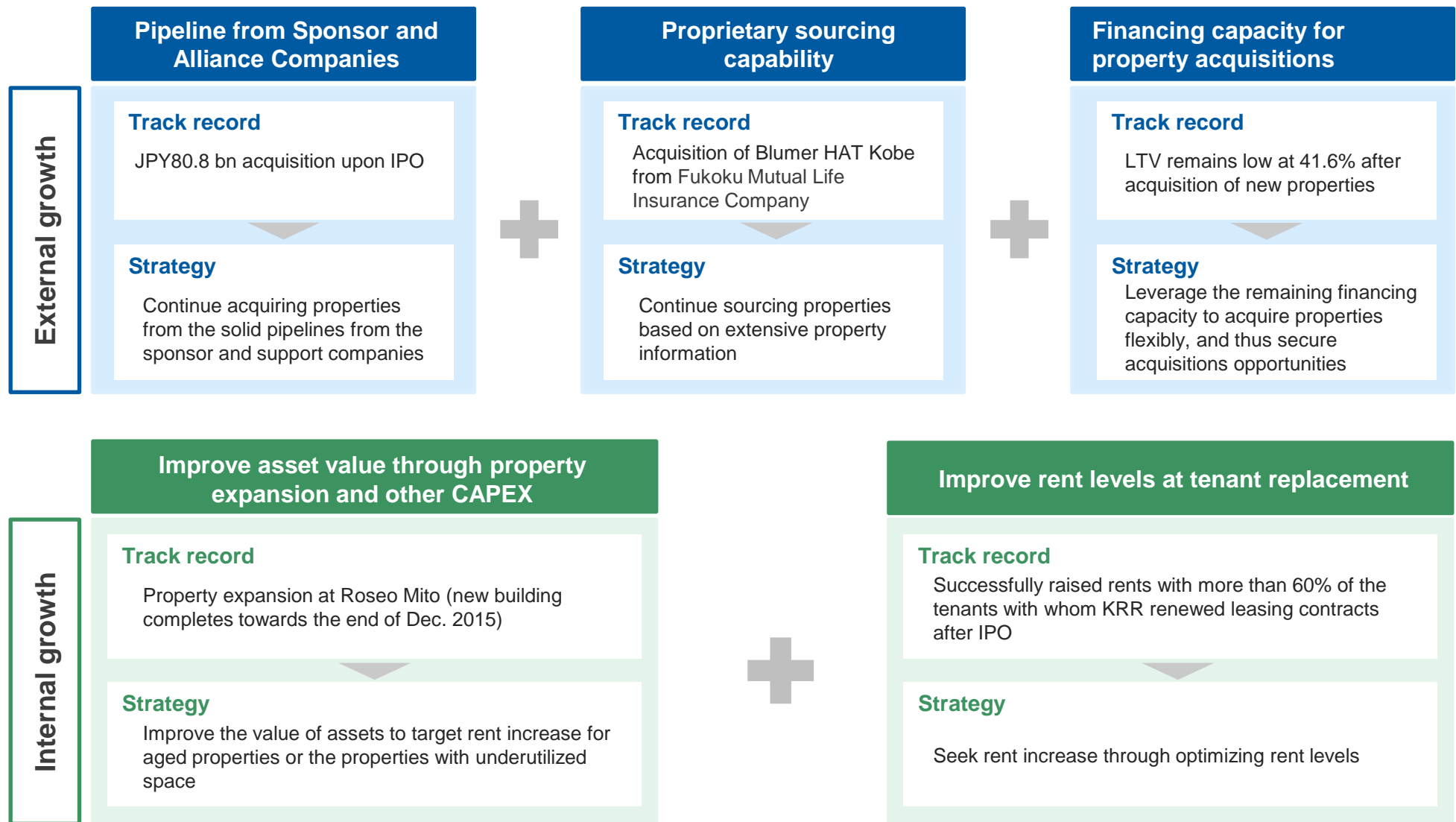
## Section 3

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### Our growth strategies

KENEDIX

# Significant Growth Potential Underpinned by Solid Track Record



**1**

**Selective investments in attractive retail properties through the expertise of our Asset Manager**

---

**2**

**Strong acquisition pipeline through opportunities from our Sponsor and Alliance Companies**

---

**3**

**Proprietary opportunities leveraging support from our Sponsor and Alliance Companies, including preferential negotiation rights with our Alliance Companies**

---

**4**

**Leverage multiple acquisition channels to maximize potential acquisition opportunities**

---

# Strong acquisition pipeline and preferential negotiation rights of retail properties

- We seek to achieve external growth by utilizing pipelines from the Kenedix Group, our Sponsor, and taking advantage of preferential negotiation rights with Alliance Companies
- Further acquisition pipelines are anticipated from new property funds investing mainly in retailed facilities, raised and managed by the Kenedix Group

## Examples of properties owned by our Sponsor and Alliance Companies<sup>(Note)</sup>



Urban Station-Front SC

**Carino Esaka**  
Location: Suita, Osaka



SM  
Development project

**Inageya Yokohama Minamihonjukucho**  
Location: Asahi-ku, Yokohama



SS  
Development project

**[Royal Home Center Totsuka Fukaya]**  
Location: Yokohama, Kanagawa



SM  
Development project

**York Mart Totsuka Fukaya-cho**  
Location: Yokohama, Kanagawa



SM  
Development project

**[Mandai Tsukaguchi Store]**  
Location: Amagasaki, Hyogo



SM  
Development project

**[Osaka Nishi-ku Project]**  
Location: Osaka, Osaka



SM  
Development project

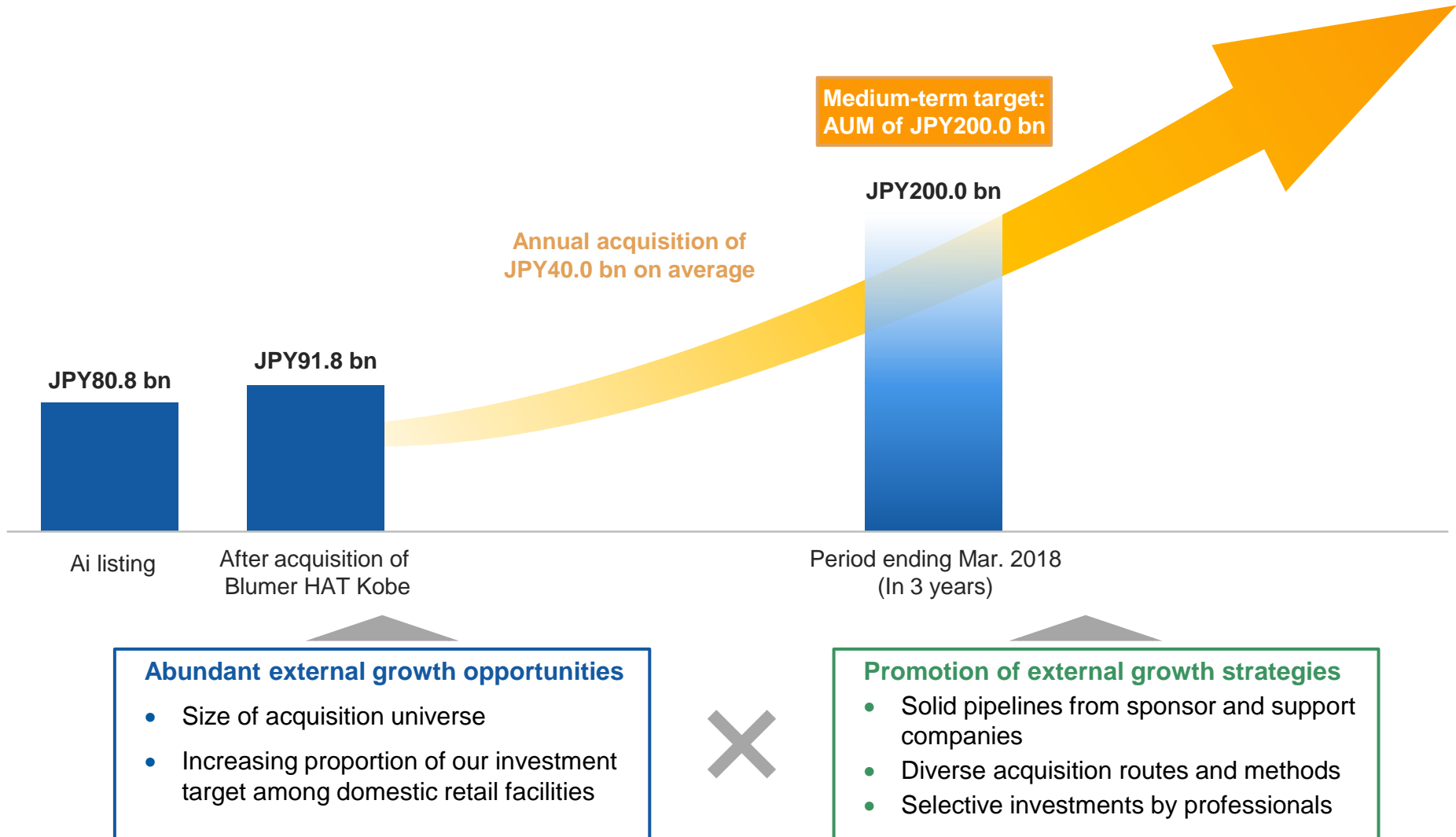
**[Osaka Chuo-ku Project]**  
Location: Osaka, Osaka

Note : As of May 26, 2015, we have no plans to acquire these properties and there is no guarantee that we can acquire these properties in the future. The illustrations above are only completion images based on design drawings and may differ from actual buildings after completion.



# Our Growth Roadmap

- Realize AUM growth to build a more stable portfolio, while focusing on steady DPU growth



Note: "AUM" represents the total acquisition price of all properties in the portfolio.

**1** Pursue a portfolio composition that achieves both stability and growth

---

**2** Enhance tenant relationships and profitability through value-added "one-stop" asset management and property management services

---

**3** Continuously implement a retail property management cycle through our in-house property management services

---

**4** Direct investments and management policies to enliven local communities

---

# Tenant-oriented Retail Property Management

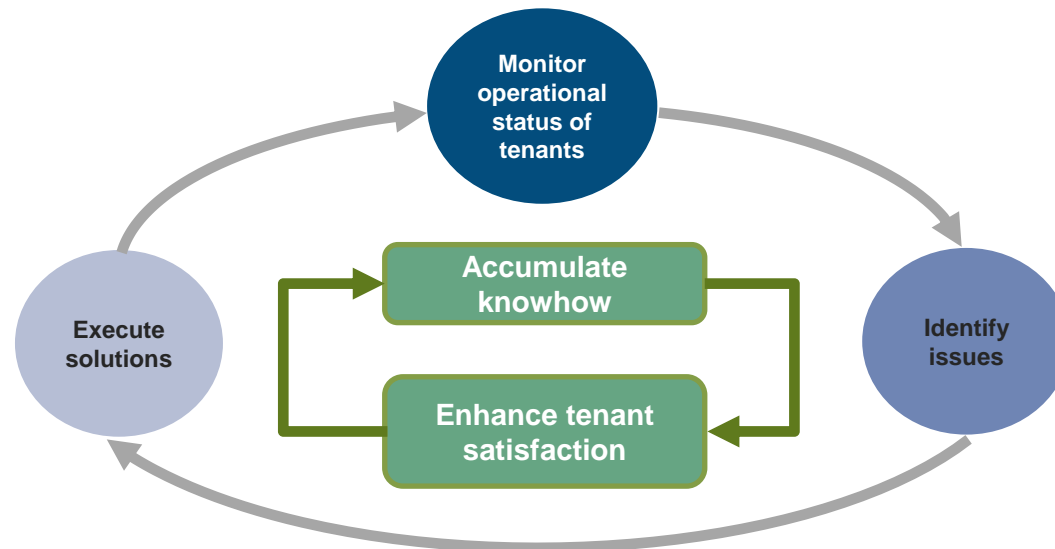
## "One-stop" AM and PM services

Strengthen relationships with tenants and enhance portfolio profitability through "one-stop" AM and PM services.



