KENEDIX
Retail REIT Corporation

Translation of Japanese Original

January 26, 2017

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
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# Notice Concerning Acquisition of Property (Seiyu Rakuichi Moriya (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: | Seiyu Rakuichi Moriya (Land) |
| (3) | Acquisition price: | 4,111 million yen<br>(Excluding acquisition costs, adjustment amount of property tax and city-planning tax, etc.) |
| (4) | Estimated NOI yield (Note 1): | 4.1% |
| (5) | Seller: | Please refer to Item 4. Seller's profile for details |
| (6) | Date of contract: | January 27, 2017 |
| (7) | Acquisition date: | January 31, 2017 |
| (8) | Acquisition funds: | Borrowings (Note 2) and cash on hand |
| (9) | Settlement method: | Payment in full at settlement |

(Note 1) 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) ÷ Anticipated acquisition price
The figure is based on the appraisal report dated January 1, 2017 and information provided by the seller. The figure is also based on the rent from April 1, 2017 as the rent is discounted until March 31, 2017, and it also takes into account expensing of property taxes from April 1, 2018.

(Note 2) Please refer to press release "Notice Concerning the Borrowings (Series 9) and Execution of Interest Rate Swap" on January 26, 2017for details.

## 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 addition, the acquisition is KRR's first sale-and-leaseback transaction with a retailer, which makes it a milestone in KRR's external growth.
In acquiring the property, KRR especially evaluated the following points.

Acquisition highlight:
Underlying land of an NSC facing a trunk road, with a popular supermarket as the core tenant

(1) Features of the property

The property is the underlying land of Seiyu Rakuichi Moriya, which is a neighborhood shopping center opened in April 2003 and facing National Route 294. Seiyu, the core tenant of the shopping center, is a subsidiary of Walmart, operating steadily in Japan with EDLP (Everyday Low Price) strategy. Other shops include Nitori, a furniture store, a sporting goods store, and a popular coffee shop. The retail stores surround a large parking lot capable of holding over 700 vehicles, including rooftop parking.

A long-term fixed business land lease with more than 20 years remaining will be contracted with Seiyu, contributing to the stability in cash flow. In addition, the acquisition unit price of JPY104,180 per $m^2$ is lower than the nearby official land price (JPY105,000 per $m^2$) announced by Ministry of Land, Infrastructure, Transport and Tourism.

(2) Overview of the surrounding area

a. Location and access

The property is located in Moriya, where population has been growing rapidly after the opening of the Tsukuba Express, an urban express railway, in 2005. It takes about 32 minutes to Akihabara Station from Moriya Station by express train.

There are many single-family residences in the surrounding neighborhood with residential development in Minami-Moriya area. In addition, the property is facing National Route 294 with many roadside stores, maintaining good visibility and accessibility by car.

b. Characteristics of the surrounding area

According to the national census in 2010, the surrounding retail trade area has a residential population of approximately 12,000 people within a one-kilometer radius, 56,000 people within a three-kilometer radius and 108,000 people within a five-kilometer radius.

Compared to the population in 2005, the population in 2010 within a one-kilometer radius is 116.0%, the population within a three-kilometer radius is 113.3%, and the population within a five-kilometer radius is 108.6%, showing an upward trend. The number of households has also notably grown to 118.4% within a one-kilometer radius, 119.5% within a three-kilometer radius and 114.9% within a five-kilometer radius.

3. Details of the property

R-9 Seiyu Rakuichi Moriya (Land)

