KENEDIX
Retail REIT Corporation

Translation of Japanese Original

January 31, 2018

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: Masahiko Tajima, President & CEO
Contact: Koichiro Nobata, Head of Planning Division, Retail REIT Department
TEL: +81-3-5623-3868

Notice Concerning Acquisition of Property (Ozeki Tokiwadai)

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. Since the seller is defined as related parties both in the Investment Trusts and Investment Corporations Law ("the Investment Trust Law") and in the Retail REIT Division Related-party Transactions Rules, the acquisition has been deliberated and approved through a resolution by the Investment Corporation's Board of Directors, and the Asset Manager has obtained the consent of KRR's Executive Director based on the resolution.

1. Outline of the acquisition

(1)	Type of acquisition:	Trust beneficiary interest in real estate
(2)	Property name:	Ozeki Tokiwadai
(3)	Acquisition price:	1,263 million yen (Excluding acquisition costs, adjustment amount of property tax and city-planning tax, consumption tax, etc.)
(4)	Appraisal NOI yield (Note 1):	4.6%
(5)	Seller:	Please refer to Item 4. Seller's profile for details
(6)	Date of contract:	January 31, 2018
(7)	Acquisition date:	February 13, 2018
(8)	Acquisition funds:	Borrowings (Note 2)
(9)	Settlement method:	Payment in full at settlement

(Note 1) "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of December 1, 2017 by the anticipated acquisition price for the property and rounded to the first decimal place. "Appraisal NOI" refers to the net operating income before depreciation expenses, which is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated using the direct capitalization method.

(Note 2) Please refer to press release "Notice Concerning the Borrowings (Series 18)" on January 31, 2018 for 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, Kenedix, Inc. developed the property for KRR to acquire, using JRP7 GK as an SPC. Such development by Kenedix, Inc. contributes to KRR's external growth strategy.

In acquiring the property, KRR especially evaluated the following points.

Acquisition highlight: A grocery supermarket, which opened in September 2017, located in one of the most densely populated retail trade areas in Tokyo, with 64 thousand residents within a one-kilometer radius

(1) Features of the property

- The property is a new supermarket opened in September 2017. It is located close to the north entrance of Tokiwadai Station on the Tobu Tojo Line.
- The tenant, Ozeki Co., Ltd., runs many stores in densely populated areas near train stations in Tokyo metropolitan area and has a dominant strategy in the area.
- The property is a small store with the retail space of 490 m^2.
- Using the second and third floors as the backyard, where the tenant utilizes for food processing, the property has the whole first floor as the retail space.

(2) Overview of the surrounding area

a. Location and access

- The property is a two minute walk or 150 m from Tokiwadai Station (about eight minutes away from Ikebukuro Station on the Tobu Tojo Line).
- The front road of the property is connected to Tokiwadai Station, which makes the store easy to visit on foot or by bicycle, including for those on the way home from the station.
- There are highly dense residential areas in the surrounding neighborhood because of the easy access to central Tokyo, especially Ikebukuro.

b. Characteristics of the surrounding area

- According to the national census in 2010, the surrounding retail trade area has a residential population of approximately 14 thousand people within a 0.5 kilometer radius, 64 thousand people within a one-kilometer radius and 138 thousand people within a 1.5 kilometer radius. The population within a one-kilometer radius is considered to be one of the most densely populated retail trade areas in Tokyo.
- Compared to the population in 2005, the population in 2010 within a 0.5 kilometer radius is 104.0%, the population within a one-kilometer radius is 101.4%, and the population within a 1.5 kilometer radius is 101.9%, showing an upward trend. The number of households has also notably grown to 109.8% within a 0.5 kilometer radius, 107.1% within a one-kilometer radius and 107.9% within a 1.5 kilometer radius.

