

AEON

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AEON REIT  
Investment  
Corporation



AEON Ueda Shopping Center

Supplementary materials for  
“Notice Concerning Acquisition and Lease of Domestic Property”  
announced on October 14, 2020



# Disclaimer

## Disclaimer

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Asset Manager : AEON Reit Management Co., Ltd.

(Registration of financial instruments business : Kanto Local Finance Bureau, Director-General (Financial Instruments), No. 2668)

Contact Information

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# Efforts to continuously increase unitholder value

## 01 Steady and aggressive use of free cash

- ▶ Realize DPU growth using cash on hand, avoiding LTV increases on borrowings and stock dilution attributable to public offering.

## 02 Acquisition of "Community Infrastructure Asset" with favorable conditions

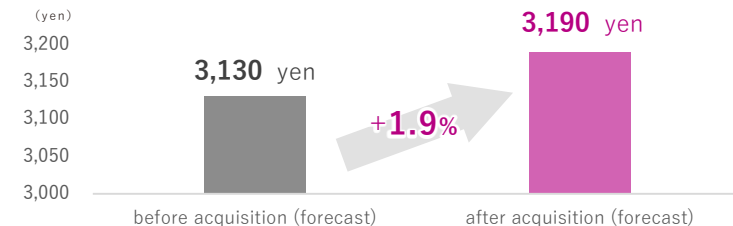
- ▶ Acquired properties with an appraised NOI yield of 6.8% (4.6% after depreciation).
- ▶ Realized a lease scheme through a net lease in which repairs, maintenance expenses and capital expenditure are paid by lessees.
- ▶ Continued operation during the State of Emergency as "Community Infrastructure Asset".

## 03 Increase property value through renovation in collaboration with the AEON Group

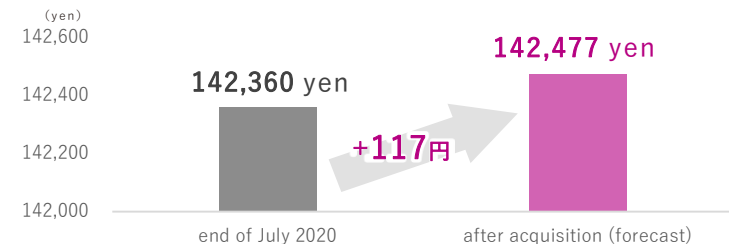
- ▶ Concluded a basic agreement regarding external wall painting work after the property acquisition and revitalization work that includes rent increases by February 2025.

### Effects on the portfolio

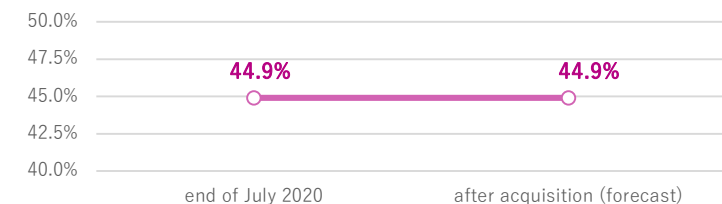
#### Stabilized DPU (note)



#### NAV per unit



#### LTV (Loan to Value)



(Note) The stabilized DPU is the estimated amount of distribution per unit (excluding distribution in excess of earnings) calculated by adjusting an actual amount of distribution per unit to reflect temporary expense fluctuations that have occurred as a result of the accounting treatment of taxes and public dues such as property tax and city planning tax.

The stabilized DPU is not an indicator specified in corporate accounting standards generally accepted as fair and appropriate. Nor is it audited by an accounting auditor.

The relevant asset value should not be considered as an indicator alternative to any other indicator presented pursuant to corporate accounting standards generally accepted as fair and appropriate.

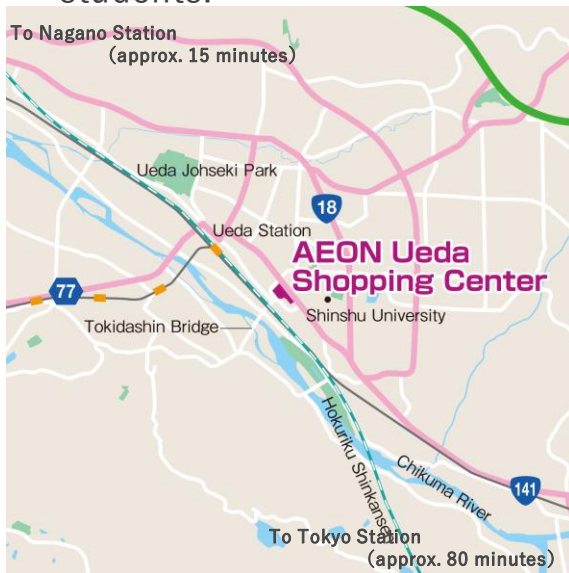
In addition, the stabilized DPU does not under any circumstance represent the possibility of future distribution payments or the amounts thereof.