| | | |
|---|---|---|
| Property name | | Seiyu Rakuichi Moriya (Land) |
| Anticipated acquisition date | | January 31, 2017 |
| Property type (Note 1) | | NSC |
| Type of specified asset | | Trust beneficiary interest in real estate |
| Trustee | | Sumitomo Mitsui Trust Bank, Ltd. (planned) |
| Trust period | | January 31, 2017 to September 30, 2036 (planned) (Note 2) |
| Seller | | Seiyu GK |
| Location | | 4-1 Keyakidai, Moriya, Ibaraki |
| Land | Form of ownership | Proprietary ownership |
| | Land area | 39,460.28 $m^2$ |
| | Zoning | Category I residential area (partially quasi-residential area) |
| | Building coverage ratio | 60% |
| | Floor-area ratio | 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 | | 4,111 million yen |
| Appraisal value (as of) | | 4,190 million yen (January 1, 2017) |
| Real estate appraiser | | Daiwa Real Estate Appraisal Co., Ltd. |
| Appraisal NOI yield | | 4.1% (Note 3) |
| Collateral | | None |
| Lease summary | | (as of January 31, 2017 (planned)) |
| | Number of tenants | 1 |
| | Annual rent | Undisclosed (Note 4) |
| | Tenant deposits | Undisclosed (Note 4) |
| | Leased area | Undisclosed (Note 4) |
| | Leasable area | Undisclosed (Note 4) |
| | Occupancy rate | 100% |
| Remarks | | None |
| 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 January 26, 2017, 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

R-9 Seiyu Rakuichi Moriya (Land)

| | |
|---|---|
| Company name | Seiyu GK |
| Address | 2-1-1 Akabane, Kita-ku, Tokyo |
| Name and title of representative | Representative partner: Walmart Japan Holdings GK<br>Takeshi Kamigouchi, Director |
| Description of business | Operation of retail chain stores selling food, apparel, general merchandise and |

| | | |
|---|---|---|
| | | other products |
| Capital | | 100 million yen |
| Incorporation | | December 14, 1946 |
| Net assets | | Undisclosed as KRR has not obtained seller's consent. |
| Total assets | | Undisclosed as KRR has not obtained seller's consent. |
| Major shareholders | | Undisclosed as KRR has not obtained 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 December 16, 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

The broker is a domestic company, and the name of broker and other information are undisclosed as KRR has not obtained the broker's consent. The broker 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, and there is no special capital, personnel, business relationship between KRR/the Asset Manager and the broker.

7. Transactions with related parties

KRR will conclude a property management agreement with the Asset Manager. For the transaction, the Asset Manager, pursuant to 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 transaction for deliberation and resolution by the Compliance Committee. Following the approval by the Compliance Committee, the transaction is submitted to the Retail REIT Division's Asset Management Committee for resolution. 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

| | |
|---|---|
| Acquisition decision date | January 26, 2017 |
| Scheduled contract date | January 27, 2017 |
| Scheduled payment date / delivery date | January 31, 2017 |

9. Future Outlook

There are no changes to the forecasts of financial results of KRR published in the "Financial Report for the Fiscal Period Ended September 30, 2016" dated November 16, 2016 as the impact on the financial results is minimal.

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

R-9 Seiyu Rakuichi Moriya (Land)

| **Summary of real estate appraisal report** | | | |
|---|---|---|---|
| Appraisal value | 4,190,000,000 | | |
| Appraiser | Daiwa Real Estate Appraisal Co., Ltd. | | |
| Date of appraisal | January 1, 2017 | | |
| Item | | Content | Basis |
| Income capitalization approach value | | 4,190,000,000 | Calculated by the DCF method, with the results verified using the direct-capitalization method |
| Value based on direct capitalization method | | 4,250,000,000 | Calculating by multiplying the stabilized NCF with compound present value factor and then adjusting the present value of the land at the end of the lease contract |
| (1) | Gross operating revenue | Undisclosed | |
| | Effective gross operating revenue | Undisclosed | |
| | Loss from vacancy, etc. | Undisclosed | |
| (2) | Operating expenses | Undisclosed | |
| | Maintenance expenses | 0 | Not applicable |
| | Utility expenses | 0 | Not applicable |
| | Repair expenses | 0 | Not applicable |
| | PM fees | 2,400,000 | Calculated based on anticipated PM fees for the property and the PM fees for comparable properties |
| | Tenant recruit expenses, etc. | 0 | None assuming long-term tenancy |
| | Taxes and dues | Undisclosed | |
| | Insurance premium | 0 | Not applicable |
| | Other expenses | 0 | None |
| (3) | Net operating income (NOI= (1)-(2)) | 166,495,580 | |
| (4) | Profit from security deposits | 478,380 | |
| (5) | Capital expenditure | 0 | Not applicable |
| (6) | Net cash flow (NCF=(3)+(4)-(5)) | 166,973,960 | |
| (7) | Cap rate | 4.3% | Calculated based on the past transactions of comparable properties and by taking into account the uniqueness of real estate properties as financial assets in terms of investment yield |
| Value based on DCF method | | 4,160,000,000 | |
| | Discount rate | 4.2% | Calculated based on the past transactions of comparable properties and by taking into account the uniqueness of real estate properties |