3. Details of the property

Property name		Ozeki Tokiwadai
Anticipated acquisition date		February 13, 2018
Property type (Note 1)		SM
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust period		September 15, 2016 to April 30, 2037 (planned)
Seller		JRP7 GK
Location		2-8-5 Tokiwadai, Itabashi-ku, Tokyo
Land	Form of ownership	Proprietary ownership
	Land area	804.68 m^2
	Zoning	i) Neighborhood commercial area ii) Category II mid/high-rise residential area (Note 2)
	Building coverage ratio	i) 80% ii) 60%
	Floor-area ratio	i) 300% ii) 200%
Building	Form of ownership	Proprietary ownership
	Gross floor area	1,217.02 m^2
	Date constructed	August 3, 2017
	Use	Retail store, office, warehouse
	Structure/No. of floors	S-structure/3-story building with flat roof
Architect		Choeihands Co., Ltd. First-Class Architect Office
Construction company		Choeihands Co., Ltd.
Construction confirmation authority		Away Building Evaluation Network Inc.
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		Kenedix Property Management, Inc. (planned)
PML		5.93%
Acquisition price		1,263 million yen
Appraisal value		1,340 million yen (as of December 1, 2017)
Real estate appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal NOI yield		4.6% (Note 3)
Collateral		None
Lease summary		(as of November 30, 2017)
	Number of tenants	1
	Annual rent	Undisclosed (Note 4)
	Tenant deposits	Undisclosed (Note 4)
	Leased area	1,217.02 m^2
	Leasable area	1,217.02 m^2
	Occupancy rate	100.0%
Remarks		None

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. The area from the boundary along the road on the east to within 20 meters is shown in (i), and over 20 meters is shown in (ii). 3. "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of December 1, 2017 by the anticipated acquisition price for the property and rounded to the first decimal place. "Appraisal NOI" refers to the net operating income before depreciation expenses, which is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated using the direct capitalization method. 4. Undisclosed as KRR has not obtained consent from tenants.

4. Overview of the seller

Company name		JRP7 GK
Address		2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo
Name and title of representative		Representative partner: Ippan Shadan Hojin JRP7 Kazumasa Iizuka, Director
Description of business		1. Acquisition, holding, disposition, leasing and management of real estate properties 2. Acquisition, holding and disposition of trust beneficiary interests in real estate 3. All kinds of services ancillary/related to the above businesses
Capital		1 million yen
Incorporation		June 8, 2016
Net assets		Undisclosed as KRR has not obtained the seller's consent
Total assets		Undisclosed as KRR has not obtained the seller's consent
Relationship between KRR/the Asset Manager and the seller		
	Capital relationship	An Ippan Shadan Hojin, which is wholly owned and provided with funds by Kenedix, Inc., the parent company under the Financial Instruments and Exchange Act holding 100% of the Asset Manager, holds 100% of the total invested capital in the seller. In addition, Kenedix Inc. holds 100% of the total invested capital in the Tokumei Kumiai.
	Personnel relationship	No special personnel relationship between KRR/the Asset Manager and the seller. In addition, no special personal relationship between the related parties/affiliates of KRR/the Asset Manager and the related parties/affiliates of the seller.
	Business relationship	No special business relationship between KRR/the Asset Manager and the seller. Kenedix, Inc. is entrusted with asset management by the seller.

	Related party transactions	The seller is deemed a related party under the Investment Trust Law and the "Retail REIT Department's Internal Regulations on Related Party Transactions" of the Asset Manager.

As of December 27, 2017

5. Status of property acquirer and previous owners

KRR	Seller (previous owner/ trust beneficiary)	Second previous owner/ trust beneficiary
<Background/reasons for acquisition > The asset satisfies KRR's investment criteria and is a highly competitive property that will keep generating profits over the medium to long term. The acquisition price is considered fair as it is below the appraisal value by Daiwa Real Estate Appraisal Co., Ltd. (1,340 million yen)	<Name of the company / relationship with the party with a special vested interest> JRP7 GK Please refer to above "4. Overview of the seller" <Background/reasons for acquisition> Acquired for development purposes	Parties other than special interested parties
<Anticipated acquisition price> 1,263 million yen	<Acquisition price> Undisclosed (The land price is omitted as the previous owner has owned the land for over a year. The building price is omitted as the previous owner has developed the building.)	-
<Scheduled date of acquisition> February 13, 2018	<Date of acquisition> Land: September 15, 2016 Building: August 3, 2017 (Note)	-

(Note) The construction date of the building is shown as the acquisition date.

