KENEDIX
Retail REIT Corporation

Translation of Japanese Original

February 27, 2019

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
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Notice Concerning Disposition of Property (Gourmet City Chiba-Chuo)

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 dispose the following property as follows.

1. Outline of the disposition

(1)	Type of asset:	Trust beneficiary interest in real estate
(2)	Property name:	Gourmet City Chiba-Chuo
(3)	Disposition price (Note):	800 million yen
(4)	Book value:	741 million yen (Book value is as of September 30, 2018, rounded off to the nearest million yen.)
(5)	Difference between disposition price and book value:	58 million yen (Figure is referential amount, calculated as a difference between disposition price and book value, and is different from gain or loss on sale. It is rounded off to the nearest million yen.)
(6)	Buyer:	Please refer to Item 4. Buyer's profile for details
(7)	Date of contract:	February 27, 2019
(8)	Disposition date:	March 5, 2019
(9)	Use of proceeds:	The proceeds from the disposition are to be allocated as cash on hand and used as a portion of funds for future acquisitions of specified assets and related expenses, redemption of investment corporation bonds or repayment of borrowings.
(9)	Settlement method:	Deposit of 80 million yen at conclusion of agreement Receipt of the balance at settlement
(10)	Method of buyer selection:	The buyer was selected from several potential buyers after verifying the prices and conditions of the disposition.

Note: Excluding acquisition costs, adjustment amount of property tax and city-planning tax, consumption tax, etc.

2. Reason for the disposition

KRR has announced that it will search for opportunities of asset reshuffle as a measure to enhance its unitholder value, focusing on DPU growth. The decision for the disposition is made with comprehensive considerations on factors such as enhancement of the portfolio, overall real estate market, the characteristics of individual asset,

etc.

The property is the retail portion of Qiball, a joint public and private facility located near the Chiba Prefectural Office. Because it is a compartmentalized ownership of a high-rise building, depreciation cost ratio is relatively high among KRR portfolio, and its 2.1% NOI yield after depreciation falls below that of the KRR portfolio average, which is 4.4%. In addition, the upside for the property is limited because it is a single tenant asset.

As a result of the above examination, the Asset Manager has decided to dispose the property to aim for replacing the property by other shopping centers for daily needs or retail distribution centers, which may lead to portfolio quality and yield improvement, leveraging the current strong real estate market.

3. Details of the property

Property name		Gourmet City Chiba-Chuo
Property type (Note 1)		SM
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Ltd.
Location		4-5-1 Chuo, Chuo-ku, Chiba, Chiba
Land	Form of ownership	Co-ownership (10.2%)
	Land area	6,614.13 m^2 (Note 2)
	Zoning	Commercial area
	Building coverage ratio	80%
	Floor-area ratio	600%
Building	Form of ownership	Compartmentalized ownership
	Gross floor area	49,829.47 m^2 (Note 3)
	Date constructed	July 31,2007
	Use	Retail stores, clinics, machine rooms
	Structure/No. of floors	S, SRC-structure / 1 underground and 17 above-ground floors (Note 4)
Acquisition price		760 million yen
Appraisal value (as of)		792 million yen (September 30, 2018)
Real estate appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Lease summary		(as of September 30, 2018)
	Number of tenants	1
	Annual rent	Not disclosed (Note 5)
	Tenant deposits	Not disclosed (Note 5)
	Leased area	3,488.77 m^2
	Leasable area	3,488.77 m^2
	Occupancy rate	100.0%
Remarks		None
Others		Notes: 1. Properties are categorized into the following six types of properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center), SS (Specialty Store) and L (Logistics facility). 2. The building is subject to compartmentalized ownership, and although KRR is disposing 102,441/1,000,000 of the ownership interests in the underlying land, the land area for the entire property including the land area for this building is

	shown. 3. Although this building is subject to compartmentalized ownership, the gross floor area for the entire property including this building is shown (including the floor area in the building owned solely by other owners and the gross floor area of the common areas. The gross floor area of the exclusively owned spaces including that in annex building, that will be disposed totals 3,434.39 m^2). 4. Although this building is subject to compartmentalized ownership, the structure and the number of floors for the entire property, including those of this building, are shown (the building KRR is disposing, with the address of 4-19-6, Chuo, is an S, SRC-structure 2-story building (we additionally dispose an S, SRC-structure 1-story annex building)). 5. Undisclosed as KRR has not obtained lessee's consent.

