KENEDIX
Retail REIT Corporation

Translation of Japanese Original

March 30, 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
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Notice Concerning Acquisition of Property (Costco Wholesale Sapporo Warehouse)

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:	Costco Wholesale Sapporo Warehouse
(3)	Acquisition price:	4,210 million yen (Excluding acquisition costs, adjustment amount of property tax and city-planning tax, consumption tax, etc.)
(4)	Appraisal NOI yield (Note 1):	4.8%
(5)	Seller:	Please refer to Item 4. Seller's profile for details
(6)	Date of contract:	March 30, 2018
(7)	Acquisition date:	May 31, 2018
(8)	Acquisition funds:	Borrowings (Note 2) and cash on hand
(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 March 1, 2018 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 20)" on March 30, 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 acquiring the property, KRR especially evaluated the following points.

Acquisition highlight:
The only Costco warehouse in Hokkaido, covering Sapporo metropolitan area as its trade area

(1) Features of the property

- Costco is a "membership warehouse club" with over 740 warehouse stores and 91.5 million members worldwide. In Japan, Costco Wholesale opened its first warehouse store in 1999 and currently operates 26 warehouse stores. Sapporo Warehouse is the only Costco warehouse in Hokkaido and

covers Sapporo metropolitan area as its trade area. Costco sets population of 500,000 people within 10 km as its store opening criteria, and Costco Wholesale Sapporo Warehouse has enough trade area population with 2 million people in Sapporo metropolitan area.

- Costco's "membership warehouse club" provides a wide selection of merchandise including groceries, with competitive prices backed by membership fees. "Membership warehouse club" is unique in Japan, and thus competitive among retailers. Costco also provides its own brand merchandise, which differentiate them from other stores.
- The retail floor is one story, making it easy to shop around, and there are approximately 800 car parking spaces.
- Long lease term is remaining with the tenant.

(2) Overview of the surrounding area

a. Location and access

- The property is located in Kiyota ward, Sapporo. The area has a concentration of shopping centers, including Mitsui Outlet Park Sapporo Kitahiroshima, attracting customers from wide trade area. In addition to retail facilities, there are many single-family residences and parks in the surrounding neighborhood.
- The property is near Kitahiroshima Interchange. It is located along Atsubetsuhigashi Dori, which connects to National Route 36 and Hitsujigaoka Dori, both with high traffic.

b. Characteristics of the surrounding area

- According to the national census in 2015, the surrounding retail trade area has a residential population of approximately 141 thousand people within a five-kilometer radius, 642 thousand people within a ten-kilometer radius and 1,939 thousand people within a twenty-kilometer radius, providing the property a trade area with approximately 2 million people of Sapporo metropolitan area.
- Compared to the population in 2010, the population in 2015 within a five-kilometer radius is 99.1%, the population within a ten-kilometer radius is 100.5%, and the population within a twenty-kilometer radius is 101.7%. The number of households has grown to 104.9% within a five-kilometer radius, 103.0% within a ten-kilometer radius and 103.9% within a twenty-kilometer radius.

3. Details of the property

Property name		Costco Wholesale Sapporo Warehouse
Anticipated acquisition date		May 31, 2018
Property type (Note 1)		SS
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust period		March 21, 2008 to April 30, 2037 (planned)
Seller		Domestic company (Note 2)
Location		9-3-1 Utsukushigaoka Ichijo, Kiyota-ku, Sapporo, Hokkaido
Land	Form of ownership	Proprietary ownership
	Land area	24,757.12 m^2
	Zoning	Quasi-industrial area
	Building coverage ratio	60%
	Floor-area ratio	200%
Building	Form of ownership	Proprietary ownership
	Gross floor area	24,006.16 m^2
	Date constructed	November 9, 2007
	Use	Retail store, parking

