KENEDIX
Retail REIT Corporation

Translation of Japanese Original

October 17, 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
TEL: +81-3-5623-3868

# Notice Concerning Acquisition of Property (K's Denki Shin-Moriyama (Land))

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: | K's Denki Shin-Moriyama (Land) |
| (3) | Acquisition price: | 1,370 million yen |
| (4) | Estimated NOI yield (Note): | 4.4% |
| (5) | Seller: | Please refer to Item 4. Seller's profile for details |
| (6) | Date of contract: | October 17, 2016 |
| (7) | Acquisition date: | November 1, 2016 |
| (8) | Acquisition funds: | To be determined |
| (9) | Settlement method: | Payment in full at settlement |

(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 October 1, 2016 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

This land-only property houses a stand-alone store for K's Denki Shin-Moriyama adjacent to National Route 19, which opened in Nagoya in November 2013. The two-story building is elevated on pillars with a parking area for 160 vehicles. More than 15 years remain on a long-term fixed business lease with the lessee.

(2) Overview of the surrounding area

a. Location and access

The property is located in Moriyama-ku in northeastern Nagoya. It is at the intersection of National Route

19 which runs from central Nagoya through Gifu and Nagano. National Route 19 has three lanes each way with heavy traffic, and there are many roadside stores, including supermarkets and restaurants. Residential properties, stores, offices are along the road and there are many single-family residences in the surrounding neighborhood. The property is highly accessible by car due to its location near main roads such as Nagoya Daini Kanjo Expressway and National Route 302.

b. Characteristics of the surrounding area

According to the national census in 2010, the surrounding retail trade area has a residential population of approximately 25,000 people within a one-kilometer radius, 239,000 people within a three-kilometer radius and 625,000 people within a five-kilometer radius.

Due to its nature-rich environment, residential development in Moriyama-ku is continuing as a commuter town to central Nagoya (5 stations or about 17 minutes to Nagoya Station from Shin-Moriyama Station on JR Chuo Main Line). Compared to the population in 2005, the population in 2010 within a one-kilometer radius is 100.9%, the population within a three-kilometer radius is 102.1%, and the population within a five-kilometer radius is 102.9%, showing an upward trend. The number of households has also grown to 105.9% within a one-kilometer radius, 107.1% within a three-kilometer radius and 109.1% within a five-kilometer radius.

3. Details of the property

N-5 K's Denki Shin-Moriyama (Land)

| | | |
|---|---|---|
| Property name | | K's Denki Shin-Moriyama (Land) |
| Anticipated acquisition date | | November 1, 2016 |
| Property type (Note 1) | | SS |
| Type of specified asset | | Trust beneficiary interest in real estate |
| Trustee | | Mitsubishi UFJ Trust and Banking Corporation (planned) |
| Trust period | | November 1, 2016 to September 30, 2036 (planned) (Note 2) |
| Seller | | Nippon Commercial Development Co., Ltd. |
| Location | | 704 Shin-Moriyama, Moriyama-ku, Nagoya, Aichi |
| Land | Form of ownership | Proprietary ownership |
| | Land area | 5,512.78 $m^2$ |
| | Zoning | Neighborhood commercial district (partially industrial area) |
| | Building coverage ratio | 80% (partially 60%) |
| | Floor-area ratio | 300% (partially 200%) |
| Building | Form of ownership | - |
| | Gross floor area | - |
| | Date constructed | - |
| | Use | - |
| | Structure/No. of floors | - |
| Architect | | - |
| Construction company | | - |
| Construction confirmation authority | | - |
| Master lessee | | - |
| Type of master lease | | - |
| PM | | Kenedix Real Estate Fund Management, Inc. (planned) |
| Sub-PM | | - |
| PML | | - |
| Acquisition price | | 1,370 million yen |

| | | |
|---|---|---|
| Appraisal value (as of) | | 1,410 million yen (October 1, 2016) |
| Real estate appraiser | | Japan Real Estate Institute |
| Appraisal NOI yield | | 4.4% (Note 3) |
| Collateral | | None |
| Lease summary | | (as of October 1, 2016) |
| | Number of tenants | 1 |
| | Annual rent | Not disclosed (Note 4) |
| | Tenant deposits | Not disclosed (Note 4) |
| | Leased area | Not disclosed (Note 4) |
| | Leasable area | Not disclosed (Note 4) |
| | Occupancy rate | 100% |
| Remarks | | The long-term fixed business lease contract with the lessee stipulates that the lessor has to obtain approval from the lessee when it transfers its interests in the property. |
| Others | | Notes:<br>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).<br>2. Although the property is not in trust as of October 17, 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.<br>3. Appraisal NOI yield represents the value calculated using the following formula, rounded to the first decimal point.<br>Appraisal NOI ÷ Acquisition price<br>(Appraisal NOI is the net operating income calculated by subtracting the operating expenses from the operating revenue in the appraisal report.)<br>4. Undisclosed as KRR has not obtained lessee's consent. |