4. Overview of the buyer

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

5. Details of brokerage

Company name	Nomura Real Estate Development Co., Ltd.
Address	1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Name and title of representative	Seiichi Miyajima, President and Representative Director
Description of business	1. Holding, leasing and management of real estate properties 2. Purchase/ sale, brokerage and appraisal of real estate properties 3. Development, preparation and sale of residential, commercial, industrial sites 4. Building construction; designing, supervision and commissioning of civil engineering work 5. Holding, leasing and operation of hotels, restaurants, sports facilities, etc. 6. Real estate specified joint business pursuant to Real Estate Specified 7. Equity investment in specified purpose companies, special purpose companies (a form of company set forth in Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.) and REITs; purchase/sale, brokerage and management of such equity interests 8. Type II financial instruments business, investment advisory and agency business as defined by Japanese Financial Instruments and Exchange Act 9. General Type II telecommunications business as defined by Telecommunications Business Law 10. Purchase/sale and brokerage of mortgage securities 11. Sale of furniture, interior accessories and interior facilities; commissioned interior decoration and installation of interior accessories and facilities; and interior coordination 12. P&C insurance agency business and life insurance solicitation business

	13. Sale of tobaccos, stamps and food & beverages 14. Credit guarantee business 15. All kinds of services ancillary/ related to the above businesses
Capital	2 billion yen (as of April 1, 2018)
Incorporation	April 15, 1957
Brokerage fee	Undisclosed as KRR has not obtained broker's consent.
Relationship between KRR/ the Asset Manager and the brokerage firm	The broker is not deemed a related party under either the Investment Trust Law or the "Retail REIT Department'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.

6. Transactions with related parties

The disposition of the property does not constitute a related-party transaction.

7. Disposition schedule

Disposition decision date/ contract date	February 27, 2019
Scheduled settlement date	March 5, 2019 (planned) (Note)

8. Future outlook

Gains on sale of the property are assumed for the fiscal period ending March 31, 2019. There are no changes to the forecasts of financial results of KRR published in the "Financial Report for the Fiscal Period Ended September 30, 2018" dated November 14, 2018 as the impact on the financial results is minimal.

9. Summary of real estate appraisal report

(The numbers are in yen unless otherwise noted)

Summary of real estate appraisal report			
Appraisal value	792,000,000 yen		
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		
Date of appraisal	September 30, 2018		
Item		Content	Basis
Income capitalization approach value		792,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method.
Value based on direct capitalization method		784,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate.
(1)	Gross operating revenue	Undisclosed (Note)	
	Effective gross operating revenue	Undisclosed (Note)	
	Loss from vacancy, etc.	Undisclosed (Note)	
(2)	Operating expenses	Undisclosed (Note)	
	Maintenance expenses	Undisclosed (Note)	
	Utility expenses	0 yen	None on assumption that the expenses are borne by lessees
	Repair expenses	Undisclosed (Note)	
	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 on assumption
	Taxes and dues	Undisclosed (Note)	
	Insurance premium	Undisclosed (Note)	
	Other expenses	Undisclosed (Note)	
(3)	Net operating income (NOI= (1)-(2))	42,974,502 yen	
(4)	Profit from security deposits	601,500 yen	Calculated on assumption that the investment yield is 1.0%

