KENEDIX
Retail REIT Corporation

Translation of Japanese Original

January 20, 2016

To All Concerned Parties

REIT Issuer:
Kenedix Retail REIT Corporation
Representative: Akihiro Asano, Executive Director
(Securities Code: 3453)

Asset Manager:
Kenedix Real Estate Fund Management, Inc.
Representative: Ryosuke Homma, CEO and President
Contact: Koichiro Nobata, General Manager of Planning Department, Retail REIT Division
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Notice Concerning Acquisition of Property (Life Nishi-Tengachaya)

Kenedix Retail REIT Corporation ("KRR") announced today that Kenedix Real Estate Fund Management, Inc. ("the Asset Manager"), the asset manager for KRR, has decided to acquire the following property as follows.

1. Outline of the acquisition

(1)	Type of acquisition:	Trust beneficiary interest in real estate
(2)	Property name:	Life Nishi-Tengachaya
(3)	Acquisition price:	1,505 million yen
(4)	Estimated NOI yield (Note):	5.2%
(5)	Seller:	Please refer to Item 4. Seller's profile for details
(6)	Date of contract to transfer the status and rights under purchase and sales agreement:	January 21, 2016
(7)	Acquisition date:	January 21, 2016
(8)	Acquisition funds:	Cash on hand
(9)	Settlement method:	Payment in full at settlement
(10)	Others:	KRR will transfer the status and rights under the purchase and sales agreement between the seller and Kenedix, Inc. as well as the brokerage agreement between the broker and Kenedix, Inc. on the acquisition date.

(Note) The "estimated NOI yield" is calculated using the following formula: Estimated NOI yield = ((Estimated revenues from the property to be acquired – Estimated operating expenses of the property excluding asset custody fees + Estimated depreciation expenses) ÷ Anticipated acquisition price
The figures are based on the appraisal report dated September 1, 2015 and information provided by the seller.

2. Reason for the acquisition

The acquisition is made to diversify and enhance the portfolio to realize the growth of asset size and secure stable revenues, in accordance with KRR's investment targets ("focused investment in neighborhood, community and other shopping centers for daily needs") and policies as set forth in its Articles of Incorporation. In acquiring the property, KRR especially evaluated the following points.

(1) Features of the property

The property was opened in 2010 in Osaka City with rich surrounding population. It is a single floor "Life" supermarket with parking spaces on the roof. Store area is 1,314 m^2, which is standard size for a "Life"

supermarket. Life Corporation runs 250 stores in Greater Osaka area and Tokyo metropolitan area (as of August 31, 2015) with 111 stores in Osaka prefecture alone, and has a dominant presence in the area.

(2) Overview of the surrounding area

a. Location and access

The property is located approximately 400 m north of "Nishi-Tengachaya" Station of Nankai Koya Line and approximately 600 m west of "Hanazonocho" Station of Osaka Municipal Subway Yotsubashi Line (six stations or 13 minutes to "Nishi-Umeda" Station), within a dense populated area. It is also located adjacent to Osaka Prefectural Route 41, providing an easy accessibility by car as well with 47 parking spaces, which is an advantage over competing stores.

b. Characteristics of the surrounding area

The surrounding area has a residential population of approximately 16,000 people within a 500 m radius, 54,000 people within a 1 km radius, and 189,000 people within a 2 km radius, according to the national census of 2010, making it a feasible market for a supermarket.