4. Overview of the seller

N-5 K's Denki Shin-Moriyama (Land)

| | |
|---|---|
| Company name | Nippon Commercial Development Co., Ltd. |
| Address | 4-1-1 Imahashi, Chuo-ku, Osaka, Osaka |
| Name and title of representative | Tetsuya Matsuoka, President |
| Description of business | 1. Survey and planning on, operation and management of retail facilities, including retail stores<br>2. Designing, construction, operation and management of parkings<br>3. Transaction, leasing management, brokerage of real estate properties<br>4. Building construction; interior finishing work; engineering works including relevant design, construction, management and services<br>5. Investment and management of the funds of an investment limited partnership<br>6. Marketing of an investment limited partnerships to potential investors and collection of investment money on behalf of the partnership<br>7. Type II Financial Instruments Business as defined by Japanese Financial |

| | |
|---|---|
| | Instruments and Exchange Act<br>8. Investment advisory and agency business as defined by Japanese Financial Instruments and Exchange Act<br>9. Investment management business as defined by Japanese Financial Instruments and Exchange Act<br>10. Guarantees in relation to loans/debt; provision of credit facility and relevant brokerage and intermediary services; purchase of receivables<br>11. Advisory and consulting on securitization of real estate properties<br>12. Intermediary in corporate alliance deals, including the tie-ups in technological development, manufacturing or planning; transfer of business, sale/purchase of assets; equity participation; mergers<br>13. Money lending<br>14. Planning on and operation of virtual shopping malls on the Internet<br>15. Recruitment of member stores for the virtual shopping malls<br>16. Recruitment of sponsors that place advertisements on the virtual shopping malls<br>17. Advisory to member stores concerning the operation and management of stores on the virtual shopping malls and relevant sales support<br>18. Information processing service, using information communications systems, such as the Internet; provision of information; data communications service<br>19. Planning on, operation and holding of a variety of events<br>20. Planning on, and editing, production and sale of video, information and advertisements<br>21. Documentation, secretarial service, reception, interpretation/translation, telephone exchange service, operation of specialized/telecommunications equipment, and mail inserting and shipping services<br>22. Advertising, advertising agency and publishing businesses<br>23. Planning and survey on, management and operation of, and commissioned operation of facilities, including sports, cultural, recreation, accommodation, medical and nursing facilities and restaurants<br>24. Travel and travel agency businesses as defined by Japanese Travel Agency Act<br>25. Planning on and acquisition/preservation/sale/intermediary/management of intangible property rights, including industrial property rights, patent rights, trademark rights, utility model rights, design rights and copyrights; computing technologies; system engineering and other software<br>26. Holding of, investment in, management and sale/purchase of marketable securities<br>27. Transactions in commodity exchange which are regulated by Commodity Exchange Act; and related outsourcing services<br>28. Warehousing<br>29. Leasing and maintenance of civil engineering equipment, construction machinery, vehicles, specialized equipment, medical equipment and tools<br>30. Sale and import/export of clothing, fashion accessories, daily goods, furniture and home electronics<br>31. Sale and import/export of groceries, liquors, salt, tobacco, flavor products, seeds, feeds and livestock<br>32. Sale and import/export of cosmetics, drugs, quasi-drugs, medical equipment and tools<br>33. Sale and import/export of food additives, industrial chemicals, pesticides, |

| | |
|---|---|
| | toxic substances and powerful drugs<br>34. Damage insurance agency business, and the type of insurance agency business as defined by Automobile Liability Security Act<br>35. Worker dispatch business<br>36. General and industrial waste disposal business<br>37. Home care business as defined by Long-term Care Insurance Act<br>38. Home nursing business as defined by Long-term Care Insurance Act<br>39. In-home care and support to the elderly, sick and disadvantaged in need of care and support in their activities of daily living, such as bathing, eating and others<br>40. All kinds of services ancillary/ related to the above businesses |
| Capital | 2,658 million yen |
| Incorporation | April 7, 2000 |
| Net assets | 15,739 million yen (consolidated, as of June 30, 2016) |
| Total assets | 52,414 million yen (consolidated, as of June 30, 2016) |
| Major shareholders (Shareholding ratios) | Tetsuya Matsuoka 36.74%<br>Yukinori Nagaoka 2.34%<br>Hirofumi Nishira 2.32%<br>Japan Trustee Services Bank, Ltd. (Trust Acct.) 1.72%<br>SBI Securities Co., Ltd. 1.58%<br>Hiroshi Harada 1.57%<br>Akira Marui 1.50%<br>Kenji Irie 1.38%<br>Trust & Custody Service Bank, Ltd. (Securities Investment Trust Acct.) 1.17%<br>Toshio Horii 1.17%<br>(as of March 31, 2016) |
| 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 | The seller is an Alliance Company for KRR and has provided services and property information preferentially to KRR in accordance with an alliance agreement. |
| 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 October 4, 2016