6. Details of brokerage

Not applicable

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 the transaction, the Asset Manager, pursuant to its Retail REIT Department'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 Department's Asset Management Committee for resolution. Then the approval of the transaction is resolved at KRR's Board of Directors Meeting held on January 31, 2018 and agreed upon by the executive officers of KRR based on such resolution.

(1) Acquisition of property

The seller falls under the category of the related party defined under the Investment Trust Law and the Retail REIT Department related-party transaction rules of the Asset Manager. Details of the seller are provided in "4. Overview of the seller" and "5. Status of property acquirer and previous owners" above.

(2) Appointment of Property Management Company

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 (planned)

Fees associated with the management of construction projects:

Construction price	Fees
Less than 1 million yen	None
1 million yen to less than 2 million yen	6%
2 million yen to less than 5 million yen	120,000 yen + 5% on the portion exceeding 2 million yen
5 million yen to less than 10 million yen	270,000 yen + 4% on the portion exceeding 5 million yen
10 million yen to less than 100 million yen	470,000 yen + 3% on the portion exceeding 10 million yen
100 million yen to less than 200 million yen	3,170,000 yen + 2% on the portion exceeding 100 million yen
200 million yen or more	5,170,000 yen + 1% on the portion exceeding 200 million yen

8. Acquisition schedule

Acquisition decision date	January 31, 2018
Scheduled contract date	January 31, 2018
Scheduled payment date / delivery date	February 13, 2018 (planned)

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, 2017" dated November 14, 2017 as the impact on the financial results is minimal.

10. Summary of real estate appraisal report

Summary of real estate appraisal report			
Appraisal value	1,340,000,000 yen		
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		
Date of appraisal	December 1, 2017		
Item		Content	Basis
Income capitalization approach value		1,340,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method		1,370,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue	Undisclosed	
	Effective gross operating revenue	Undisclosed	
	Loss from vacancy, etc.	0 yen	Calculated based on the occupancy rate level that is expected to remain stable over the medium term
(2)	Operating expenses	Undisclosed	
	Maintenance expenses	Undisclosed	
	Utility expenses	0yen	None on assumption that the expenses are borne by the tenant
	Repair expenses	Undisclosed	
	PM fees	3,600,000 yen	Calculated based on anticipated PM fees for the property
	Tenant recruit expenses, etc.	0 yen	None assuming long-term tenancy
	Taxes and dues	Undisclosed	
	Insurance premium	Undisclosed	
	Other expenses	Undisclosed	
(3)	Net operating income (NOI= (1)-(2))	57,693,770 yen	
(4)	Profit from security deposits	570,000 yen	Calculated on assumption of 1.0% investment yield
(5)	Capital expenditure	565,600 yen	Calculated based on the levels of capital expenditure for comparable properties and on the building repurchase price plus CM fees
(6)	Net cash flow (NCF=(3)+(4)-(5))	57,698,170 yen	

(7) Cap rate		4.2%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method		1,330,000,000 yen	
	Discount rate	4.0%	Calculated based on 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		1,450,000,000 yen	
Ratio of land		84.0%	
Ratio of building		16.0%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	The property is located within a two minute walk from Tokiwadai Station on the Tobu Tojo Line, providing excellent accessibility to the nearest station. In addition, the property is surrounded by densely populated residential districts, which makes it possible for multiple supermarkets to exist in the area. Since the property has a densely populated trade area targeting customers visiting on foot or by bicycle, its small-size does not make the property weak. Using the second and third floors as the backyard for food processing, the property has the whole first floor as the retail space. From the factors shown above, the property's competitiveness is considered to be fair.		