3. Details of the property

O-9 Life Nishi-Tengachaya

Property name		Life Nishi-Tengachaya
Anticipated acquisition date		January 21, 2016
Property type (Note 1)		SM
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation (planned)
Trust period		January 21, 2016 to March 31, 2036 (planned) (Note 2)
Seller		K.K.Wide Works
Location		2-5-23 Bainan, Nishinari-ku, Osaka, Osaka
Land	Form of ownership	Proprietary ownership
	Land area	2,933.51 m^2
	Zoning	Quasi-industrial area
	Building coverage ratio	80%
	Floor-area ratio	300%
Building	Form of ownership	Proprietary ownership
	Gross floor area	2,401.77 m^2
	Date constructed	August 12, 2010
	Use	Retail
	Structure/No. of floors	S / 2 above-ground floors
Architect		KIA Urban Planning and Architects Institute Co., Ltd.
Construction company		Nihon Kensetsu Co., Ltd., Osaka Branch
Construction confirmation authority		Center of International Architectural Standard Co., Ltd.
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		Keihan Ryutsu Systems Co., Ltd. (planned)
PML		6.32%
Acquisition price		1,505 million yen
Appraisal value (as of)		1,620 million yen (September 1, 2015)

Real estate appraiser		The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal NOI yield		5.2% (Note 3)
Collateral		Pledged to Life Corporation for its tenant security deposit (280,044,067 yen)
Lease summary		(as of January 20, 2016)
	Number of tenants	1
	Annual rent	Not disclosed (Note 4)
	Tenant deposits	Not disclosed (Note 4)
	Leased area	2,679.52 m^2
	Leasable area	2,679.52 m^2
	Occupancy rate	100%
Remarks		The seller and the tenant agreed that when the owner of the property is selling the land to a buyer, it must sell the building to the same buyer together with the land. KRR will succeed this agreement with the tenant.
Others		Notes: 1. Properties are categorized into the following five types of retail properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store). 2. Although the property is not in trust as of January 20, 2016, the seller institutes trust in real estate on the planned acquisition date and KRR acquires the trust beneficiary interest in real estate on the same date. 3. Appraisal NOI yield represents the value calculated using the following formula, rounded to the first decimal point. Appraisal NOI ÷ Acquisition price (Appraisal NOI is the net operating income calculated by subtracting the operating expenses from the operating revenue in the appraisal report.) 4. Undisclosed as KRR has not obtained lessee's consent.

4. Overview of the seller

O-9 Life Nishi-Tengachaya

Company name	K.K.Wide Works
Address	17-23 Oeda-Minamimachi, Moriguchi, Osaka
Name and title of representative	Izuru Sugiura, President
Description of business	1. Nonlife insurance agency 2. Leasing and management of real estate properties 3. All kinds of services ancillary to the above businesses
Capital	9 million yen
Incorporation	January 28, 2010
Net assets	Undisclosed as KRR has not obtained the seller's consent.
Total assets	Undisclosed as KRR has not obtained the seller's consent.
Major shareholders (Shareholding ratios)	Undisclosed as KRR has not obtained the seller's consent.

Relationship between KRR/the Asset Manager and the seller		
	Capital relationship	No special capital relationship between KRR/the Asset Manager and the seller. Also, no special capital relationship between the related parties/affiliates of KRR/the Asset Manager and the related parties/affiliates of the seller.
	Personnel relationship	No special personnel relationship between KRR/the Asset Manager and the seller.
	Business relationship	No special business relationship between KRR/the Asset Manager and the seller.
	Related party transactions	The seller is not deemed a related party under either the Investment Trust Law or the "Retail REIT Division's Internal Regulations on Related Party Transactions" of the Asset Manager.

As of September 16, 2015

5. Status of property acquirer, etc.

Details are omitted since the seller of the property is not a special related party of KRR or the Asset Manager.

6. Details of brokerage

This is undisclosed due to the failure of gaining approval from the broker. Please note, there is no special capital, personal, and business relationship between KRR/the Asset Manager and the broker that need to be written.

7. Transactions with related parties

KRR plans to make the following transactions with related parties or the Asset Manager in relation to the acquisition of the real estate property to be acquired. For these transactions, the Asset Manager, pursuant to Investment Trust Act and its Retail REIT Division's Internal Regulations on Related Party Transactions, is required fully to comply with statutory and other regulatory requirements. The Asset Manager submits the transactions for deliberation and resolution by the Compliance Committee. Following the approval by the Compliance Committee, each transaction is submitted to the Retail REIT Division's Asset Management Committee for resolution. Then the approval of each transaction is resolved at KRR's Board of Directors Meeting on January 20, 2016 and agreed upon by the executive officers of KRR based on such resolution. The Asset Manager also submits written notices concerning the transactions with related parties to KRR in accordance with the Investment Trust Law.