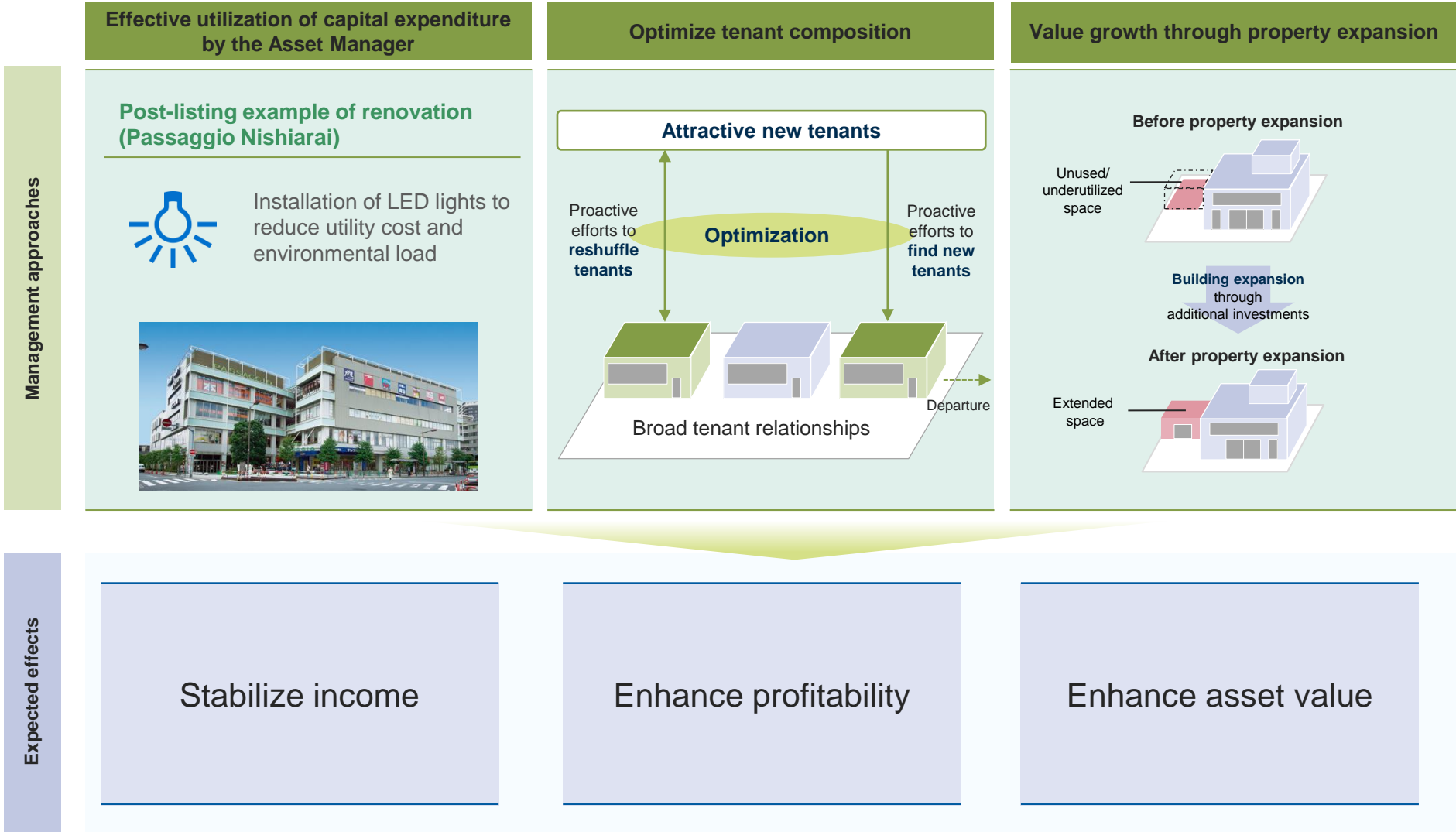
## Tenant-oriented retail property management

Seek to realize tenant-oriented property management, accumulate knowhow and improve tenant satisfaction level by entering into property management agreements for our entire portfolio.



# Pursuit of Internal Growth through Management of Retail Properties

Seek to achieve internal growth through management of retail properties



## Appendix 1

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### Key Characteristics of Kenedix Retail REIT Corporation (KRR)

KENEDIX

# Portfolio Strategies

## Investment criteria

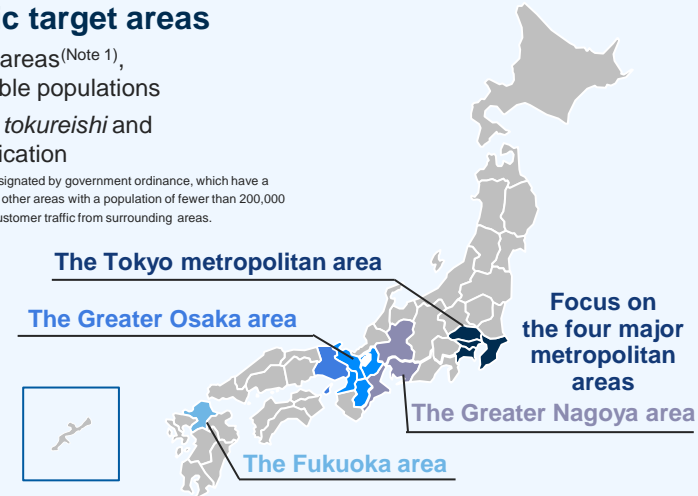
Focus on the following four elements in making investment decisions:

Attractiveness	Location
<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>
Profitability	Tenant mix
<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<sup>(Note 1)</sup>, which have relatively stable populations
- Selective investments in *tokureishi* and other areas<sup>(\*)</sup> for diversification

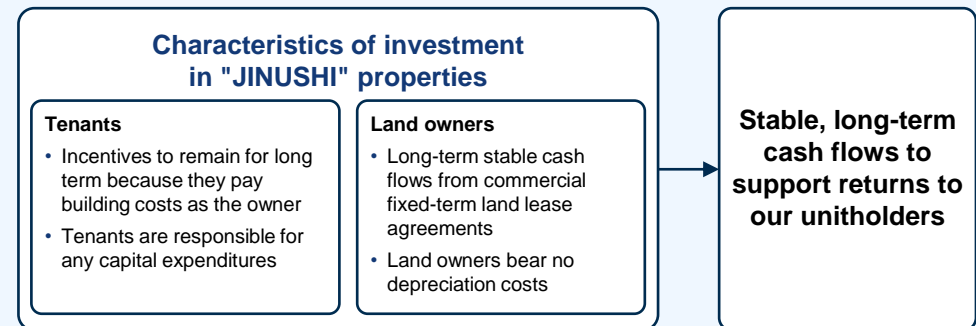
(\*) "Tokureishi and other areas" refers to cities designated by government ordinance, which have a population of 200,000 persons or more, and to other areas with a population of fewer than 200,000 persons, which we believe will have suitable customer traffic from surrounding areas.



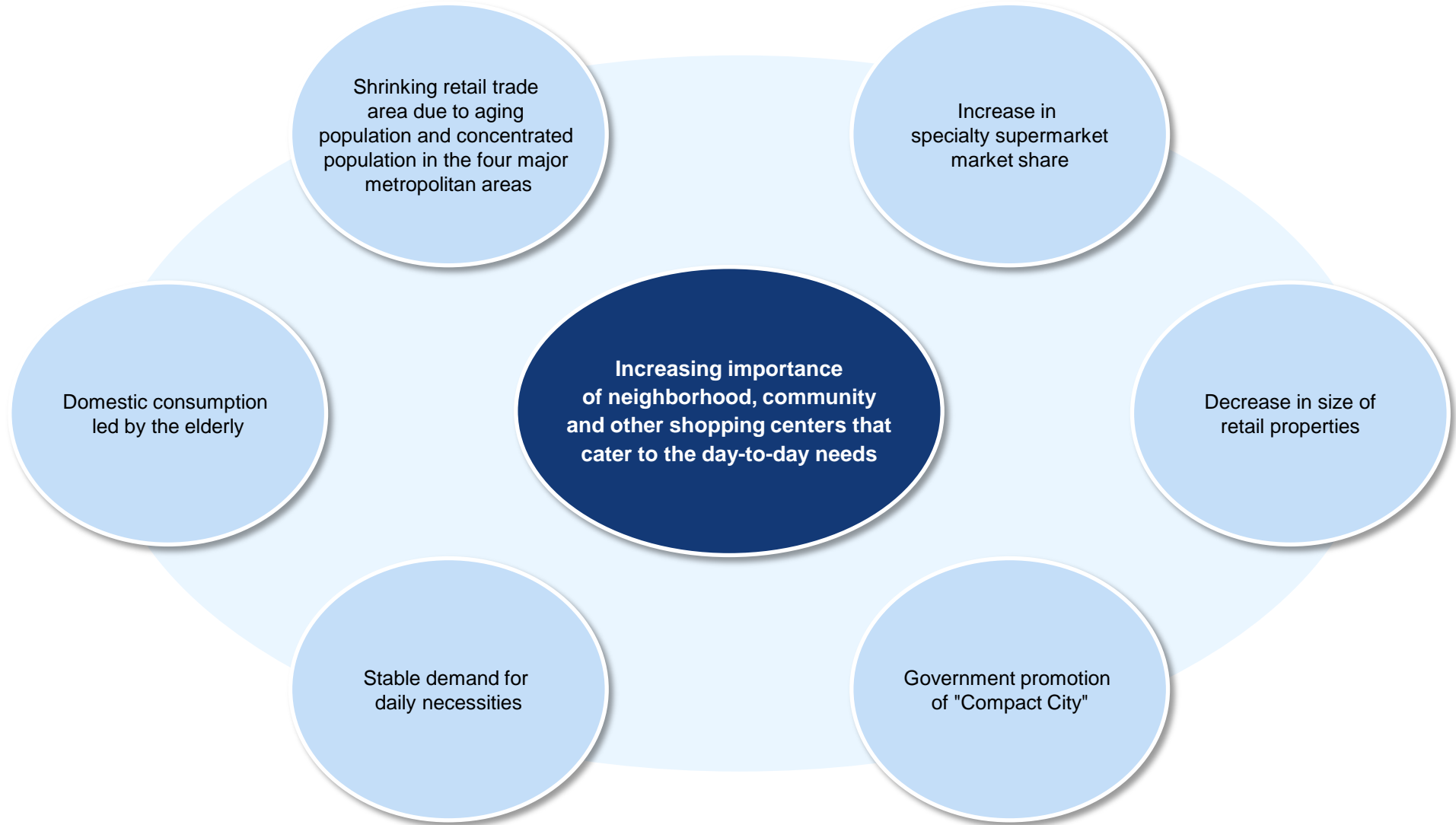
## Target portfolio distribution (based on acquisition price)



## Investment in land ownership interests —active investment in "JINUSHI" properties



Note: "Four major metropolitan areas" refers to the Tokyo metropolitan area, the Greater Osaka area, the Greater Nagoya area and the Fukuoka area. References to "Tokyo metropolitan area" are to the area that consists of Tokyo, Kanagawa, Saitama and Chiba prefectures. References to the "Greater Osaka area" are to the area that consists of Osaka, Kyoto, Hyogo, Nara and Shiga prefectures. References to the "Greater Nagoya area" are to the area that consists of Aichi, Gifu and Mie prefectures. References to the "Fukuoka area" are to the area that consists of Fukuoka prefecture.



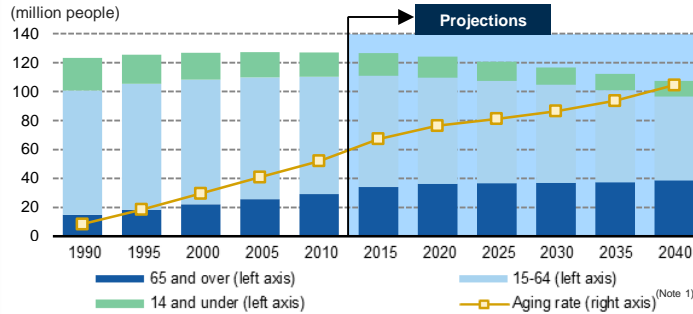
# Retail Property Trends and Macroeconomic Conditions (1)

Shrinking retail trade area due to aging population and concentrated population in the four major metropolitan areas

Domestic consumption led by the elderly

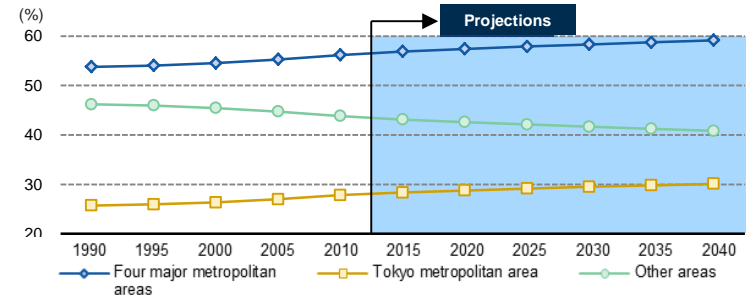
Stable demand for daily necessities

**Demographic shift in Japan**



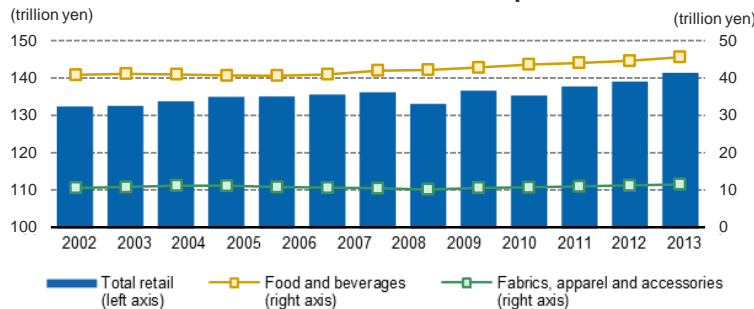
Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research