| | | | | |
|---|---|---|---|---|
| | | | | as financial assets in terms of investment yield |
| | | Terminal cap rate | 4.4% | Calculated by taking into account the characteristics of the NCF used for the capitalization rate and future uncertainties/liquidity/ marketability of the property |
| 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 7-minute walk from Minami-Moriya Station of Kanto Railway Joso Line. It is facing National Route 294, making it highly accessible by car from wide area in southern Ibaraki Prefecture. In addition, the property is surrounded by many single-family residences of New Town development. As a result, the property can target consumers accessing by car as well as those living in the surrounding area.<br>In terms of lease contract, a fixed business land lease will be contracted with the tenant, and the rent level is considered to be at appropriate level compared with comparable properties and considering the revenue from the buildings. Given the above conditions, the property is expected to continue generating stable cash flows based on the land lease.<br>All these factors were taken into account in determining the appraisal value. | |

(Note) Figures used in the direct capitalization method include information that KRR has not obtained consent from the lessee for its disclosure. Such information or figures that can make calculation of such information are not disclosed in (1) and (2) above.

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

*This notice is the English translation of the Japanese announcement on January 26, 2017. However, no assurance or warranties are given for the completeness or accuracy of this English translation.*

**Attached materials**

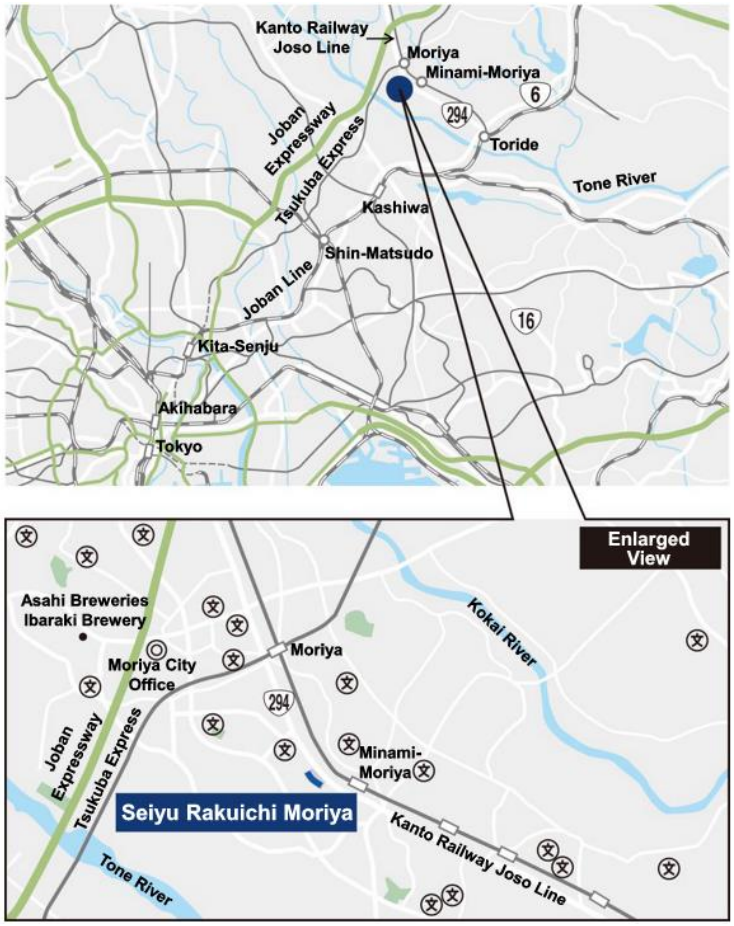
Reference material 1. Property photographs
Reference material 2. Map
Reference material 3. Property portfolio of KRR (after the acquisition)