	Structure/No. of floors	S-structure/4-story building with flat roof
Architect		Taisei Corporation First-Class Architect Office
Construction company		Taisei Corporation Sapporo Branch
Construction confirmation authority		Sapporo City
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		Tokyo Biso Kogyo Corporation (planned)
PML		1.32%
Acquisition price		4,210 million yen
Appraisal value		4,390 million yen (as of March 1, 2018)
Real estate appraiser		Japan Real Estate Institute
Appraisal NOI yield		4.8% (Note 3)
Collateral		None
Lease summary		(as of March 30, 2018)
	Number of tenants	1
	Annual rent	Undisclosed (Note 4)
	Tenant deposits	Undisclosed (Note 4)
	Leased area	24,006.16 m^2
	Leasable area	24,006.16 m^2
	Occupancy rate	100.0%
Remarks		・Although part of the boundary lines with adjacent land have yet to be confirmed in writing, no conflicts has occurred with the owner of the adjacent land as of today. ・Part of this property conflicts with the Building Standards Act and the Fire Service Act. KRR, however, has agreed with the seller that renovation and improvement be completed at the expense and responsibility of the seller. If the renovation and improvement is not completed, the acquisition date may be changed.
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. Undisclosed as KRR has not obtained consent from the seller. 3. "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of March 1, 2018 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 the tenant.

4. Overview of the seller

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

5. Status of property acquirer and previous owners

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

Name	Mitsubishi UFJ Trust and Banking Corporation
Location	1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Name and title of representative	Mikio Ikegaya, President and CEO
Description of business	1. Trust business 2. Acceptance of deposits and installment savings, lending of funds, discounting of bills and notes and currency exchange transactions 3. Guarantee of obligations, acceptance of bills and notes, and any other businesses ancillary to the above banking businesses 4. Underwriting, primary/secondary offering and purchase/sale of government bonds, municipal bonds, government-guaranteed bonds and other marketable securities; and other relevant services 5. Other businesses allowed for banks and trust companies under the Banking Act, the Secured Bonds Trust Act and other laws, in addition to the above businesses 6. All kinds of services ancillary/related to the above business
Capital	324.2 billion yen
Incorporation	March 10, 1927
Brokerage fee	Undisclosed as KRR has not obtained the brokerage firm's consent.
Relationship between KRR/the Asset Manager and the brokerage firm	
Capital relationship	No special capital relationship between KRR/the Asset Manager and the brokerage firm. Also, no special capital relationship between the related parties/affiliates of KRR/the Asset Manager and the related parties/affiliates of the brokerage firm.
Personnel relationship	No special personnel relationship between KRR/the Asset Manager and the brokerage firm.
Business relationship	No special business relationship between KRR/the Asset Manager and the brokerage firm.
Related party transactions	The brokerage firm 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 March 15, 2018

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 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. 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	March 30, 2018
Scheduled contract date	March 30, 2018
Scheduled payment date / delivery date	May 31, 2018 (planned)

(Note) The purchase and sale agreement of the asset falls under the category of forward commitment made by investment corporations as stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." enacted by the Financial Service Agency of Japan.
In case either of the parties violates any provisions of the agreement (including breaches of representations and warranties, but excluding minor violations), and if the violation makes it impossible for the other party to achieve the objective of the agreement, such other party is entitled to terminate the agreement by giving a prior notice, unless otherwise stated in the agreement. In the event the agreement is terminated in such a manner, the violating party shall compensate for the damage resulted from the termination by paying a penalty corresponding to 20% of the acquisition price (excluding consumption taxes and local consumption taxes) to the other party.

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	4,390,000,000 yen		
Appraiser	Japan Real Estate Institute		
Date of appraisal	March 1, 2018		
Item		Content	Basis
Income capitalization approach value		4,390,000,000 yen	Calculated by relating the direct-capitalization method with the DCF method
Value based on direct capitalization method		4.420,000,000 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	None on assumption due to single-lease property
(2)	Operating expenses	Undisclosed	
	Maintenance expenses	Undisclosed	
	Utility expenses	Undisclosed	
	Repair expenses	Undisclosed	
	PM fees	3,600,000 yen	Calculated based on anticipated PM fees for the property and the PM fees for comparable properties