(5) Capital expenditure		3,613,100 yen	The average annual renovation expenses described in the engineering report
(6) Net cash flow (NCF=(3)+(4)-(5))		39,962,902 yen	
(7) Cap rate		5.1%	Calculated based on overall evaluation of the location, building specifications and contract terms off the property
Value based on DCF method		796,000,000 yen	
	Discount rate	4.9%	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	5.3%	Calculated by taking into account the characteristics of the NCF used for the cap rate and future uncertainties/liquidity/ marketability of the property
Value based on cost method		994,000,000 yen	
Ratio of land		25.0%	
Ratio of building		75.0%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	The entire property, including the subject asset, is a private-public office-retail complex developed as part of the Chiba-Chuo Zone 6 Category I Urban Redevelopment Project. The property consists of a parking building, where the subject asset belongs, and a main building, which includes public facilities. The atrium in the main building which is fully covered with glass and is highly stylish, is sun-flooded. The property is provided with a parking for up to 313 cars and sufficient bike parking spaces on the premises, to meet the needs of customers. The property cannot be accessed easily on foot from Chiba Station, which in the closest station. However, it is easily reachable by car or bicycle as it faces a major road. The number of family households is expected to further increase in the surrounding retail trade area, as the construction of the Chiba Central Tower, a 43-story tower condominium, has been completed and medium-rise condominiums are also increasing in the neighborhood. 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 lessees 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: https://www.krr-reit.com/en/

This notice is the English translation of the Japanese announcement on February 27, 2019. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material: Property portfolio of KRR

Reference material: Property portfolio of KRR (after the disposition of Solala Plaza and Gourmet City Chiba-Chuo and acquisition of Zama Distribution Center and Oppama Distribution Center)

No.	Type (Note1)	Property name	Location	Acquisition date	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	9,410	3.9
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,710	2.8
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	6,360	2.6
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	5,050	2.1
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,350	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	2,760	1.2
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,510	2.3
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,510	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	-	-	-
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	April 21, 2016	3,360	3,810	1.6
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	April 20, 2016	1,724	1,890	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	4,310	2.0
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	April 19, 2017	3,416	3,510	1.6
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	May 18, 2017	3,097	3,210	1.5
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	April 19, 2017	2,820	2,830	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	1,350	0.6

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
T-24	SS	Konami Sports Club Shibuya	Shibuya-ku, Tokyo	April 27, 2018	3,400	3,420	1.6
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,370	4.0
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,150	1.3
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,470	1.0
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,500	5.3
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	7,040	3.1
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,790	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	1,690	0.7
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	April 21, 2016	3,723	3,950	1.8
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	2,311	2,700	1.1
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	February 10, 2015	2,174	2,330	1.0
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,290	3.4
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,440	0.7
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,950	3.8
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,620	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,500	2.4
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,720	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 6)	10,046	11,700	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	938	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,040	2.0
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,340	1.6
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	876	0.4

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
R-7	Urban Station-Front SC	Solala Plaza (Note 7)	Sendai, Miyagi	April 21, 2016	-	-	-
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	April 22, 2016	4,010	4,350	1.9
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	January 31, 2017	4,111	4,230	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	4,410	2.0
L-1	L	Zama Distribution Center (Note 9)	Zama, Kanagawa	April 5, 2019	1,400	1,640	0.7
L-2	L	Oppama Distribution Center (Note 9)	Yokosuka, Kanagawa	April 5, 2019	1,300	1,580	0.6
Total/Average					209,117	225,952	100.0

(Note 1) Properties are categorized into the following six types of properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center), SS (Specialty Store) and L (Logistics facility).

(Note 2) "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 2018 for the properties held as of September 30, 2018, as of January 1, 2019 for Zama Distribution Center and Oppama Distribution Center.

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

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

(Note 6) A secondhand shop building additionally acquired on November 26, 2015.

(Note 7) For details of the disposition of Solala Plaza, please refer to "Notice Concerning Disposition of Property (Solala Plaza)" dated November 14, 2018, "Notice Concerning the Change of the Buyer of Solala Plaza" dated December 20, 2018 and "Notice Concerning the Completion of Property Disposition (Solala Plaza (49% quasi co-ownership interests))" dated December 21, 2018.

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

(Note 9) For details of the acquisition of Zama Distribution Center and Oppama Distribution Center, please refer to "Notice Concerning Acquisition of Properties (Zama Distribution Center and Oppama Distribution Center)" dated January 16, 2019.