Reference material 1. Property photographs






Reference material 2. Map



Reference material 3. Property portfolio of KRR (after the acquisition)

| No. | Type (Note 1) | Property name | Location | (Anticipated) acquisition date | (Anticipated) acquisition price (million yen) (Note 2) | Appraisal value (million yen) (Note 3) | Share (%) (Note 4) |
|---|---|---|---|---|---|---|---|
| T-1 | CSC | Fululu Garden Yachiyo | Yachiyo, Chiba | February 10, 2015 | 14,848 | 15,200 | 9.0 |
| T-2 | Urban Station-Front SC | MONA Shin-Urayasu | Urayasu, Chiba | February 10, 2015 | 8,063 | 8,560 | 4.9 |
| T-3 | Urban Station-Front SC | Passaggio Nishiarai | Adachi-ku, Tokyo | February 10, 2015 | 5,850 | 6,370 | 3.6 |
| T-4 | Urban Station-Front SC | Daikanyama Address Dixsept | Shibuya-ku, Tokyo | February 10, 2015 | 5,390 | 5,740 | 3.3 |
| T-5 | NSC | Unicus Ina | Kitaadachi-gun, Saitama | February 10, 2015 | 4,470 (Note 5) | 4,510 | 2.7 |
| T-6 | NSC | Yorktown Kita-Kaname | Hiratsuka, Kanagawa | February 10, 2015 | 4,000 | 4,300 | 2.4 |
| T-7 | NSC | Unicus Yoshikawa | Yoshikawa, Saitama | February 10, 2015 | 3,600 | 3,800 | 2.2 |
| T-8 | SS | Sports Club Renaissance Fujimidai | Nerima-ku, Tokyo | February 10, 2015 | 2,586 | 2,720 | 1.6 |
| T-9 | NSC | Super Viva Home Iwatsuki (Land) | Saitama, Saitama | October 2, 2015 | 4,815 | 5,280 | 2.9 |
| T-10 | SS | K's Denki Shonan-Fujisawa (Land) | Fujisawa, Kanagawa | October 2, 2015 | 3,169 | 3,440 | 1.9 |
| T-11 | NSC | Unicus Kamisato (Land) | Kodama-gun, Saitama | October 2, 2015 | 3,000 | 3,010 | 1.8 |
| T-12 | NSC | Unicus Konosu (Land) | Konosu, Saitama | October 2, 2015 | 1,700 | 1,740 | 1.0 |
| 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 | 799 | 0.5 |
| T-15 | NSC | Nakamachidai Tokyu Store | Tsuzuki-ku, Yokohama, Kanagawa | April 21, 2016 | 3,360 | 3,780 | 2.0 |
| T-16 | SS | Central Wellness Club Nagatsuta Minamidai | Midori-ku, Yokohama, Kanagawa | April 20, 2016 | 1,724 | 1,900 | 1.0 |
| 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 | 8,990 | 5.1 |
| O-2 | SM | Central Square Takadono (Land) | Osaka, Osaka | February 10, 2015 | 2,685 | 2,930 | 1.6 |
| O-3 | NSC | Piago Kahma Home Center Omihachiman | Omihachiman, Chiba | February 10, 2015 | 2,140 | 2,440 | 1.3 |
| O-4 | NSC | Blumer HAT Kobe | Kobe, Hyogo | April 16, 2015 | 11,000 | 11,600 | 6.7 |
| O-5 | Urban Station-Front SC | Carino Esaka | Suita, Osaka | October 2, 2015 | 6,555 | 6,590 | 4.0 |
| O-6 | Urban Station-Front SC | COMBOX Komyoike | Izumi, Osaka | October 2, 2015 | 6,450 | 6,940 | 3.9 |
| O-7 | SM | Hankyu Oasis Hirakatadeguchi | Hirakata, Osaka | October 2, 2015 | 1,280 | 1,310 | 0.8 |
| O-8 | SS | Welcia Kishiwadakamori (Land) | Kishiwada, Osaka | October 2, 2015 | 487 | 500 | 0.3 |