		Tenant recruit expenses, etc.	0 yen	None as tenant replacement or contract renewal expenses should be considered in the calculation of cap rate
		Taxes and dues	Undisclosed	
		Insurance premium	Undisclosed	
		Other expenses	Undisclosed	
	(3)	Net operating income (NOI= (1)-(2))	202,253,000 yen	
	(4)	Profit from security deposits	2,400,000 yen	
	(5)	Capital expenditure	5,818,000 yen	Calculated based on the average annual renovation expenses described in the engineering report plus CM fees
	(6)	Net cash flow (NCF=(3)+(4)-(5))	198,835,000 yen	
	(7)	Cap rate	4.5%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method			4,350,000,000 yen	
		Discount rate	4.2%	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	4.7%	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			3,550,000,000 yen	
	Ratio of land		56.0%	
	Ratio of building		44.0%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	The property is in a relatively good location as a suburban retail property, with an easy access by car due to its location on a trunk road and near Kitahiroshima Interchange on Hokkaido Expressway and has enough population in the relevant trade area and the retail facility also has tenant substitutability. The current tenant, Costco Wholesale Japan, is a membership warehouse club, founded in Seattle. It is unique and has no competitor near the property. The lease term with the tenant is long. Considering these factors as well as the tenant's credit, the net cash flow of the property is stable. 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 March 30, 2018. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

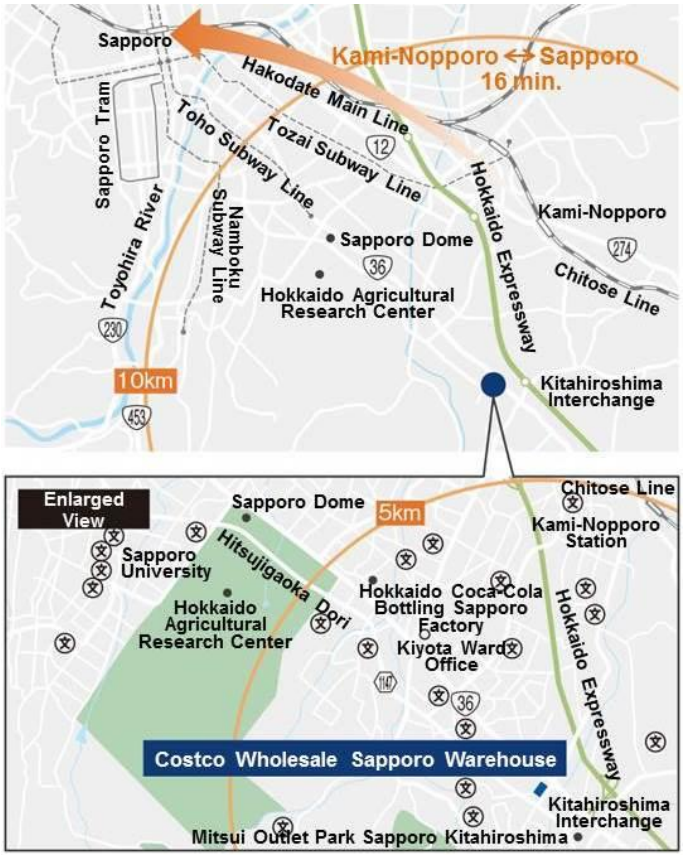
Attached materials

Reference material 1. Property photographs
Reference material 2. Map
Reference material 3. Property portfolio of KRR

Reference material 1. Property photographs



Reference material 2. Map



Reference material 3. Property portfolio of KRR (after the acquisition of Costco Wholesale Sapporo Warehouse and the disposition of K's Denki Nakagawa Tomita (Land))

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	7.1
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	8,820	3.8
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	2.1
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	1.2
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	1.4
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	1.6
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	1.3
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	4.0

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	3.1
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	1.0
N-3	SS	K's Denki Nakagawa Tomita (Land) (Note 6)	Nagoya, Aichi	February 10, 2015	-	-	-
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,310	3.4
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 7)	10,046	11,300	4.8
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	2.7

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 8)	5.1
R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	May 31, 2018	4,210	4,390	2.0
Total/Average					210,386	224,363	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, as of December 1, 2017 for Ozeki Tokiwadai and as of March 1, 2018 for Costco Wholesale Sapporo Warehouse.

(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) For details of the disposition of K's Denki Nakagawa Tomita (Land), please refer to "Notice Concerning Disposition of Property (K's Denki Nakagawa Tomita (Land))" dated November 14, 2017.

(Note 7) A second-hand store building additionally acquired on November 26, 2015.

(Note 8) Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 90%).