# AEON Ueda Shopping Center

## Location

### Demographic change / Trade area / Traffic access

- ▶ Located in Ueda City with the third largest population in Nagano Pref.
- ▶ Located near the city center of Ueda and alongside Japan National Route 141, the most important road for the lives and work of the local people.
- ▶ Trade areas in close proximity include many public facilities including the municipal office and business facilities, as well as residential areas.
- ▶ Close to Shinshu University's Ueda campus with more than 1,000 students.



Scheduled date of acquisition	Oct. 15, 2020
Projected acquisition price	¥5.35 billion
Appraised value	¥5.57 billion
Appraised NOI yield	6.8%
NOI yield after depreciation	4.6%
Site area	35,815m <sup>2</sup>
Total floor area	61,349m <sup>2</sup>
Completion date	June 30, 2004
Number of parking lots	1,700
Trade area population	3km area Approx. 59,000 5km area Approx. 99,000 10km area Approx. 180,000

# AEON Ueda Shopping Center

Implementation of the operation of local community infrastructure assets and renovation plans in collaboration with the AEON group



## Buildings and Facilities

**Parking lots / Traffic lines / Disaster preparedness center / Human and environmentally friendly equipment**

- ▶ Enhancement of facilities such as kids' corners and event spaces
- ▶ Large-scale parking facility that accommodates 1,700 vehicles
- ▶ Conclusion of a disaster preparedness agreement with Ueda City

## Operations

**Customer attraction / Operating performance / Leasing / Public features**

- ▶ Enhancement of specialty stores that play a core role in attracting customers
- ▶ Broaden the variety of items sold in food sections and food specialty stores to increase daily visits and market share
- ▶ Initiatives to promote online supermarket and curbside pickup schemes

## Investment Cases

- ▶ Exterior wall painting (AEON MALL Nogata)



- ▶ Revitalization (AEON MALL Morioka)



- ▶ Revitalization (AEON MALL Rifu)



# Practicing a growth strategy utilizing free cash

Considering market conditions, **implemented the acquisition of property** to continuously increase unitholder value

## Enhancement of profitability

Acquisition of AEON Ueda Shopping Center  
(¥5.3 billion)

DPU Approx. + **¥60**  
FCF generation Approx. + **¥110** million  
(per year)

## Financial policy

Simultaneously implement the following measures  
to maintain current LTV  
buy back (¥2.9 billion) & debt repayment (¥2.4 billion)

DPU Approx. + **¥49**  
FCF generation **Unchanged**

## Stabilized DPU

Aim to achieve the following on a medium-term basis utilizing an abundant cash flow.

¥3,130 Before acquisition (forecast)    ►    ¥3,190 After acquisition (forecast)    ►    **¥3,300** ( Medium-term goal )

(Note 1) Acquisition of the AEON Ueda Shopping Center, whose acquisition value is ¥5.35 billion, under the conditions of the appraisal NOI yield of 6.8% and the NOI after depreciation of 4.6% was compared with the assumption of acquiring own investment units for ¥113,888, the investment unit price equivalent to 0.8 times of ¥142,360 NAV per unit at the end of the 15th fiscal period, using cash of ¥5.35 billion and repaying borrowings, whose average interest rate is 0.8%, to curb LTV increases as a result of the cancelation of acquired units.

(Note 2) The Asset Management Company estimated the effects of measures that can be implemented using free cash on operating results based on certain assumptions and presented results as effects on distribution per unit. In addition, the Company does not guarantee the payment of distribution per unit because it may fluctuate due to the impact of realizability, amount, timing and other factors.

(Note 3) FCF generation means the free cash flow generation capability.

# Reference: Portfolio Indicators (including Asset to be Acquired)

		July 31, 2020 (15th FP)	Asset to be acquired	After acquisition <sup>(note2)</sup>
Portfolio	Number of properties	42	1	43
	Total of acquisition prices <sup>(Note 1)</sup>	390,1bn yen	5.3 bn yen	395.5 bn yen
	Average NOI yield	6.4%	6.8%	6.4%
	Average NOI yield after depreciation	4.0%	4.6%	4.0%
	Average remaining lease term	15.0 yrs	20.0 yrs	15.1 yen <sup>(note 3)</sup>
	Average building age	15.6 yrs	16.1 yrs	15.6 yen <sup>(note 3)</sup>
		+		
Debt	LTV (excluding security deposits)	41.4%		41.4%
	LTV (including security deposits)	44.9%		44.9%
		→		
Equity	Stabilized DUP	3,130 yen		3,190 円
	NAV per unit	142,360 yen		142,477円 <sup>(note 4)</sup>
		→		

(Note 1) Total of acquisition prices excluding expenses (brokerage fees, tax and public dues, etc.) required to acquire relevant properties.

(Note 2) The figure is based on the scheduled figure at the end of the 16th fiscal period ending January 2021, the period when AEON Ueda Shopping Center is acquired. The figures in the above table are based on the assumption that there will be no acquisition or disposition of properties other than AEON Ueda Shopping Center during the period.

(Note 3) Estimated average remaining lease term and average building age including is calculated based on the data at the end of July 31, 2020 (15th fiscal period) regarding the assets held.

(Note 4) Calculated based on the value as of July 31, 2020.