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

Not applicable

7. Transactions with related parties

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): 2.4 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 / execution of purchase agreement | October 17, 2016 |
| Scheduled payment date / delivery date | November 1, 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 March 31, 2016 (REIT) (October 1, 2015 to March 31, 2016)" dated May 19, 2016.

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

N-5 K's Denki Shin-Moriyama (Land)

| **Summary of real estate appraisal report** | | | |
|---|---|---|---|
| Appraisal value | 1,410,000,000 | | |
| Appraiser | Japan Real Estate Institute | | |
| Date of appraisal | October 1, 2016 | | |
| Item | | Content | Basis |
| Income capitalization approach value | | 1,410,000,000 | Calculated using DCF method |
| Value based on direct capitalization method | | - | |
| (1) | Gross operating revenue | - | |
| | Effective gross operating revenue | - | |
| | Loss from vacancy, etc. | - | |
| (2) | Operating expenses | - | |
| | Maintenance expenses | - | |
| | Utility expenses | - | |
| | Repair expenses | - | |
| | PM fees | - | |
| | Tenant recruit expenses, etc. | - | |
| | Taxes and dues | - | |
| | Insurance premium | - | |
| | Other expenses | - | |
| (3) | Net operating income (NOI= | - | |

| | | | |
|---|---|---|---|
| | (1)-(2)) | | |
| (4) | Profit from security deposits | - | |
| (5) | Capital expenditure | - | |
| (6) | Net cash flow (NCF=(3)+(4)-(5)) | - | |
| (7) | Cap rate | - | |
| Value based on DCF method | | 1,410,000,000 | |
| | Discount rate | 4.1% | |
| | Terminal cap rate | 4.3% | |
| Value based on cost method | | - | |
| Ratio of land | | - | |
| Ratio of building | | - | |
| Adjustments in estimated value and considerations taken into account in determining appraisal value | The property is located about a 11-minute walk from Shin-Moriyama Station of JR Chuo Main Line. Although the property is a little away from its nearest station, it is at the intersection of National Route 19, one of the heaviest traffic roads in the surrounding area, and is highly accessible by car. The current land rent level is considered reasonable in comparison with the levels for comparable properties. Given the rent level and the lessee's attribute, the property is expected to continue generating stable cash flows during the analyzed period.<br>All these factors were taken into account in determining the appraisal value. | | |

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

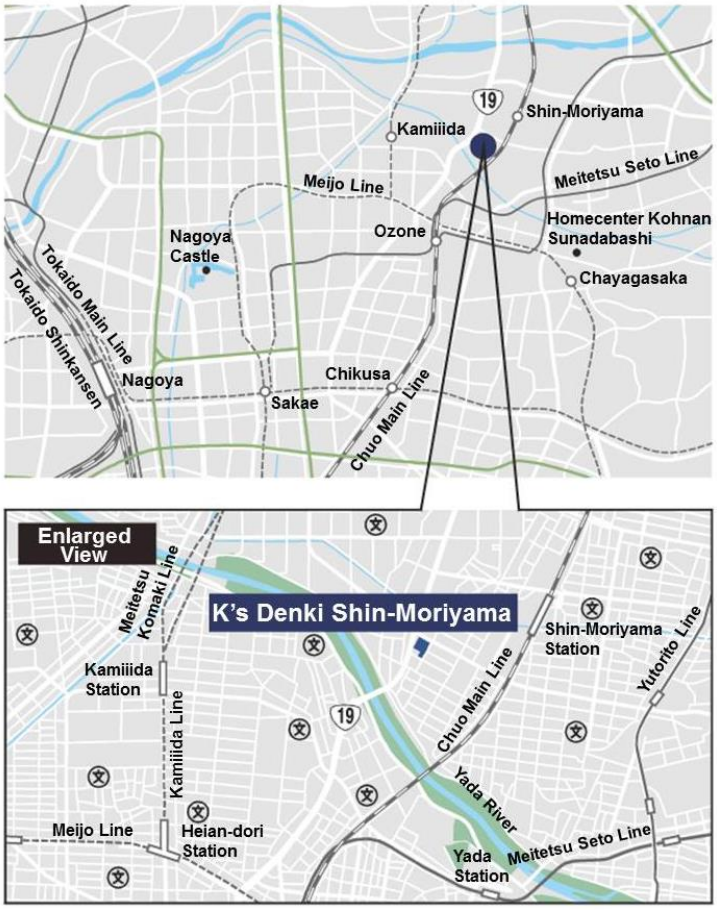
*This notice is the English translation of the Japanese announcement on October 17, 2016. However, no assurance or warranties are given for the completeness or accuracy of this English translation.*