**Population share in Japan by area**



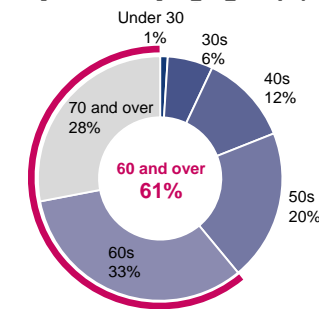
Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research

**Retail market volume in Japan**



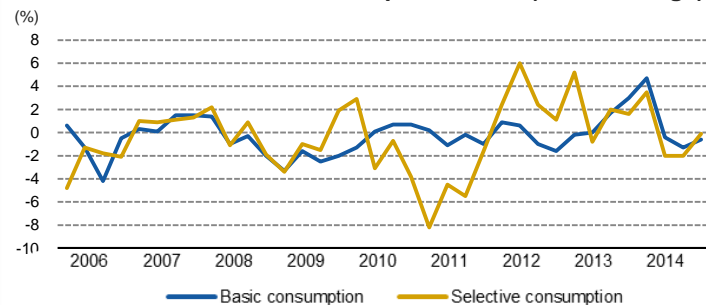
Source: Ministry of Economy, Trade and Industry

**Ownership of monetary assets by age group (as of 2009)**



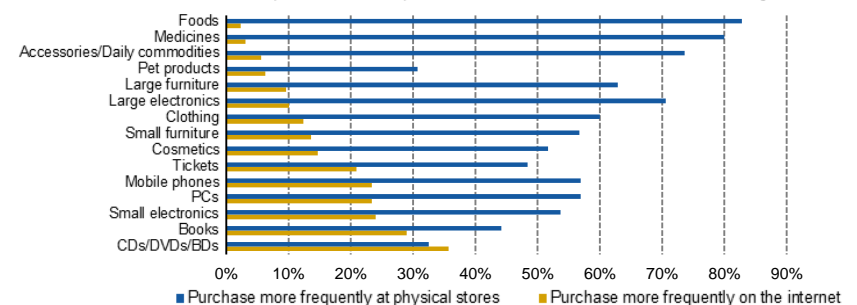
Source: Ministry of Internal Affairs and Communications

**Basic and selective consumption trends (YoY% change)**



Source: Ministry of Internal Affairs and Communications

**Product types for physical stores or online shopping**

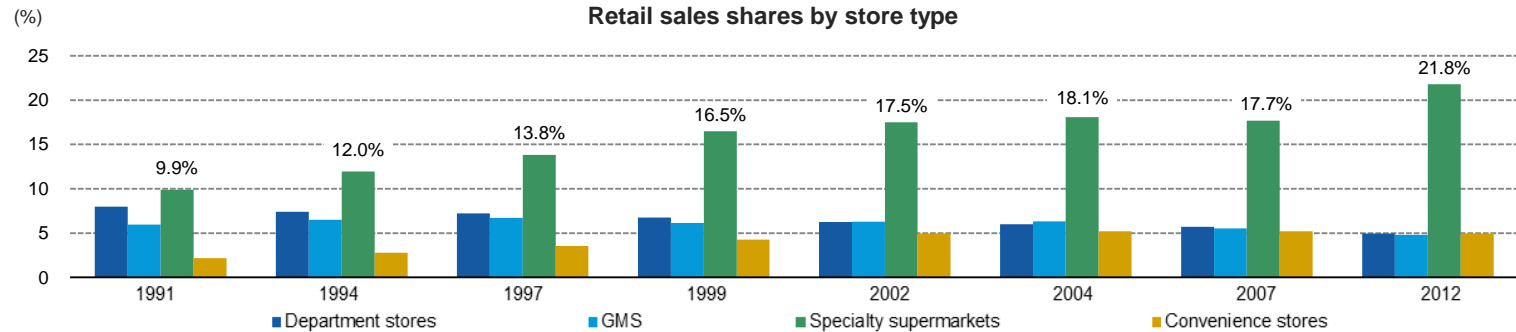


Source: Ministry of Internal Affairs and Communications



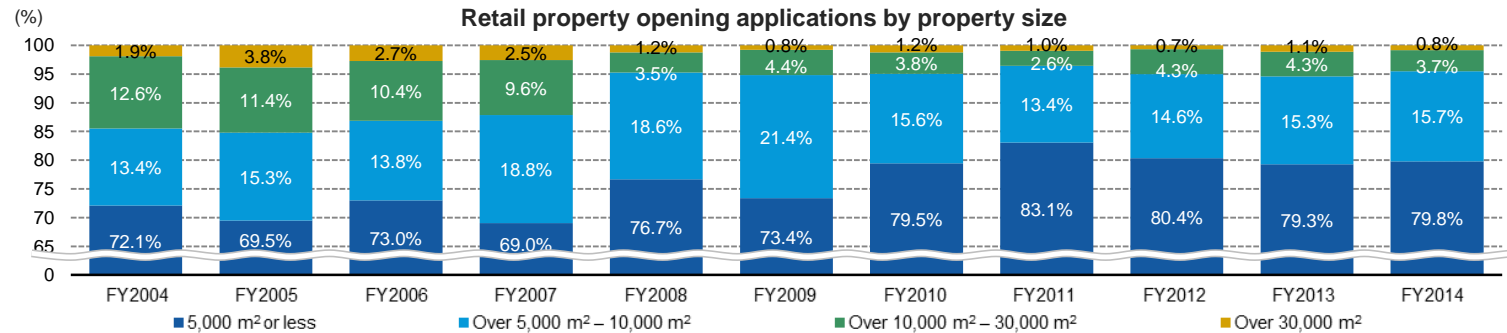
# Retail Property Trends and Macroeconomic Conditions (2)

Increase in specialty supermarket market share



Source: Ministry of Economy, Trade and Industry

Decrease in size of retail properties



Source: Ministry of Economy, Trade and Industry

Government promotion of "Compact City"

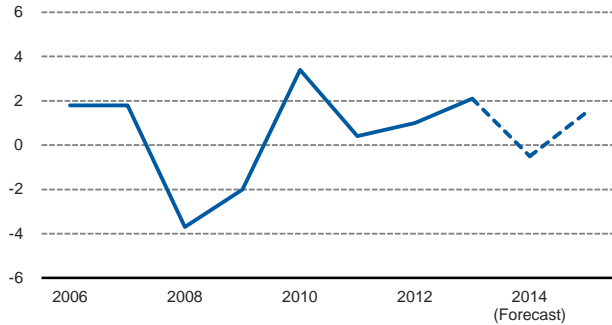
"Compact City" policy promoted by the Japanese government through Urban Planning Guidelines

On the back of Japan's aging population, the government has promoted the "Compact City" policy which encourages the formation of highly compact and convenient neighborhoods with high population concentrations and partially amended the Urban Planning Guidelines on August 1, 2014

We believe that the importance of neighborhood, community and other shopping centers that cater to the day-to-day needs will increase going forward

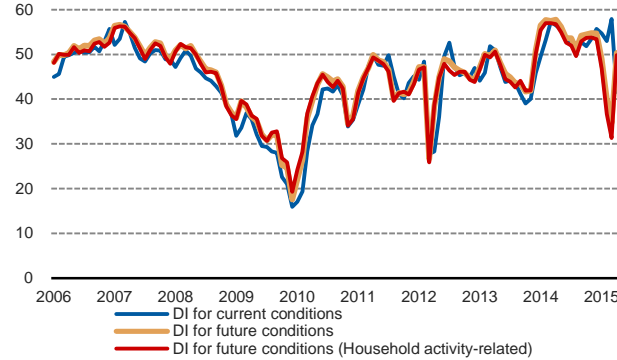
# Retail Property Trends and Macroeconomic Conditions (3)

**GDP growth rate (YoY)**



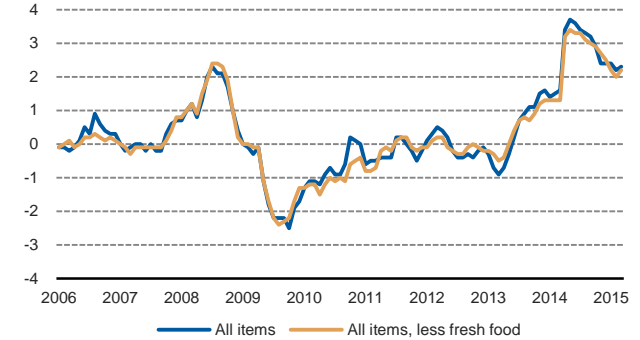
Source: National Accounts, Cabinet Office  
Note: Fiscal year base, as of Mar. 2015

**Diffusion Indices**



Source: Economy Watchers Survey, Cabinet Office  
Note: As of Mar. 2015

**CPI**



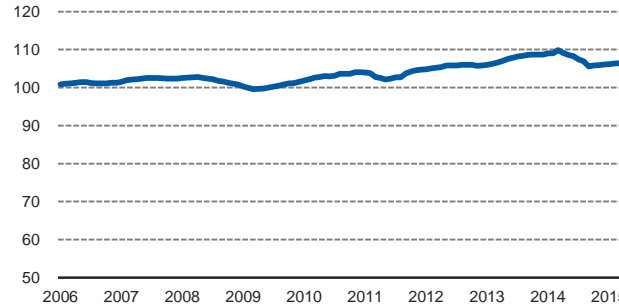
Source: Ministry of Internal Affairs and Communications, Statistic Bureau  
Note: As of Mar. 2015

**Change in total monthly real wage**



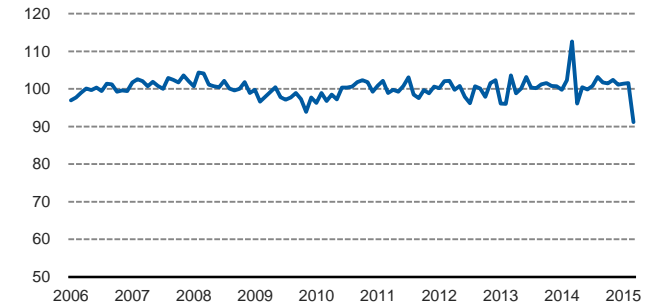
Source: Monthly Labour Survey, Ministry of Health, Labour and Welfare  
Note: As of Mar. 2015

**Private Consumption Integrated estimates**



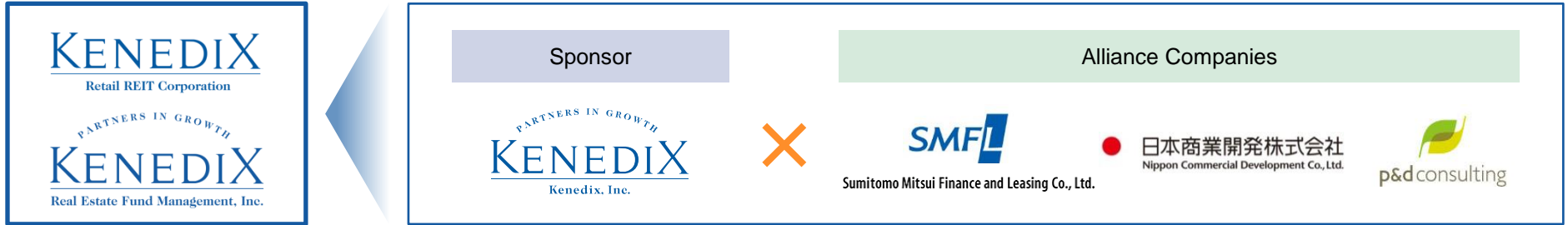
Source: Monthly Economic Report, Cabinet Office  
Note: As of Mar. 2015





**Large-scale retail store (excl. departments) sales value**



Source: Report on the Current Survey of Commerce, Minister of Economy, Trade and Industry  
Note: As of Mar. 2015

# Leveraging Extensive Support from Sponsor and Alliance Companies



Type of support			 Sumitomo Mitsui Finance and Leasing Co., Ltd.	 日本商業開発株式会社 Nippon Commercial Development Co., Ltd.	
Support for external growth	Pipeline support	●	●	●	●
	Warehousing services	●	●		
Support for internal growth	Leasing services	●		●	●
	PM services	●		●	●
	Environmentally-friendly technology/ knowhow	●			
	Evaluation of operating conditions and advisory on operations				●
Other support	Personnel support	●	●		
	Right to use trademarks			●	

# Overview of the Kenedix Group (1)

Fully leverage the Kenedix Group's extensive resources and knowhow with respect to retail facilities