(1) Transfer of status and rights under purchase and sales agreement

For the acquisition of the asset, KRR had asked Kenedix, Inc. to contract the purchase and sales agreement with the seller, and transfer the status and rights under the purchase and sales agreement if KRR wished to acquire the asset in the future. This was exercised as a means to support KRR by Kenedix, Inc. under its support agreement with KRR.

Kenedix had contracted the purchase and sales agreement with the seller, and KRR now decided to contract an agreement with Kenedix, Inc. to transfer the status and rights under the purchase and sales agreement on the planned acquisition date. KRR will pay 15,050 thousand yen to Kenedix, Inc. for this transaction. KRR assessed the fee level to be appropriate considering the risk Kenedix, Inc. took, the bridge fund cost if the asset was warehoused by a bridge fund instead, the fee level being within the level of brokerage fee set by law, and the sum of the acquisition price and the fee being within the appraisal value.

(2) Delegation of property management to the Asset Manager

KRR will conclude a property management agreement with the Asset Manager. Fees to the Asset Manager regarding the property are at the same level as that of existing properties.

[Details of property management fee]
Property management fee (annual): 3.6 million yen

Fees associated with the management of construction projects:

Construction price	Fee
Less than 1 million yen	None
1 million yen to less than2 million yen	6%
2 million yen to less than5 million yen	120,000 yen + 5% of the price over 2 million yen
5 million yen to less than10 million yen	270,000 yen + 4% of the price over 5 million yen
10 million yen to less than100 million yen	470,000 yen + 3% of the price over 10 million yen
100 million yen or more	Amount agreed upon by the parties

8. Acquisition schedule

Date of determination of acquisition	January 20, 2016
Scheduled payment date / delivery date	January 21, 2016

9. Outlook

The impact of the acquisition of the property on the financial results is minimal, and there are no changes to the forecasts of financial results of KRR published in the "Financial Report for the Fiscal Period Ended September 30, 2015 (REIT) (October 3, 2014 to September 30, 2015)" dated November 12, 2015.

10. Summary of real estate appraisal report
(The numbers are in yen unless otherwise noted)

O-9 Life Nishi-Tengachaya

Summary of real estate appraisal report		
Appraisal value	1,620,000,000	
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.	
Date of appraisal	September 1, 2015	
Item	Content	Basis
Income capitalization approach value	1,620,000,000	Calculated using DCF method, with result checked by using direct-capitalization method
Value based on direct capitalization method	1,640,000,000	Calculated by dividing the stabilized NCF by the cap rate
(1) Gross operating revenue	89,740,500	
Effective gross operating revenue	89,740,500	Calculated based on the fair rent level that is expected to be stable over the medium term
Loss from vacancy, etc.	0	Calculated based on the occupancy rate level that is expected to be stable over the medium term
(2) Operating expenses	10,853,427	
Maintenance expenses	0	Cost allocated to the lessee
Utility expenses	0	Cost allocated to the lessee
Repair expenses	320,000	Calculated based on the average annual repair expenses described in engineering report and taking construction management fee (CM fee) into consideration
PM fees	3,600,000	Calculated based on anticipated PM fees for the property and the PM fee rates for comparable properties
Tenant recruit expenses, etc.	0	Calculated based on tenant recruit expense levels for comparable properties