**Attached materials**

Reference material 1. Property photographs and maps
Reference material 2. Property portfolio of KRR (after the acquisition)

Reference material 1. Property photographs and maps





Reference material 2. Property portfolio of KRR (after the acquisition)

| No. | Type (Note1) | Property name | Location | (Anticipated) acquisition date | (Anticipated) acquisition price (million yen) (Note2) | Appraisal value (million yen) (Note 3) | Share (%) (Note 4) |
|---|---|---|---|---|---|---|---|
| T-1 | CSC | Fululu Garden Yachiyo | Yachiyo, Chiba | February 10, 2015 | 14,848 | 15,100 | 9.3 |
| T-2 | Urban Station-Front SC | MONA Shin-Urayasu | Urayasu, Chiba | February 10, 2015 | 8,063 | 8,360 | 5.0 |
| T-3 | Urban Station-Front SC | Passaggio Nishiarai | Adachi-ku, Tokyo | February 10, 2015 | 5,850 | 6,200 | 3.7 |
| T-4 | Urban Station-Front SC | Daikanyama Address Dixsept | Shibuya-ku, Tokyo | February 10, 2015 | 5,390 | 5,450 | 3.4 |
| T-5 | NSC | Unicus Ina | Kitaadachi-gun, Saitama | February 10, 2015 | 4,379 | 4,430 | 2.7 |
| T-6 | NSC | Yorktown Kita-Kaname | Hiratsuka, Kanagawa | February 10, 2015 | 4,000 | 4,220 | 2.5 |
| T-7 | NSC | Unicus Yoshikawa | Yoshikawa, Saitama | February 10, 2015 | 3,600 | 3,690 | 2.2 |
| T-8 | SS | Sports Club Renaissance Fujimidai | Nerima-ku, Tokyo | February 10, 2015 | 2,586 | 2,640 | 1.6 |
| T-9 | NSC | Super Viva Home Iwatsuki (Land) | Saitama, Saitama | October 2, 2015 | 4,815 | 5,210 | 3.0 |
| T-10 | SS | K's Denki Shonan-Fujisawa (Land) | Fujisawa, Kanagawa | October 2, 2015 | 3,169 | 3,410 | 2.0 |
| T-11 | NSC | Unicus Kamisato (Land) | Kodama-gun, Saitama | October 2, 2015 | 3,000 | 3,010 | 1.9 |
| T-12 | NSC | Unicus Konosu (Land) | Konosu, Saitama | October 2, 2015 | 1,700 | 1,730 | 1.1 |
| T-13 | SM | Inageya Yokohama Minamihonjuku (Land) | Yokohama, Kanagawa | October 2, 2015 | 1,442 | 1,460 | 0.9 |
| T-14 | SM | Gourmet City Chiba-Chuo | Chiba, Chiba | October 2, 2015 | 760 | 780 | 0.5 |
| T-15 | NSC | Nakamachidai Tokyu Store | Tsuzuki-ku, Yokohama, Kanagawa | April 21, 2016 | 3,360 | 3,780 | 2.1 |
| T-16 | SS | Central Wellness Club Nagatsuta Minamidai | Midori-ku, Yokohama, Kanagawa | April 20, 2016 | 1,724 | 1,880 | 1.1 |
| T-17 | SM | Life Kameido | Koto-ku, Tokyo | April 21, 2016 | 1,450 | 1,500 | 0.9 |
| O-1 | NSC | Blumer Maitamon | Kobe, Hyogo | February 10, 2015 | 8,389 | 8,820 | 5.2 |
| O-2 | SM | Central Square Takadono (Land) | Osaka, Osaka | February 10, 2015 | 2,685 | 2,870 | 1.7 |
| O-3 | NSC | Piago Kahma Home Center Omihachiman | Omihachiman, Chiba | February 10, 2015 | 2,140 | 2,390 | 1.3 |
| O-4 | NSC | Blumer HAT Kobe | Kobe, Hyogo | April 16, 2015 | 11,000 | 11,600 | 6.9 |
| O-5 | Urban Station-Front SC | Carino Esaka | Suita, Osaka | October 2, 2015 | 6,555 | 6,580 | 4.1 |
| O-6 | Urban Station-Front SC | COMBOX Komyoike | Izumi, Osaka | October 2, 2015 | 6,450 | 6,840 | 4.0 |
| O-7 | SM | Hankyu Oasis Hirakatadeguchi | Hirakata, Osaka | October 2, 2015 | 1,280 | 1,290 | 0.8 |
| O-8 | SS | Welcia Kishiwadakamori (Land) | Kishiwada, Osaka | October 2, 2015 | 487 | 500 | 0.3 |