Kenedix Retail REIT Corporation

## Examples: Retail property funds<sup>(Note 1)</sup>



**Challenger Kenedix Japan Trust (CKT)**  
Fund size: approx. JPY59 bn  
Number of properties: 20  
(as of Mar. 31, 2008)

**Private fund for German investors**  
Fund size: approx. JPY25 bn  
Number of properties: 9  
(as of Aug. 31, 2008)

## Examples: Retail property developments<sup>(Note 1)</sup>



**Mujirushi Ryohin Shimokitazawa**

**FRAME Jinnan-zaka**

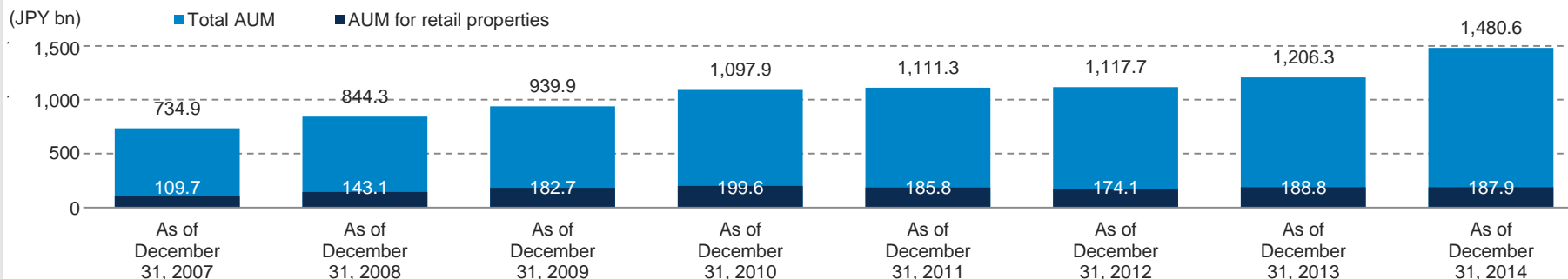
**Carino Chitosedai**

**Ashiko Town Ashikaga**



## The Kenedix Group

### The Kenedix Group's total AUM<sup>(Note 2)</sup> and the proportion of retail properties in total AUM

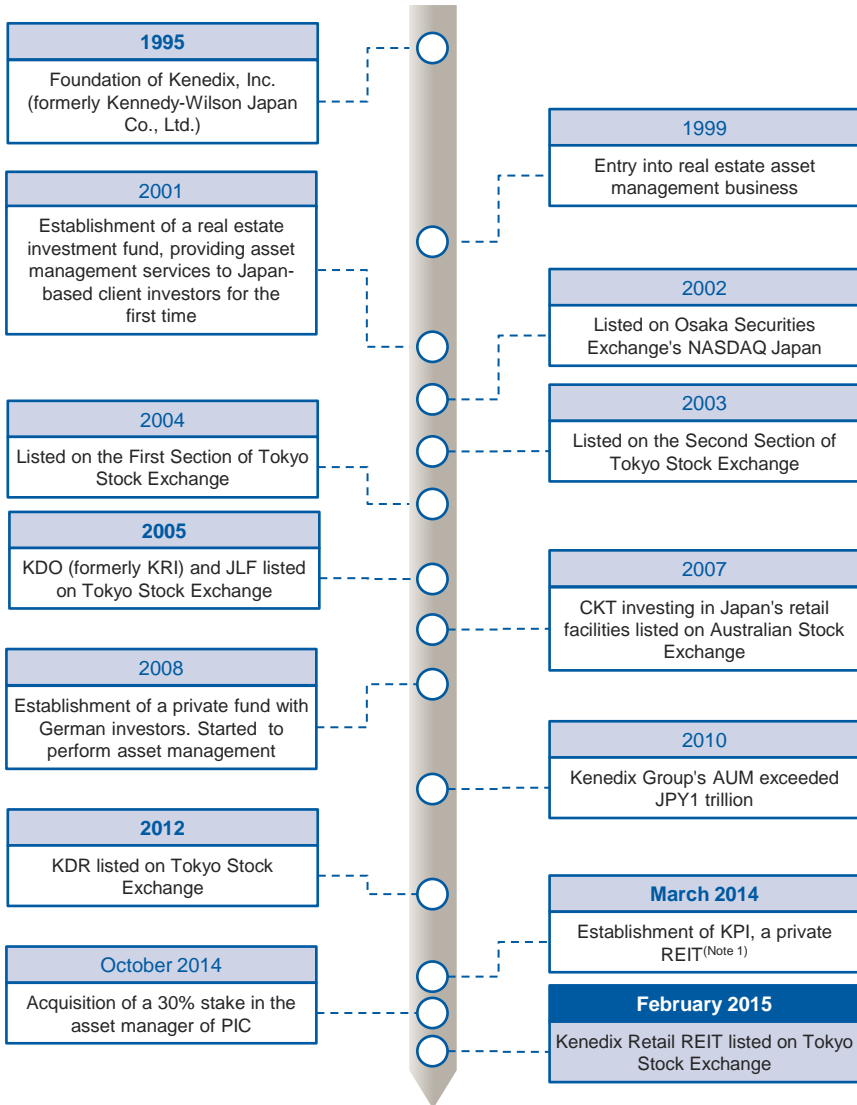


Note 1: These domestic retail properties were developed or managed by the Kenedix Group. As of May 26, 2015, we do not intend to acquire these properties.

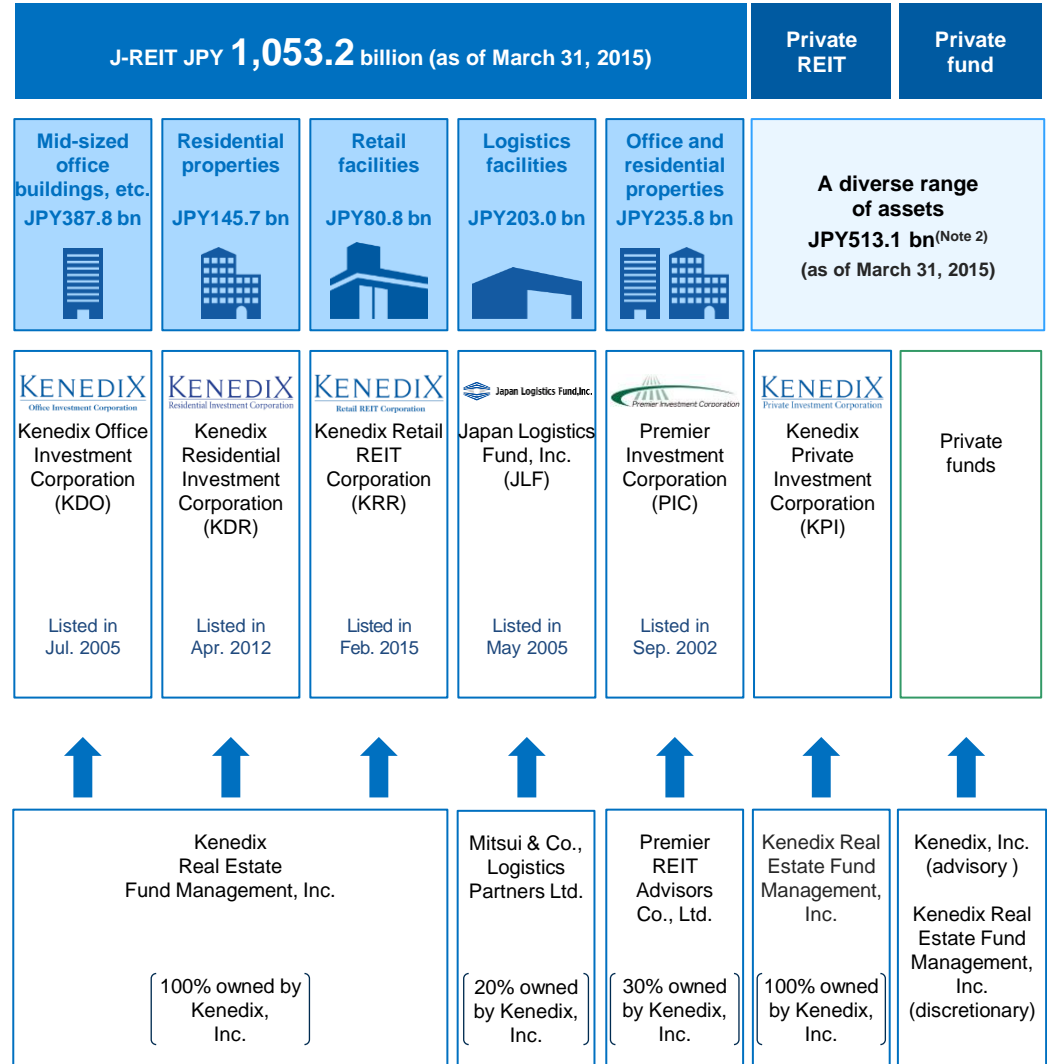
Note 2: AUM is defined as the sum of the purchase prices of real estate assets for which Kenedix provides asset management services as well as real estate assets that constitute inventories and property and equipment held for Kenedix's account and that are managed by Kenedix or relevant asset management subsidiaries and affiliate companies.

## Overview of the Kenedix Group (2)

### History of the Kenedix Group



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

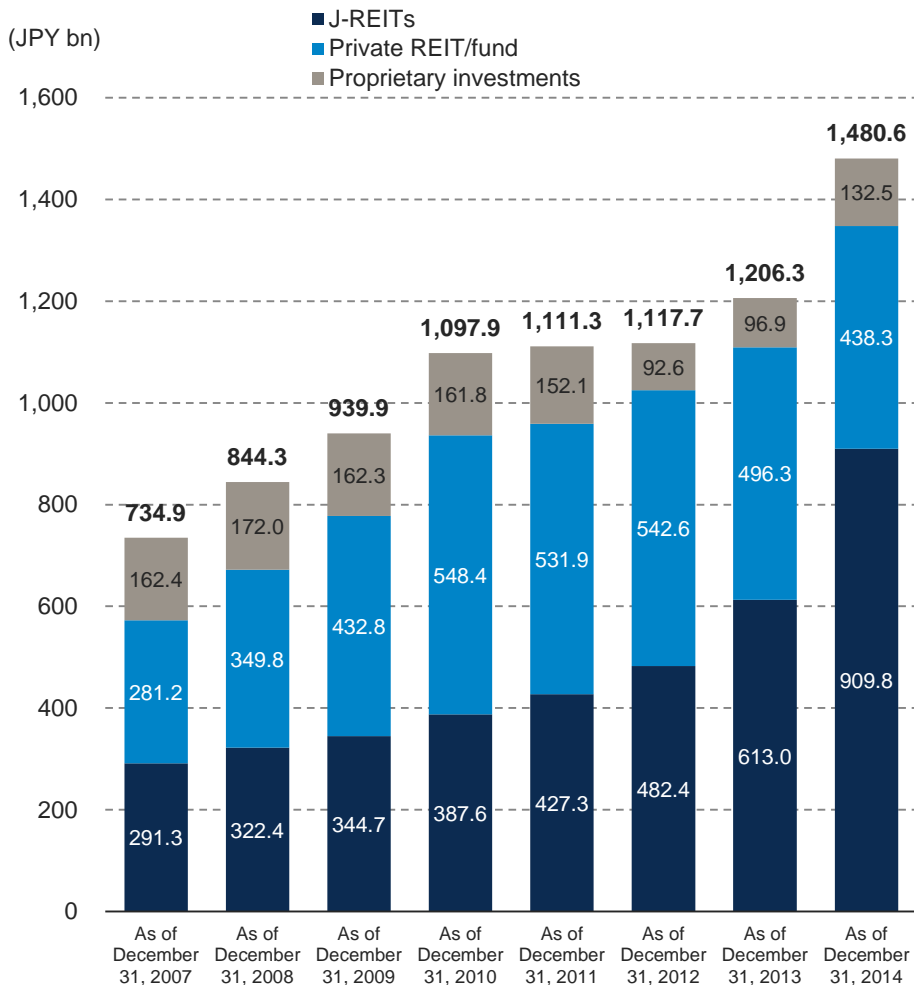


Note 1: "Private REIT" refers to an unlisted open-end private real estate investment corporation.

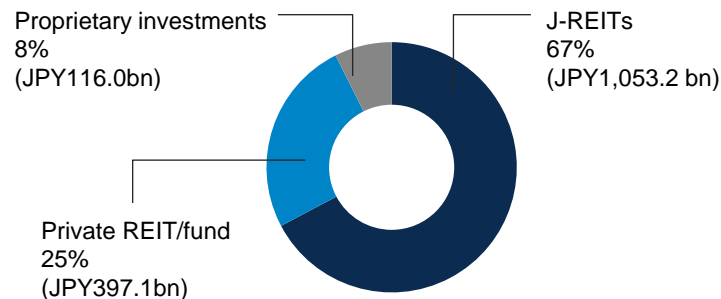
Note 2: Including proprietary investments of JPY116 billion.