		Taxes and dues	6,523,686	Calculated based on the actual taxes and dues for 2015
		Insurance premium	320,000	Calculated based on comparison with comparable properties
		Other expenses	89,741	Calculated based on comparison with comparable properties
	(3)	Net operating income (NOI= (1)-(2))	78,887,073	
	(4)	Profit from security deposits	2,545,302	Calculated assuming 2% return from tenant leasehold deposits and 0.5% return from tenant security deposits
	(5)	Capital expenditure	960,000	The average annual renovation expenses described in the engineering report with CM fees taken into consideration
	(6)	Net cash flow (NCF=(3)+(4)-(5))	80,472,375	
	(7)	Cap rate	4.9%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method			1,610,000,000	
		Discount rate	5.0%	Calculated based on transactions of comparable properties and by taking into account the uniqueness of properties as financial assets in terms of investment yield
		Terminal cap rate	5.1%	Calculated by taking into account the characteristics of the NCF used for the cap rate and future uncertainties/ liquidity/ marketability of the property
Value based on cost method			1,590,000,000	
	Ratio of land		77.1%	
	Ratio of building		22.9%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	The property is within a walking distance from "Hanazonocho" Station of Osaka Municipal Subway Yotsubashi Line and "Nishi-Tengachaya" Station of Nankai Koya Line. It is also adjacent to a major road, which has recently seen an increase in traffic volume. The area encompasses dense population and retail facilities, such as convenience stores, gas stations, supermarkets, etc., providing convenience for the residents. The building was built in 2010 and is maintained well. It has 47 parking spaces, giving the store an advantage over competing stores. All these factors were taken into account in determining the appraisal value.			

Note: KRR website address: http://www.krr-reit.com/en/

This notice is the English translation of the Japanese announcement on January 20, 2016. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material 1. Summary of building condition investigation reports
Reference material 2. Property photographs and maps
Reference material 3. Property portfolio of KRR (after the acquisition)

Reference material 1. Summary of building condition investigation reports

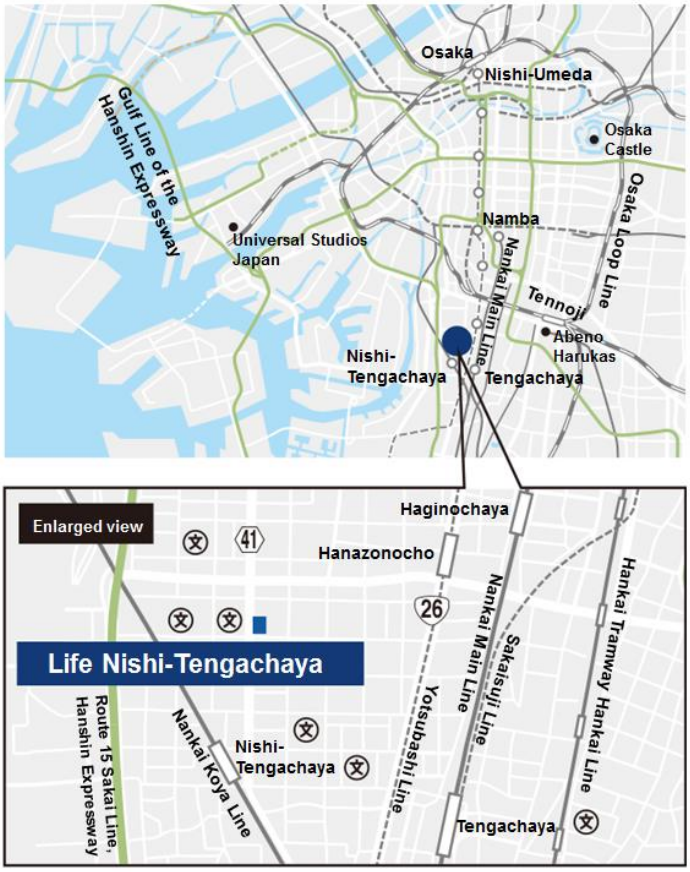
KRR has obtained an engineering report, containing the diagnosis of building deteriorations, a short- and long-term repair and maintenance plan, the assessment of legal compliance with the Building Standard Laws, the investigation of hazardous substances in a building and soil environment, from Tokio Marine & Nichido Risk Consulting Co., Ltd. The engineering report reflects the conclusions and views of the above company at a certain time point, and hence, we cannot guarantee the accuracy and appropriateness of the descriptions in the report.