| No. | Type (Note1) | Property name | Location | (Anticipated) acquisition date | (Anticipated) acquisition price (million yen) (Note2) | Appraisal value (million yen) (Note 3) | Share (%) (Note 4) |
|---|---|---|---|---|---|---|---|
| O-9 | SM | Life Nishi-Tengachaya | Nishinari-ku, Osaka, Osaka | January 21, 2016 | 1,505 | 1,620 | 0.9 |
| O-10 | NSC | Million Town Tsukaguchi (Land) | Amagasaki, Hyogo | April 21, 2016 | 3,723 | 3,730 | 2.3 |
| N-1 | SS | Kama Home Center Nakagawa Tomita (Land) | Nakagawa-ku, Nagoya, Aichi | February 10, 2015 | 2,311 | 2,500 | 1.4 |
| N-2 | NSC | Valor Ichinomiya-Nishi | Ichinomiya, Aichi | February 10, 2015 | 2,174 | 2,200 | 1.4 |
| N-3 | SS | K's Denki Nakagawa Tomita (Land) | Nagoya, Aichi | February 10, 2015 | 889 | 945 | 0.6 |
| N-4 | SS | Homecenter Kohnan Sunadabashi | Higashi-ku, Nagoya, Aichi | April 21, 2016 | 7,140 | 7,220 | 4.5 |
| N-5 | SS | K’s Denki Shin-Moriyama (Land) | Nagoya, Aichi | November 1, 2016 | 1,370 | 1,410 | 0.9 |
| F-1 | SM | Sunny Noma | Fukuoka, Fukuoka | February 10, 2015 | 1,497 | 1,500 | 0.9 |
| R-1 | NSC | Roseo Mito | Mito, Ibaraki | February 10, 2015(Note 7) | 10,046 (Note 5) | 10,300 | 6.3 |
| R-2 | SS | K's Denki Aomori Honten | Aomori, Aomori | February 10, 2015 | 1,469 | 1,590 | 0.9 |
| R-3 | SS | Super Sports Xebio Aomori-Chuo | Aomori, Aomori | February 10, 2015 | 898 | 901 | 0.6 |
| R-4 | NSC | Ashico Town Ashikaga | Ashikaga, Tochigi | October 2, 2015 | 4,180 | 5,050 | 2.6 |
| R-5 | NSC | York Town Shinden-Higashi | Sendai, Miyagi | October 2, 2015 | 3,252 | 3,320 | 2.0 |
| R-6 | SM | Kasumi Technopark Sakura | Tsukuba, Ibaraki | October 2, 2015 | 830 | 847 | 0.5 |
| R-7 | Urban Station-Front SC | Solala Plaza | Aoba-ku, Sendai, Miyagi | April 21, 2016 | 5,720 | 5,740 | 3.6 |
| R-8 | NSC | P-1 Plaza Tenno | Higashi-ku, Hamamatsu, Shizuoka | April 22, 2016 | 4,010 | 4,230 | 2.5 |
| Total/Average | | | | | 160,136 | 168,164 | 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).

(Note 2) “(Anticipated) acquisition price” indicates 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). In addition, for Roseo Mito, anticipated acquisition price includes 371 million yen (excluding expenses and taxes and rounded down to the nearest million yen) on the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the secondhand shop building (building expansion).

(Note 3) "Appraisal values" is as of March 31, 2016 for the properties in our portfolio as of March 31, 2016, as of February 1, 2016 for the properties acquired in April, 2016 (except for Homecenter Kohnan Sunadabashi which is as of November 1, 2015) and as of October 1, 2016 for K’s Denki Shin-Moriyama.

(Note 4) "Share" indicates the percentage of the (anticipated) acquisition price for each property in the total (anticipated) acquisition price, rounded down to the first decimal point.

(Note 5) KRR acquired the secondhand shop building on November 26, 2015.