# Overview of the Kenedix Group (3)

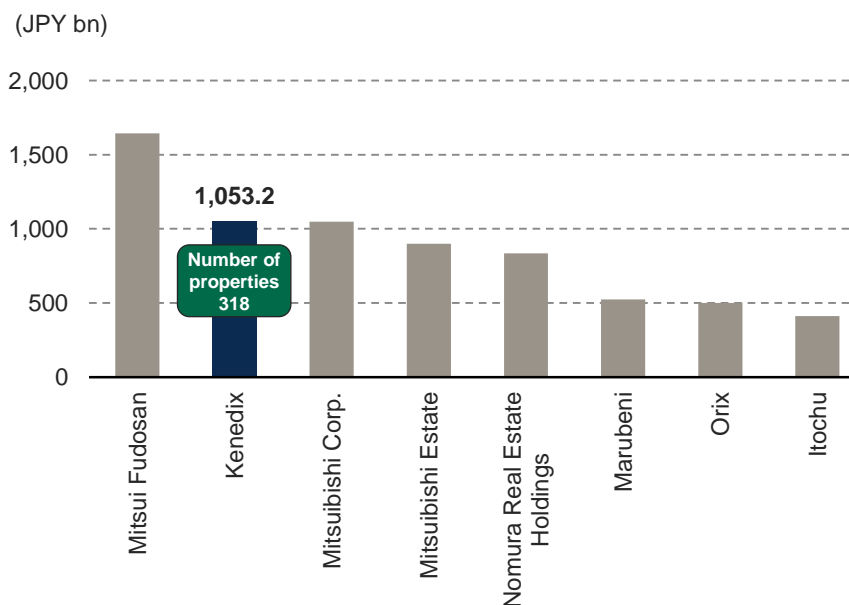
## The Kenedix Group's total AUM<sup>(Note 1)</sup>



## Distribution of AUM by fund type as of Mar. 31, 2014



## AUM by major J-REIT sponsors as of Mar. 31, 2015<sup>(Note 2, 3)</sup>



Note 1: J-REIT figures include real estate assets held by Japan Logistics Fund, Inc., which is managed by Mitsui & Co., Logistics Partners Ltd. Kenedix owns a 20% equity interest in Mitsui & Co., Logistics Partners Ltd., with Mitsui & Co. Ltd. owning a 51% equity interest and Sumitomo Mitsui Trust Bank, Limited owning a 29% equity interest. The J-REIT figure as of December 31, 2014 also includes real estate assets held by Premier Investment Corporation, which is managed by Premier REIT Advisors Co., Ltd. Kenedix owns a 30% equity interest in Premier REIT Advisors Co., Ltd., with NTT Urban Development Corporation owning a 53.1% equity interest, Sohgo Real Estate Co., Ltd. owning a 10.0% equity interest, Sumitomo Mitsui Trust Bank, Limited owning a 4.9% equity interest and Nikko Properties Co., Ltd. owning a 2.0% equity interest. Proprietary investments represent real estate assets owned by the Kenedix Group for its own account.

Note 2: "Major J-REIT sponsors" refer to the shareholders of each J-REIT's asset manager, excluding trust banks, other financial institutions, and the shareholders whose ownership ratio is less than 20%. In the chart, "Mitsui Fudosan" represents Mitsui Fudosan Co., Ltd., "Mitsubishi Corp." represents Mitsubishi Corporation, "Mitsubishi Estate" represents Mitsubishi Estate Co., Ltd., "Nomura Real Estate Holdings" represents Nomura Real Estate Holdings, Inc., "Marubeni" represents Marubeni Corporation, "Orix" represents Orix Corporation and "Itochu" represents Itochu Corporation.

Note 3: AUM by major J-REIT sponsors are based on the asset size of each J-REIT (based on total acquisition price).

# Overview of Alliance Companies (1)

## Sumitomo Mitsui Finance & Leasing Co., Ltd. (Note 1)



- Founded in Feb. 1963  
(Beginning of lease business : May 1968)
- Main lines of business: Leasing of a variety of equipment and machinery, loans and factoring, etc.
  - Operating assets of JPY3.6 trillion (on a book value basis, as of March 31, 2014). The largest general leasing company in Japan by lease transaction volume (with consolidated operating assets of JPY500 bn for the real-estate sector (on a book value basis))
  - Sourcing transactions through the broad customer base of Sumitomo Mitsui Banking Corporation
- Description of support
  - Sourcing of lease properties (pipeline support)
  - Provision of warehousing services, financing, other services to bridge funds and personnel support
- Share holders:
  - Sumitomo Mitsui Financial Group, Inc: 60%
  - Sumitomo Corporation: 40%



XEBIO Kyuhoji



VIVAHOME Zama



Kalsa Hiratsukamura



Ito-Yokado Waseda



SUMMIT Idogaya



Super DEPOT Atsubetsu-higashi

## P&D Consulting Co., Ltd. (Note 2)



- Founded in Apr. 2000
- Main lines of business: Development and management of retail facilities, retail consulting, etc.
  - Development/management of its own brand "Unicus" (9 locations) and development of other retail facilities (8 locations) (as of September 30, 2014)
- Description of support
  - Sourcing of properties developed on its own to Kenedix Retail REIT (pipeline support)
  - PM services, tenant leasing and other services
  - Assessment of operating conditions and advisory on operations
  - Provision of knowhow the company has accumulated through development/management of retail facilities



Unicus Kamisato



Wakaba Walk



Unicus Minamifuruya



Unicus Kounosu

Note 1: May be hereinafter described as "Sumitomo Mitsui Finance & Leasing." All of these properties are the retail properties developed in the past or currently owned by Sumitomo Mitsui Finance & Leasing. As of May 26, 2015, we have no plans to acquire these properties and there is no guarantee that we can acquire these properties in the future.

Note 2: May be hereinafter described as "P&D Consulting." All of these properties are the retail properties developed in the past by P&D Consulting. As of May 26, 2015, we have no plans to acquire these properties and there is no guarantee that we can acquire these properties in the future.

## Overview of Alliance Companies (2)

### Nippon Commercial Development Co., Ltd. (Note 1)



- Founded in Apr. 2000  
Listing:  
1<sup>st</sup> Section of the Tokyo Stock Exchange  
1<sup>st</sup> Section Nagoya Stock Exchange
- Main lines of business: Real estate investment, sub-leasing/leasing/ fund fee businesses
  - "JINUSHI BUSINESS"<sup>(Note 2)</sup> to invest in land ownership interests
  - Successful track record of JINUSHI projects (as of October 31, 2014):  
47 projects, approx. 530,000 m<sup>2</sup> (land area) and JPY80.0 bn (book value)
- Description of support
  - Sourcing of land acquisition opportunities through "JINUSHI BUSINESS" (pipeline support)
  - Connections with broad tenants, developed through the "JINUSHI BUSINESS"
  - PM services and tenant leasing services
  - Right to use "JINUSHI"-related trademarks

#### ■ Selected "JINUSHI" projects completed<sup>(Note 3)</sup>



Life Mitejima



Create SD Kamakura  
Zaimokuza



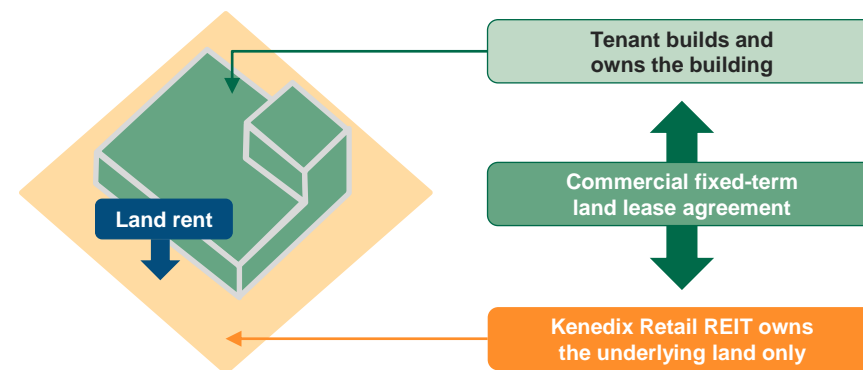
York Mart Atsugi  
Nanmohri



Hankyu Oasis  
Takadono

#### ■ JINUSHI BUSINESS

Nippon Commercial Development's "JINUSHI BUSINESS" is a business model whereby they invest in land ownership interests and lease the land to tenants based on commercial fixed-term land lease agreements to generate stable cash flow (rent) in the long term.



#### ■ Characteristics of Nippon Commercial Development's "JINUSHI BUSINESS"

Investments in land assets which can be converted to residential use

Seek long-term stable cash flow

Note 1: May be hereinafter described as "Nippon Commercial Development."

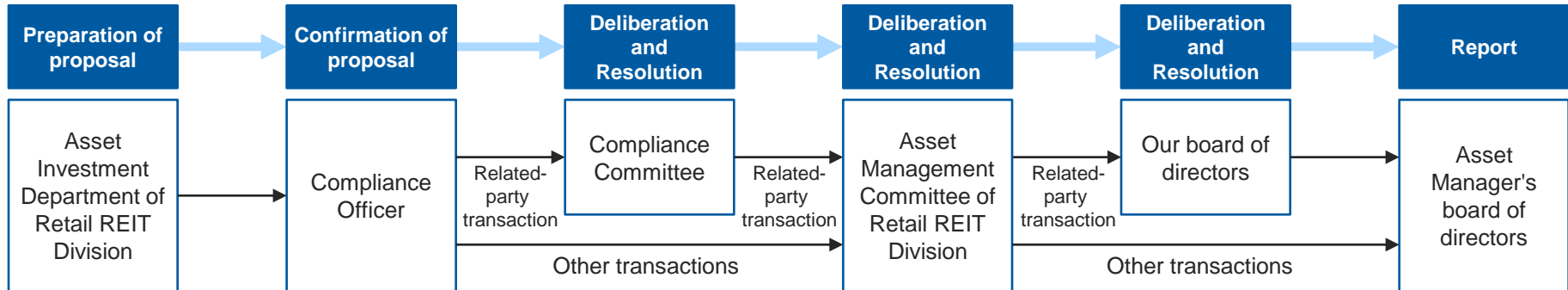
Note 2: "JINUSHI BUSINESS" (in Japanese) is a registered trademark of Nippon Commercial Development.

Note 3: All of these properties are the "JINUSHI" properties developed in the past by Nippon Commercial Development. As of May 26, 2015, we have no plans to acquire these properties and there is no guarantee that we can acquire these properties in the future.



# Governance Structure

## Decision-making process for acquisition and sale of properties



## Investment in Kenedix Retail REIT by the Kenedix Group

The Kenedix Group owns about 2% (5,750 units) of our total issued units.

## Introduction of DPU-linked management fee structure

**Fee linked with distribution per unit**

We believe the DPU-linked asset management fee structure will encourage the Asset Manager to place utmost emphasis on the growth of income from portfolio properties.

## The Kenedix Group's business model that benefits from our growth

As of Mar. 31, 2015, the Kenedix Group is the only real estate investment manager in Japan whose J-REIT assets constitute the majority of their AUM. Because of the importance of the J-REIT business to the Kenedix Group, we believe that our sound growth is in line with their interests.

## Appendix 2

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### Detailed financial results and portfolio information

KENEDIX

# Earnings Performance for the Individual Properties (1)

Location		Tokyo metropolitan area							
Property No.		T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8
Property Name		Fululu Garden Yachiyo	MONA Shin-Urayasu	Passaggio Nishiarai	Daikanyama Address Dixsept	Unicus Ina	Yorktown Kita-Kaname	Unicus Yoshikawa	Sports Club Renaissance Fujimidai
Acquisition Date		February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015
Price Information	Acquisition price ( In millions of yen )	14,848	8,063	5,850	5,390	4,379	4,000	3,600	2,586
	Percentage of total portfolio	18.4%	10.0%	7.2%	6.7%	5.4%	4.9%	4.5%	3.2%
	Net book value ( In millions of yen )	15,105	8,191	5,967	5,467	4,439	4,056	3,673	2,621
Lease Information	Number of tenants	50	1(74)	1(39)	1(25)	1	1	1(11)	1
	Leasable floor area (m <sup>2</sup> )	77,057.56	9,568.31	10,546.25	5,056.39	13,044.37	—	10,620.04	3,120.87
	Leased floor area (m <sup>2</sup> )	76,800.63	9,523.31	10,404.31	4,681.24	13,044.37	(Note )	10,620.04	3,120.87
	Occupancy ratio as of March 31, 2015	99.7%	99.5%	98.7%	92.6%	100.0%	100.0%	100.0%	100.0%
Income and Retained Earnings Information for the 1st Interim Fiscal Period	Operating periods	50days	50days	50days	50days	50days	50days	50days	50days
	(1)Rental and other operating revenues ( In thousands of yen )	222,097	148,729	83,570	70,236	36,917			
	Rental revenues	176,852	100,892	57,770	48,970	36,854			
	Other operating revenues	45,245	47,836	25,799	21,266	62			
	(2)Property-related expenses ( In thousands of yen )	80,359	66,155	36,153	35,003	976			
	Property management fees	40,738	23,237	11,268	11,023	503			
	Taxes	26	8	8	8	120	(Note)	(Note)	(Note)
	Utilities	21,982	19,820	12,967	10,620	-			
	Repairs and maintenance	3,195	1,694	126	195	123			
	Insurance	529	230	154	86	91			
	Trust fees and other expenses	13,887	21,163	11,628	13,067	137			
	(3)NOI(=(1)-(2)) ( In thousands of yen )	141,738	82,574	47,416	35,233	35,941	32,120	29,653	19,154
	(4)Depreciation ( In thousands of yen )	26,369	12,728	10,254	4,874	9,569	6,581	5,131	4,939
	(5)Rental operating income (=(3)-(4)) ( In thousands of yen )	115,368	69,845	37,162	30,358	26,372	25,538	24,521	14,215
(6)Capital expenditures ( In thousands of yen )	4,588	2,259	-	-	-	-	-	-	
(7)NCF (=(5)-(6)) ( In thousands of yen )	137,149	80,315	47,416	35,233	35,941	32,120	29,653	19,154	

Note: We have not obtained consent from the tenants of the relevant property to release the information from the table.