Property No.	Property name	Investigation company	Investigation performed in	Repairs, maintenance and renovation expenses	
				Required over the next 12 years (thousand yen) (Note)	Required within one year (thousand yen) (Note)
O-9	Life Nishi-Tengachaya	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Sep. 2015	15,464	2,225

(Note) Of the "Repairs, maintenance and renovation expenses," "Required over the next 12 years" represents the total expenses required during the next 12 years from the date of the investigation report and "Required within one year" represents the total expenses required within 1 year from the date of the investigation report. All figures are truncated to thousands of yen as in the investigation reports.

Reference material 2. Property photographs and maps





Reference material 3. Property portfolio of KRR

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen)	Share (%) (Note 3)
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	Feb. 10, 2015	14,848	15,100	11.3
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	Feb. 10, 2015	8,063	8,360	6.1
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi ward, Tokyo	Feb. 10, 2015	5,850	6,200	4.4
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya ward, Tokyo	Feb. 10, 2015	5,390	5,450	4.1
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	Feb. 10, 2015	4,379	4,430	3.3
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	Feb. 10, 2015	4,000	4,220	3.0
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	Feb. 10, 2015	3,600	3,690	2.7
T-8	SS	Sports Club Renaissance Fujimidai	Nerima ward, Tokyo	Feb. 10, 2015	2,586	2,640	2.0
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	Oct. 2, 2015	4,815	5,210	3.7
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	Oct. 2, 2015	3,169	3,410	2.4
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	Oct. 2, 2015	3,000	3,010	2.3
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	Oct. 2, 2015	1,700	1,730	1.3
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	Oct. 2, 2015	1,442	1,460	1.1
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	Oct. 2, 2015	760	780	0.6
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	Feb. 10, 2015	8,389	8,820	6.4
O-2	SM	Life Takadono (Land)	Osaka, Osaka	Feb. 10, 2015	2,685	2,870	2.0
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	Feb. 10, 2015	2,140	2,390	1.6
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	Apr. 16, 2015	11,000	11,600	8.4
O-5	Urban Station-Front SC	Blumer Maitamon	Kobe, Hyogo	Oct. 2, 2015	6,555	6,580	5.0
O-6	Urban Station-Front SC	Central Square Takadono (Land)	Osaka, Osaka	Oct. 2, 2015	6,450	6,840	4.9
O-7	SM	Piago Kahma Home Center Omihachiman	Omihachiman, Chiba	Oct. 2, 2015	1,280	1,290	1.0
O-8	SS	Blumer HAT Kobe	Kobe, Hyogo	Oct. 2, 2015	487	500	0.4
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	Jan. 21, 2016	1,505	1,620	1.1

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen)	Share (%) (Note 3)
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	Feb. 10, 2015	2,311	2,500	1.8
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	Feb. 10, 2015	2,174	2,200	1.7
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	Feb. 10, 2015	889	945	0.7
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	Feb. 10, 2015	1,497	1,500	1.1
R-1	NSC	Roseo Mito	Mito, Ibaraki	Feb. 10, 2015	9,675	10,300	7.6
		Secondhand Shop (Property expansion)	Mito, Ibaraki	Nov. 26, 2015	371		
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	Feb. 10, 2015	1,469	1,590	1.1
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	Feb. 10, 2015	898	901	0.7
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	Oct. 2, 2015	4,180	5,050	3.2
R-5	NSC	York Town Shinden-Higashi	Sendai, Miyagi	Oct. 2, 2015	3,252	3,320	2.5
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	Oct. 2, 2015	830	847	0.6
Total					131,639	137,353	100.0

Note:

1. Properties are categorized into the following five types of retail properties for daily needs: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store)
2. "Acquisition price" represents the purchase price of each trust beneficiary interest specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen). Construction cost is shown for the Secondhand Shop (Property expansion) of Roseo Mito.
3. "Share" represents the percentage of the acquisition price for each property in the total acquisition price, rounded down to the first decimal point