| No. | Type (Note 1) | Property name | Location | (Anticipated) acquisition date | (Anticipated) acquisition price (million yen) (Note 2) | Appraisal value (million yen) (Note 3) | Share (%) (Note 4) |
|---|---|---|---|---|---|---|---|
| O-9 | SM | Life Nishi-Tengachaya | Nishinari-ku, Osaka, Osaka | January 21, 2016 | 1,505 | 1,650 | 0.9 |
| O-10 | NSC | Million Town Tsukaguchi (Land) | Amagasaki, Hyogo | April 21, 2016 | 3,723 | 3,810 | 2.3 |
| N-1 | SS | Kama Home Center Nakagawa Tomita (Land) | Nakagawa-ku, Nagoya, Aichi | February 10, 2015 | 2,311 | 2,540 | 1.4 |
| N-2 | NSC | Valor Ichinomiya-Nishi | Ichinomiya, Aichi | February 10, 2015 | 2,174 | 2,280 | 1.3 |
| N-3 | SS | K's Denki Nakagawa Tomita (Land) | Nagoya, Aichi | February 10, 2015 | 889 | 960 | 0.5 |
| N-4 | SS | Homecenter Kohnan Sunadabashi | Higashi-ku, Nagoya, Aichi | April 21, 2016 | 7,140 | 7,220 | 4.3 |
| N-5 | SS | K's Denki Shin-Moriyama (Land) | Nagoya, Aichi | November 1, 2016 | 1,370 | 1,410 | 0.8 |
| F-1 | SM | Sunny Noma | Fukuoka, Fukuoka | February 10, 2015 | 1,497 | 1,520 | 0.9 |
| R-1 | NSC | Roseo Mito | Mito, Ibaraki | February 10, 2015 | 10,046 (Note 6) | 10,900 | 6.1 |
| R-2 | SS | K's Denki Aomori Honten | Aomori, Aomori | February 10, 2015 | 1,469 | 1,550 | 0.9 |
| R-3 | SS | Super Sports Xebio Aomori-Chuo | Aomori, Aomori | February 10, 2015 | 898 | 924 | 0.5 |
| R-4 | NSC | Ashico Town Ashikaga | Ashikaga, Tochigi | October 2, 2015 | 4,180 | 5,060 | 2.5 |
| R-5 | NSC | York Town Shinden-Higashi | Sendai, Miyagi | October 2, 2015 | 3,252 | 3,310 | 2.0 |
| R-6 | SM | Kasumi Technopark Sakura | Tsukuba, Ibaraki | October 2, 2015 | 830 | 861 | 0.5 |
| R-7 | Urban Station-Front SC | Solala Plaza | Aoba-ku, Sendai, Miyagi | April 21, 2016 | 5,720 | 5,910 | 3.5 |
| R-8 | NSC | P-1 Plaza Tenno | Higashi-ku, Hamamatsu, Shizuoka | April 22, 2016 | 4,010 | 4,260 | 2.4 |
| R-9 | NSC | Seiyu Rakuichi Moriya | Moriya, Ibaraki | January 31, 2017 | 4,111 | 4,190 | 2.5 |
| Total | | | | | 164,338 | 173,764 | 100.0 |

| | | | | | |
|---|---|---|---|---|---|
| Investment securities | Silent partnership equity interest in JRP8 G.K. | October 31, 2016 | 100 | — | — |
| | 1 security subtotal | | 100 | — | — |

(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, 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) and for Unicus Ina, acquisition price includes 91 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 restaurant (building expansion) .

(Note 3) "Appraisal values" is as of September 30, 2016 for the properties in our portfolio as of September 30, 2016, as of October 1, 2016 for K's Denki Shin-Moriyama, and as of January 1, 2017 for Seiyu Rakuichi Moriya.

(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 restaurant building on January 16, 2017.

(Note 6) KRR acquired the secondhand shop building on November 26, 2015.