## Earnings Performance for the Individual Properties (2)

Location		Greater Osaka area			Greater Nagoya area			Fukuoka area	Tokureishi and other areas		
Property No.		O-1	O-2	O-3	N-1	N-2	N-3	F-1	R-1	R-2	R-3
Property Name		Blumer Maitamon	Life Takadono (Land)	Piago Kahma Home Center Omihachiman	Kahma Home Center Nakagawa Tomita (Land)	Valor Ichinomiya-Nishi	K's Denki Nakagawa Tomita (Land)	Sunny Noma	Roseo Mito	K's Denki Aomori Honten	Super Sports Xebio Aomori-Chuo
Acquisition Date		February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015	February 10, 2015
Price Information	Acquisition price ( In millions of yen )	8,389	2,685	2,140	2,311	2,174	889	1,497	9,675	1,469	898
	Percentage of total portfolio	10.4%	3.3%	2.6%	2.9%	2.7%	1.1%	1.9%	12.0%	1.8%	1.1%
	Net book value ( In millions of yen )	8,537	2,727	2,188	2,351	2,213	907	1,541	9,817	1,505	918
Lease Information	Number of tenants	46	1	2	1	1	1	1	1(22)	1	1
	Leasable floor area (m <sup>2</sup> )	30,037.11	4,437.07	14,313.00	—	9,447.48	—	2,814.67	45,654.67	10,083.41	—
	Leased floor area (m <sup>2</sup> )	29,210.10	4,437.07	14,313.00	(Note)	9,447.48	(Note 1)	2,814.67	45,654.67	10,083.41	(Note)
	Occupancy ratio as of March 31, 2015	97.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Income and Retained Earnings Information for the 1st Interim Fiscal Period	Operating periods	50days	50days	50days	50days	50days	50days	50days	50days	50days	50days
	(1)Rental and other operating revenues ( In thousands of yen )	129,339							97,414		
	Rental revenues	99,568							87,551		
	Other operating revenues	29,771							9,863		
	(2)Property-related expenses ( In thousands of yen )	46,117							14,503		
	Property management fees	16,526	—	—	—	—	—	—	5,132	—	—
	Taxes	28	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)	8	(Note)	(Note)
	Utilities	23,728							8,079		
	Repairs and maintenance	10							-		
	Insurance	231							183		
	Trust fees and other expenses	5,592							1,098		
	(3)NOI(=(1)-(2)) ( In thousands of yen )	83,222	9,168	26,765	18,134	21,253	6,938	12,227	82,911	15,033	8,737
	(4)Depreciation ( In thousands of yen )	16,461	-	3,413	-	4,830	-	4,744	13,936	2,111	1,624
	(5)Rental operating income (=(3)-(4)) ( In thousands of yen )	66,761	9,168	23,352	18,134	16,423	6,938	7,483	68,975	12,922	7,112
(6)Capital expenditures ( In thousands of yen )	-	-	-	-	-	-	-	-	-	-	
(7)NCF (=(3)-(6)) ( In thousands of yen )	83,222	9,168	26,765	18,134	21,253	6,938	12,227	82,911	15,033	8,737	

Note: We have not obtained consent from the tenants of the relevant property to release the information from the table.

# Interim Balance Sheet

(in thousands of yen)

Reporting Period  
(As of March 31, 2015)

(in thousands of yen)	
Reporting Period	
(As of March 31, 2015)	
<b>Assets</b>	
<b>Current assets</b>	
Cash and deposits	2,717,508
Cash and deposits in trust	6,905,850
Operating accounts receivable	187,674
Prepaid expenses	25,476
Deferred tax assets	75
Consumption taxes receivable	1,935,654
<b>Total current assets</b>	<b>11,772,240</b>
<b>Noncurrent assets</b>	
<b>Property, plant and equipment</b>	
Buildings in trust	22,506,324
Accumulated depreciation	(117,239)
<b>Buildings in trust, net</b>	<b>22,389,084</b>
Structures in trust	1,102,263
Accumulated depreciation	(8,704)
<b>Structures in trust, net</b>	<b>1,093,558</b>
Machinery and equipment in trust	21,302
Accumulated depreciation	(151)
<b>Machinery and equipment in trust, net</b>	<b>21,151</b>
Tools, furniture and fixtures in trust	6,847
Accumulated depreciation	(101)
<b>Tools, furniture and fixtures in trust, net</b>	<b>6,745</b>
Land in trust	58,536,091
Construction in progress in trust	12,025
<b>Total property, plant and equipment, net</b>	<b>82,058,657</b>
<b>Intangible assets</b>	
Leasehold right in trust	175,056
Other	2,425
<b>Total intangible assets</b>	<b>177,482</b>
<b>Investments and other assets</b>	
Lease and guarantee deposits	10,000
Lease and guarantee deposits in trust	5,270
Long-term prepaid expenses	269,293
Long-term deposits	78,530
<b>Total investments and other assets</b>	<b>363,093</b>
<b>Total noncurrent assets</b>	<b>82,599,233</b>
<b>Deferred assets</b>	
Deferred organization expenses	45,576
Investment unit issuance costs	194,523
<b>Total deferred assets</b>	<b>240,100</b>
<b>Total assets</b>	<b>94,611,573</b>

(in thousands of yen)

Reporting Period  
(As of March 31, 2015)

(in thousands of yen)	
Reporting Period	
(As of March 31, 2015)	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Operating accounts payable	284,025
Short-term loans payable	2,000,000
Accounts payable-other	79,421
Accrued expenses	4,663
Income taxes payable	1,814
Advances received	423,296
Deposits received	635,108
<b>Total current liabilities</b>	<b>3,428,329</b>
<b>Noncurrent liabilities</b>	
Long-term loans payable	24,850,000
Tenant leasehold and security deposits in trust	8,119,399
Asset retirement obligations	22,758
<b>Total noncurrent liabilities</b>	<b>32,992,158</b>
<b>Total liabilities</b>	<b>36,420,487</b>
<b>Net assets</b>	
<b>Unitholders' equity</b>	
Unitholders' capital	57,857,000
<b>Surplus</b>	
Unappropriated retained earnings	334,085
<b>Total surplus</b>	<b>334,085</b>
<b>Total unitholders' equity</b>	<b>58,191,085</b>
<b>Total net assets</b>	<b>58,191,085</b>
<b>Total liabilities and net assets</b>	<b>94,611,573</b>

# Interim Statement of Income and Retained Earnings

	(in thousands of yen)
	Reporting Period (From October 3, 2014 to March 31, 2015)
Operating revenues	
Rent revenue-real estate	822,652
Other lease business revenue	180,487
Total operating revenues	1,003,139
Operating expenses	
Expenses related to rent business	422,483
Asset management fees	54,724
Asset custody fees	1,426
Administrative service fees	5,590
Directors' compensation	4,431
Other operating expenses	15,493
Total operating expenses	504,150
Operating income	498,989
Non-operating income	
Interest income	347
Total non-operating income	347
Non-operating expenses	
Interest expenses	36,431
Borrowing related expenses	111,408
Amortization of deferred organization expenses	4,984
Amortization of investment unit issuance costs	10,618
Total non-operating expenses	163,441
Ordinary income	335,894
Income before income taxes	335,894
Income taxes	
Current	1,884
Deferred	(75)
Total income taxes	1,808
Net income	334,085
Unappropriated retained earnings	334,085

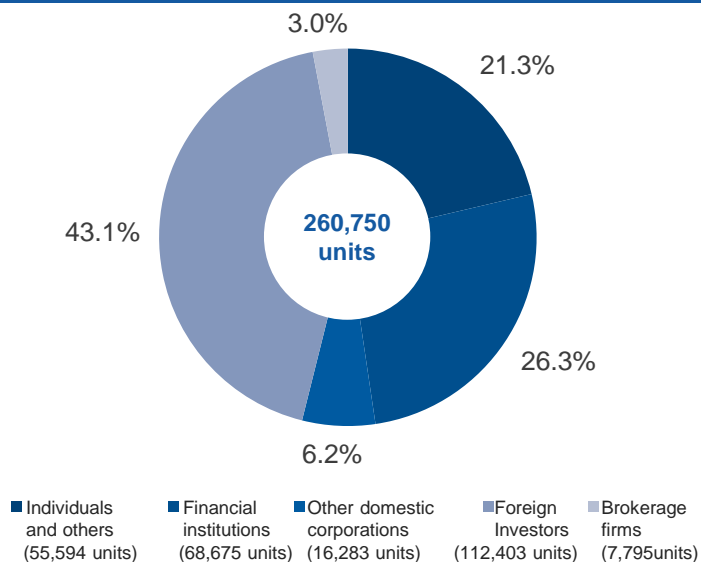
	(in thousands of yen)
	Reporting Period (From October 3, 2014 to March 31, 2015)
Rental and other operating revenues:	
Rental revenues	726,354
Rental revenues from limited proprietary rights of land	45,575
Common area charges	50,722
Subtotal	822,652
Others:	
Parking space rental revenues	24,540
Utility charge reimbursement	78,134
Miscellaneous	77,812
Subtotal	180,487
Total rental and other operating revenues	1,003,139
Property management fees and facility management fees	119,953
Utilities	97,199
Taxes	1,265
Repairs and maintenance	5,345
Insurance	1,915
Trust fees	2,547
Depreciation	127,571
Others	66,684
Total property-related expenses	422,483
Net operating income from real estate rental business	580,656

## Interim Statement of Changes in Net Assets

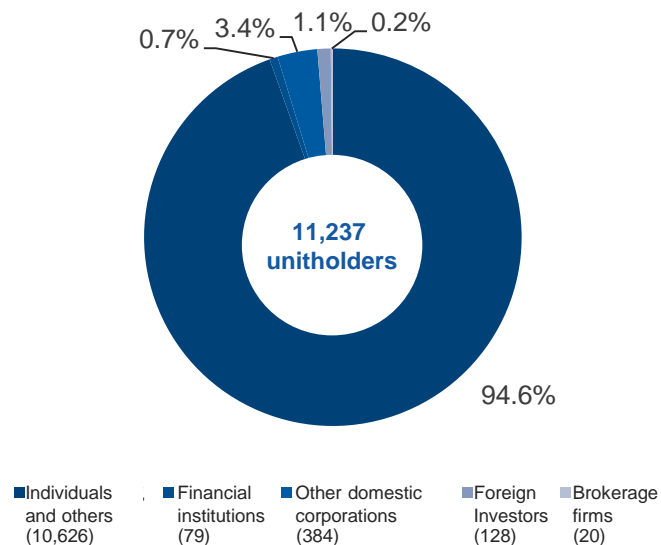
	(in thousands of yen)
	Reporting Period (From October 3, 2014 to March 31, 2015)
Net cash provided by (used in) operating activities	
Income before income taxes	335,894
Depreciation and amortization	127,655
Amortization of deferred organization expenses	4,984
Amortization of investment unit issuance costs	10,618
Interest income	(347)
Interest expenses	36,431
Decrease (increase) in operating accounts receivable	(187,674)
Decrease (increase) in consumption taxes refund receivable	(1,935,654)
Decrease (increase) in prepaid expenses	(25,476)
Increase (decrease) in operating accounts payable	281,766
Increase (decrease) in accounts payable-other	69,896
Increase (decrease) in advances received	423,296
Increase (decrease) in deposits received	635,108
Decrease (increase) in long-term prepaid expenses	(269,293)
Decrease (increase) in long-term deposits	(78,530)
Payment of organization expenses	(50,560)
Subtotal	(621,885)
Interest income received	347
Interest expenses paid	(31,767)
Income taxes paid	(70)
Net cash provided by (used in) operating activities	(653,376)
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment in trust	(82,159,885)
Purchase of intangible assets	(2,509)
Purchase of intangible assets in trust	(176,383)
Payments for lease and guarantee deposits	(10,000)
Payments for lease and guarantee deposits in trust	(5,270)
Repayments of tenant leasehold and security deposits in trust	(122,389)
Proceeds from tenant leasehold and security deposits in trust	8,241,789
Payments of restricted bank deposits in trust	(3,917,992)
Proceeds from restricted bank deposits in trust	71,892
Net cash provided by (used in) investing activities	(78,080,747)
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	3,322,500
Decrease in short-term loans payable	(1,322,500)
Proceeds from long-term loans payable	24,850,000
Proceeds from issuance of investment units	57,661,383
Net cash provided by (used in) financing activities	84,511,383
Net increase (decrease) in cash and cash equivalents	5,777,258
Cash and cash equivalents at the beginning of period	-
Cash and cash equivalents at the end of period	5,777,258