(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 31, 2018. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

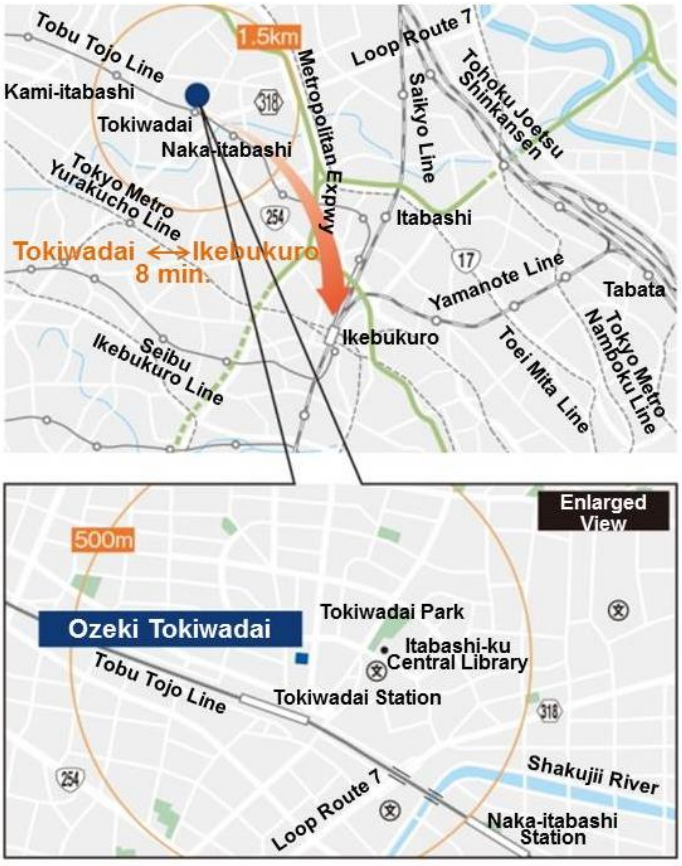
Attached materials

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 (Note1)	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	7.2
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	8,820	3.9
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,370	2.8
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	5,940	2.6
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	4,850	2.2
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,310	1.9
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	February 10, 2015	3,600	3,840	1.7
T-8	SS	Sports Club Renaissance Fujimidai	Nerima-ku, Tokyo	February 10, 2015	2,586	2,750	1.3
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,400	2.3
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,530	1.5
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	October 2, 2015	3,000	3,050	1.5
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	October 2, 2015	1,700	1,770	0.8
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	October 2, 2015	1,442	1,430	0.7
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	October 2, 2015	760	807	0.4
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	April 21, 2016	3,360	3,820	1.6
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	April 20, 2016	1,724	1,910	0.8
T-17	SM	Life Kameido	Koto-ku, Tokyo	April 21, 2016	1,450	1,520	0.7
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	April 19, 2017	4,170	4,300	2.0
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	April 19, 2017	3,416	3,520	1.7
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	May 18, 2017	3,097	3,260	1.5
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	April 19, 2017	2,820	2,840	1.4
T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	April 19, 2017	1,880	1,970	0.9
T-23	SM	Ozeki Tokiwadai	Itabashi-ku, Tokyo	February 13, 2018	1,263	1,340	0.6
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,340	4.1

No.	Type (Note1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,040	1.3
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,430	1.0
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,600	5.3
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	6,910	3.2
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,840	3.1
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	October 2, 2015	1,280	1,330	0.6
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	October 2, 2015	487	488	0.2
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	January 21, 2016	1,505	1,650	0.7
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	April 21, 2016	3,723	3,870	1.8
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	2,311	2,630	1.1
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	February 10, 2015	2,174	2,320	1.1
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	889	995	0.4
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,310	3.5
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,430	0.7
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,990	3.8
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,560	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,290	2.4
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,630	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 6)	10,046	11,300	4.9
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	February 10, 2015	1,469	1,580	0.7
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	February 10, 2015	898	947	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,060	2.0
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,330	1.6
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	876	0.4
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	April 21, 2016	5,720	5,960	2.8

No.	Type (Note1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	April 22, 2016	4,010	4,340	1.9
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	January 31, 2017	4,111	4,220	2.0
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note 7)	5.2
Total/Average					206,176	219,973	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). (As for the properties with building expansion, the price includes the amount described in the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the secondhand shop building (excluding expenses and taxes and rounded down to the nearest million yen).

(Note 3) "Appraisal values" are the values as of the end of September 2017 for the properties held as of September 30, 2017 and as of December 1, 2017 for Ozeki Tokiwadai.

(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 place.

(Note 5) A restaurant building additionally acquired on January 16, 2017.

(Note 6) A second-hand store building additionally acquired on November 26, 2015.

(Note 7) Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 90%).