## Unitholder Information (as of Mar. 31, 2015)

### Ownership ratio by investor type



### Number of unitholders by investor type



### Major unitholders

Rank	Name	# of units held	(%)(Note)
1	THE MASTER TRUST BANK OF JAPAN, LTD.	16,780	6.43%
2	JAPAN TRUSTEE SERVICES BANK, LTD.	16,383	6.28%
3	TRUST & CUSTODY SERVICE BANK, LTD.	13,255	5.08%
4	BARCLAYS BANK PLC A/C CLIENT SEGREGATED A/C PB CAYMAN CLIENTS	8,091	3.10%
5	STATE STREET BANK AND TRUST COMPANY 505225	7,604	2.91%
6	THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	7,085	2.71%
7	NORTHERN TRUST CO. (AVFC) RE COLONIAL FIRST STATE INVESTMENTS LIMITED	6,335	2.42%
8	KENEDIX, INC.	5,750	2.20%
9	STATE STREET BANK AND TRUST COMPANY	5,389	2.07%
10	STATE STREET BANK AND TRUST COMPANY 505001	4,685	1.79%

Note: figures are based on # of units and rounded down to the 2<sup>nd</sup> decimal place



# Portfolio Overview

Total acquisition price

**JPY91,843 mn**

Total appraisal value

**JPY93,574 mn**

Portfolio Appraisal  
NOI yield

**5.4%**

Weighted average  
occupancy rate

**99.4%**

Number of tenants

**322**

No.	Name of property	Location (city/ward, prefecture)	Acquisition price (before tax, JPY mn)	Appraisal value (JPY mn)	Appraisal NOI yield (%)	Occupancy rate <sup>(note 1)</sup> (%)	Number of tenants <sup>(note 1)</sup>
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	14,848	15,000	5.2	100.0	53
T-2	MONA Shin-Urayasu	Urayasu, Chiba	8,063	8,340	6.1	100.0	75
T-3	Passaggio Nishiarai	Adachi ward, Tokyo	5,850	6,020	5.0	99.1	41
T-4	Daikanyama Address Dixsept	Shibuya ward, Tokyo	5,390	5,400	4.3	95.2	27
T-5	Unicus Ina	Kitaadachi-gun, Saitama	4,379	4,410	5.4	100.0	1
T-6	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	4,000	4,120	5.4	100.0	1
T-7	Unicus Yoshikawa	Yoshikawa, Saitama	3,600	3,630	5.1	100.0	11
T-8	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	2,586	2,600	4.9	100.0	1
O-1	Blumer Maitamon	Kobe, Hyogo	8,389	8,520	5.8	97.2	46
O-2	Life Takadono (Land)	Osaka, Osaka	2,685	2,700	4.8	100.0	1
O-3	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	2,140	2,390	7.5	100.0	2
<b>NEW</b> O-4	Blumer HAT Kobe	Kobe, Hyogo	11,000	11,200	5.3	99.5	43
N-1	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	2,311	2,380	5.2	100.0	1
N-2	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	2,174	2,190	5.9	100.0	1
N-3	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	889	903	5.2	100.0	1
F-1	Sunny Noma	Fukuoka, Fukuoka	1,497	1,500	5.4	100.0	1
R-1	Roseo Mito	Mito, Ibaraki	9,675	9,780	5.7	94.6	21
R-2	K's Denki Aomori Honten	Aomori, Aomori	1,469	1,590	6.7	100.0	1
R-3	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	898	901	6.4	100.0	1

Note 1: As of Mar. 31, 2015. For occupancy rate, figures are rounded to the 1<sup>st</sup> decimal place. End tenants of each property are counted for "Number of Tenants." The total figures include Blumer HAT Kobe acquired on Apr 16, 2015

## Greater Osaka area

**O-1** Blumer Maitamon



**O-2** Life Takadono (Land)



**O-3** Piago Kahma Home Center Omihachiman



**O-4** Blumer HAT Kobe



## Tokureishi and other areas

**R-2** K's Denki Aomori Honten



**R-3** Super Sports Xebio Aomori-Chuo



**R-1** Roseo Mito



## Fukuoka area

**F-1** Sunny Noma



## Tokyo metropolitan area

**T-1** Fululu Garden Yachiyo



**T-2** MONA Shin-Urayasu



**T-3** Passaggio Nishiara



**T-4** Daikanyama Address Dixsept



**T-5** Unicus Ina



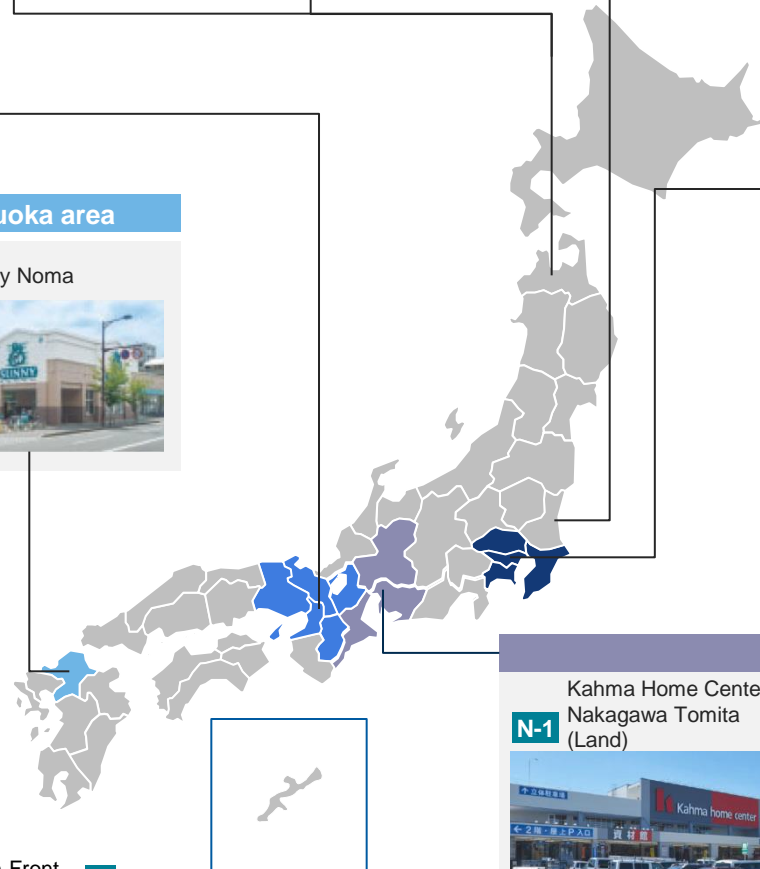
**T-6** Yorktown Kita-Kaname



**T-7** Unicus Yoshikawa



**T-8** Sports Club Renaissance Fujimidai



## Greater Nagoya area

**N-1** Kahma Home Center Nakagawa Tomita (Land)



**N-2** Valor Ichinomiya-Nishi



**N-3** K's Denki Nakagawa Tomita (Land)



■ NSC  
 ■ SM  
 ■ CSC  
 ■ Urban Station-Front Shopping Center  
 ■ SS



**NSC** Neighborhood Shopping Center **Blumer Maitamon**



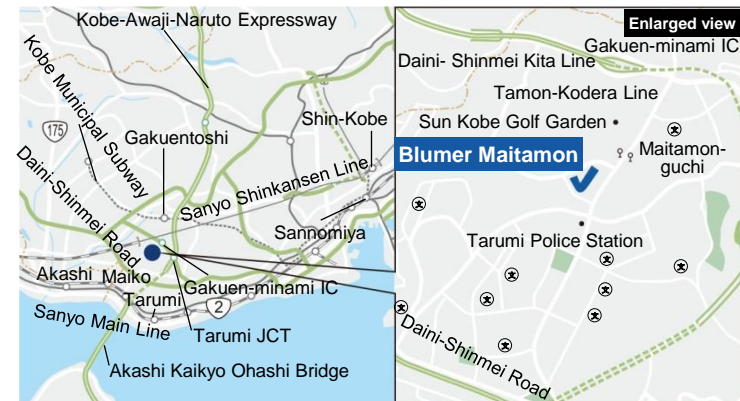
<b>Acquisition price</b>	JPY8,389 mn
<b>Location</b>	Kobe, Hyogo
<b>Land area</b>	54,838.70 m <sup>2</sup>
<b>GFA</b>	36,349.60 m <sup>2</sup>
<b>Core tenant</b>	EDION Corporation
<b>Appraisal NOI</b>	JPY490 mn
<b>Appraisal NOI yield</b>	5.8%

**1. Property features**

- Consists of approximately 45 tenants, including a supermarket (grocery), an electronic appliance store, a major clothing store and a baby goods store as the core tenants
- Large parking area encircled by a two-story retail building

**2. Overview of retail trade area**

- Population in the surrounding retail trade area:
  - 1 km radius: 18,000 people
  - 3 km radius: 179,000 people
  - 5 km radius: 414,000 people
- The surrounding area encompasses the corner of a new residential development and the property continues to benefit from such expansions



**NSC**

Neighborhood  
Shopping Center

## Unicus Ina



Acquisition price	JPY4,379 mn
Location	Kitaadachi-gun, Saitama
Land area	32,553.16 m <sup>2</sup>
GFA	14,160.04 m <sup>2</sup>
Core tenant	P&D Consulting
Appraisal NOI	JPY235 mn
Appraisal NOI yield	5.4%

### 1. Property features

- Opened in April 2006
- Core tenants: a supermarket (grocery), a drug store, a specialty discount retailer, clothing stores and a movie rental store

### 2. Overview of retail trade area

- The surrounding area is within a land readjustment project area designated for urbanization
- The population in the surrounding areas has continued to increase on the back of continued development and sale of residential properties
- A marked increase in Ina city's population relative to its surrounding cities with a 5.8% population increase during the years 2009–2014



Urban Station-Front Shopping Center

## MONA Shin-Urayasu



<b>Acquisition price</b>	JPY8,063 mn
<b>Location</b>	Urayasu, Chiba
<b>Land area</b>	15,875.86 m <sup>2</sup> (for a single building)
<b>GFA</b>	76,767.24 m <sup>2</sup> (for a single building)
<b>Core tenant</b>	Undisclosed
<b>Appraisal NOI</b>	JPY493 mn
<b>Appraisal NOI yield</b>	6.1%

### 1. Property features

- Opened in November 1990
- Directly accessible by a pedestrian walkway from Shin-Urayasu Station which has a daily passenger traffic of over 100,000 people
- Approximately 70 tenants, ranging from supermarkets (grocery), clothing stores, restaurants, commercial goods stores to service businesses

### 2. Overview of retail trade area

- Population in the surrounding retail trade area:
  - 1 km radius: 33,000 people
  - 3 km radius: 205,000 people
  - 5 km radius: 510,000 people
  - 4–5% of population increase in 3–5 km radius from 2005 to 2010
- 17 minute train-ride from Tokyo Station and only 1 station from Maihama station, where Tokyo Disney Resort is located
- The area surrounding Shin-Urayasu Station, an entrance to highly popular residential areas, has significant growth potential as a commercial district



**NSC** Neighborhood Shopping Center **Unicus Yoshikawa**



- Opened in September 2011
- A supermarket (grocery) and a hardware store are its core tenants, in addition to 8 specialty and service stores such as a dental office, a dry cleaner, a beauty salon, a music school and a veterinary clinic
- Conveniently located on a heavily traveled road that runs across Yoshikawa city

<b>Acquisition price</b>	JPY3,600 mn
<b>Location</b>	Yoshikawa, Saitama
<b>Land area</b>	22,239.94 m <sup>2</sup>
<b>GFA</b>	11,450.70 m <sup>2</sup>
<b>Core tenant</b>	Kohnan Shoji Co., Ltd.
<b>Appraisal NOI</b>	JPY184 mn
<b>Appraisal NOI yield</b>	5.1%

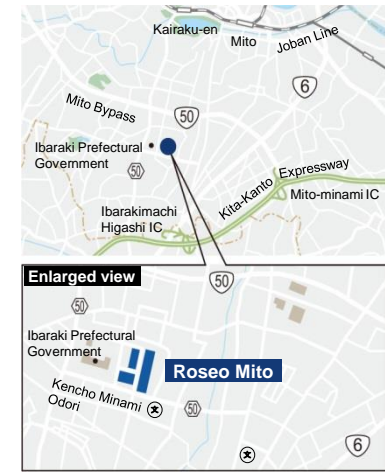


**NSC** Neighborhood Shopping Center **Roseo Mito**



- Opened in April 2009, with a supermarket (grocery) and a hardware store as its core tenants
- Located in a highly accessible area by car
- Families with young children in the surrounding area are increasing due to the abundance of new residential developments

<b>Acquisition price</b>	JPY9,675 mn												
<b>Location</b>	Mito, Ibaraki												
<b>Land area</b>	73,940.62 m <sup>2</sup>												
<b>GFA</b>	<table border="0"> <tr> <td>A:</td> <td>138.32 m<sup>2</sup></td> </tr> <tr> <td>B:</td> <td>9,684.79 m<sup>2</sup></td> </tr> <tr> <td>C:</td> <td>4,549.60 m<sup>2</sup></td> </tr> <tr> <td>D:</td> <td>13,047.79 m<sup>2</sup></td> </tr> <tr> <td>E:</td> <td>330.75 m<sup>2</sup></td> </tr> <tr> <td>F:</td> <td>265.65 m<sup>2</sup></td> </tr> </table>	A:	138.32 m <sup>2</sup>	B:	9,684.79 m <sup>2</sup>	C:	4,549.60 m <sup>2</sup>	D:	13,047.79 m <sup>2</sup>	E:	330.75 m <sup>2</sup>	F:	265.65 m <sup>2</sup>
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E:	330.75 m <sup>2</sup>												
F:	265.65 m <sup>2</sup>												
<b>Core tenant</b>	LIXIL Viva Corporation												
<b>Appraisal NOI</b>	JPY554 mn												
<b>Appraisal NOI yield</b>	5.7%												



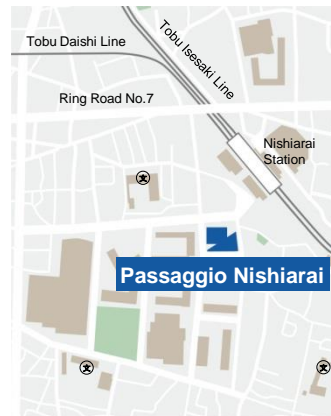
Urban Station-Front Shopping Center

## Passaggio Nishiarai



- Opened in April 2010
- Highly stylish building with an atrium at the center and retail stores located from the basement floor to the fourth floor
- The surrounding area has recently experienced a significant inflow of families with young children due to large-scale residential development

Acquisition price	JPY5,850 mn
Location	Adachi ward, Tokyo
Land area	5,079.68 m <sup>2</sup>
GFA	21,996.90 m <sup>2</sup>
Core tenant	Undisclosed
Appraisal NOI	JPY289 mn
Appraisal NOI yield	5.0%



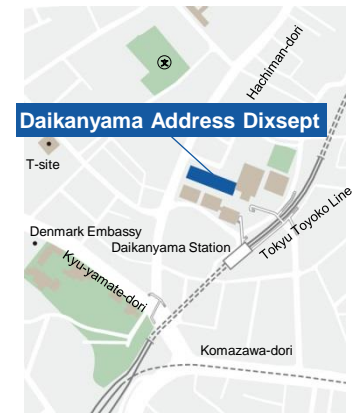
Urban Station-Front Shopping Center

## Daikanyama Address Dixsept



- Opened in August 2000 as a landmark property in Daikanyama
- The property occupies the retail section of a large multi-complex facility in Daikanyama
- In addition to sophisticated and stylish retailers typically found in Daikanyama, the property also houses tenants that cater to day-to-day needs of customers, such as a supermarket (grocery), a drug store and a variety goods store

Acquisition price	JPY5,390 mn
Location	Shibuya ward, Tokyo
Land area	17,262.00 m <sup>2</sup> (for a single building)
GFA	92,064.43 m <sup>2</sup> (for a single building)
Core tenant	Undisclosed
Appraisal NOI	JPY232 mn
Appraisal NOI yield	4.3%





**NSC** Neighborhood Shopping Center **Yorktown Kita-Kaname**



- Opened in April 2009 with York Mart, a supermarket (grocery), as its core tenant, in addition to an electronics appliance store, a drug store, a specialty discount retailer and restaurant
- The property plays an important role in the local community due to its central location and the synergy between the tenants, which cater to the needs of local area customers

Acquisition price	JPY4,000 mn
Location	Hiratsuka, Kanagawa
Land area	9,996.36 m <sup>2</sup>
GFA	8,528.68 m <sup>2</sup>
Core tenant	YorkMart Co., Ltd.
Appraisal NOI	JPY214 mn
Appraisal NOI yield	5.4%



Enlarged view

**SS** Specialty Store **Sports Club Renaissance Fujimidai**



- A well-equipped membership-based health club with a gym, two studios and a pool on the basement to the second floors

Acquisition price	JPY2,586 mn
Location	Nerima ward, Tokyo
Land area	1,729.24 m <sup>2</sup>
GFA	3,109.74 m <sup>2</sup>
Core tenant	Renaissance Inc.
Appraisal NOI	JPY127 mn
Appraisal NOI yield	4.9%



**SM**

Supermarket

## Life Takadono (Land)



- Life Takadono, a supermarket, is expected to open on the land in the summer of 2015. Life Corporation, the anticipated core tenant, operates numerous other stores in the surrounding area based on the "dominant strategy"
- Located in a densely populated area bordering central Osaka, which is serviced extensively by multiple major train lines

Acquisition price	JPY2,685 mn
Location	Osaka, Osaka
Land area	4,437.07 m <sup>2</sup>
GFA	-
Core tenant	Life Corporation
Appraisal NOI	JPY127 mn
Appraisal NOI yield	4.8%



**NSC**

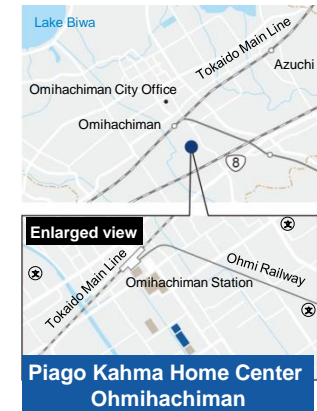
Neighborhood Shopping Center

## Piago Kahma Home Center Omihachiman



- Opened in 2005 and consists of two buildings, Piago Omihachiman, a UNY Group Holdings supermarket, and Kahma Home Center Omihachiman
- The property's retail trade area surrounding Omihachiman Station consists primarily of residential properties including condominiums, with a high concentration of families with young children within a 1 km radius

Acquisition price	JPY2,140 mn
Location	Omihachiman, Shiga
Land area	29,410.00 m <sup>2</sup>
GFA	12,283.85 m <sup>2</sup> (aggregate of 2 buildings)
Core tenant	UNY Co., Ltd.
Appraisal NOI	JPY161 mn
Appraisal NOI yield	7.5%



**SS**

Specialty Store

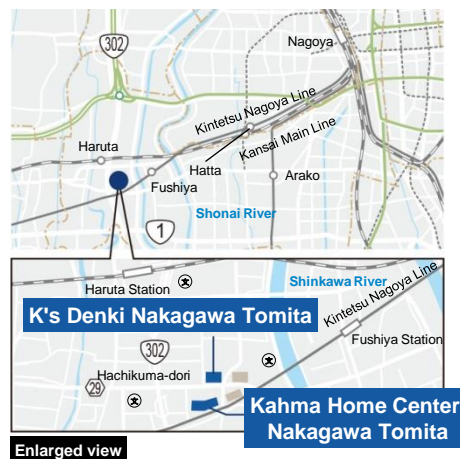
## Kahma Home Center Nakagawa Tomita (Land) K's Denki Nakagawa Tomita (Land)



- An integrated retail zone is formed in the surrounding area, together with a supermarket (grocery) and a sporting goods store on the adjacent lot
- All stores in this zone were opened in 2013 and create synergy with each other

Kahma Home Center Nakagawa Tomita (Land)	
Acquisition price	JPY2,311 mn
Location	Nagoya, Aichi
Land area	17,431.00 m <sup>2</sup>
GFA	-
Core tenant	DCM KAHMA CO.,LTD.
Appraisal NOI	JPY120 mn
Appraisal NOI yield	5.2%

K's Denki Nakagawa Tomita (Land)	
Acquisition price	JPY889 mn
Location	Nagoya, Aichi
Land area	5,560.23 m <sup>2</sup>
GFA	-
Core tenant	Undisclosed
Appraisal NOI	JPY46 mn
Appraisal NOI yield	5.2%



**NSC**

Neighborhood Shopping Center

## Valor Ichinomiya-Nishi



- Opened in 2002, with Valor, a successful supermarket chain in the Chubu region, as its core tenant, in addition to an electronic appliance store and a health club operated by Valor Group
- Located 1.1 km from major train stations which are a 10-minute train-ride from Nagoya
- The residential area surrounding Owari Ichinomiya Station, conveniently serviced by various railways and roads, is a commuter town for Nagoya

Acquisition price	JPY2,174 mn
Location	Ichinomiya, Aichi
Land area	16,736.18 m <sup>2</sup>
GFA	9,447.48 m <sup>2</sup>
Core tenant	Valor Co., Ltd.
Appraisal NOI	JPY128 mn
Appraisal NOI yield	5.9%



**SM**

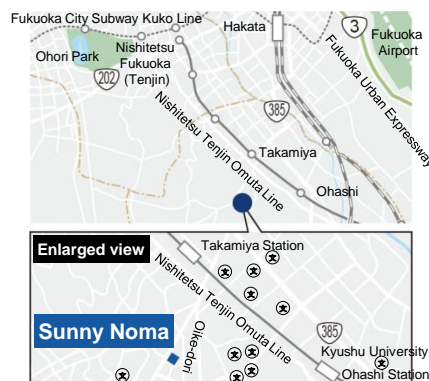
Supermarket

## Sunny Noma



- The supermarket which was originally built in 1970 and enjoyed strong support from the local community, was rebuilt in 2007
- Sunny Noma is the strongest performing supermarket among other Sunny supermarkets that operate in the surrounding area
- The closest station to the property is 3 train stops, or a 5 minute ride, from the central urban areas of Fukuoka
- The area is popular among single people and families with young children

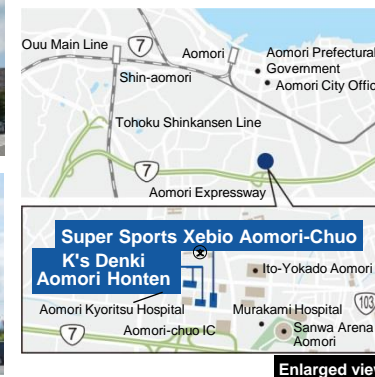
Acquisition price	JPY1,497 mn
Location	Fukuoka, Fukuoka
Land area	5,973.03 m <sup>2</sup> (including leasehold interest)
GFA	2,814.67 m <sup>2</sup>
Core tenant	Seiyu GK
Appraisal NOI	JPY81 mn
Appraisal NOI yield	5.4%



**SS**

Specialty Store

## K's Denki Aomori Honten Super Sports Xebio Aomori-Chuo



- Opened in 2005 in Hamada District in Aomori, which has the highest concentration of retail properties with a significant inflow of suburban retailers, including Ito-Yokado, since a land readjustment project launched in 1996
- With National Route 103 on the east and Route 120 on the west running through the city and National Route 7 (Aomori Kanjo Bypass) on the south, the district brings customers from a broad retail trade area that covers the entire Aomori city area

K's Denki Aomori Honten	
Acquisition price	JPY1,469 mn
Location	Aomori, Aomori
Land area	Tsutaya/Hard Off: 8,872.04 m <sup>2</sup> K's Denki: 8,296.06 m <sup>2</sup>
GFA	Tsutaya/Hard Off: 3,644.72 m <sup>2</sup> K's Denki: 6,364.50 m <sup>2</sup>
Core tenant	Denkodo Co., Ltd.
Appraisal NOI	JPY98 mn
Appraisal NOI yield	6.7%

Super Sports Xebio Aomori-Chuo	
Acquisition price	JPY898 mn
Location	Aomori, Aomori
Land area	7,725.42 m <sup>2</sup>
GFA	4,684.12 m <sup>2</sup>
Core tenant	XEBIO Corporation
Appraisal NOI	JPY57 mn
Appraisal NOI yield	6.4%

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