KENEDIX
Retail REIT Corporation

Translation of Japanese Original

May 16, 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 (Welcia Kishiwadakamori (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 dispose the following property as follows.

1. Outline of the disposition

(1)	Type of asset:	Trust beneficiary interest in real estate
(2)	Property name:	Welcia Kishiwadakamori (Land)
(3)	Disposition price (Note):	560 million yen
(4)	Book value:	497 million yen (Book value is as of March 31, 2019, rounded off to the nearest million yen.)
(5)	Difference between disposition price and book value:	63 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:	May 16, 2019
(8)	Disposition date:	October 31, 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:	Payment in full 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, 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.

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

- Population trends in the area where the property is located are weaker than those in the area where other retail facilities owned by KRR are located.
- Given that the latest appraisal value of this property is below the book value as of the end of the fiscal period ended March 31, 2019, there is limited upside potential for the profitability of this property, and considering the demographic trends of the trading area described above, it is difficult to expect the relevant unrealized loss to be resolved.
- The acquisition price of the property was less than 500 million yen, the smallest within the KRR's portfolio.
- Based on the above, the disposition price of the property is 14% higher than the appraisal value and 12% higher than the book value, and a gain on the sale is expected by the disposition of the property.

3. Details of the property

Property name		Welcia Kishiwadakamori (Land)
Property type (Note 1)		SS
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Ltd.
Location		1-1-30 Kamori-cho, Kishiwada, Osaka
Land	Form of ownership	Proprietary ownership
	Land area	3,033.45 m^2
	Zoning	Category II residential area (partially Category I residential area)
	Building coverage ratio	60%
	Floor-area ratio	200%
Building	Form of ownership	-
	Gross floor area	-
	Date constructed	-
	Use	-
	Structure/No. of floors	-
Acquisition price		487 million yen
Appraisal value (as of)		488 million yen (March 31, 2019)
Real estate appraiser		Japan Real Estate Institute
Lease summary		(as of March 31, 2019)
	Number of tenants	1
	Annual rent	Not disclosed (Note 2)
	Tenant deposits	Not disclosed (Note 2)
	Leased area	3,033.45 m^2
	Leasable area	3,033.45 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. Undisclosed as KRR has not obtained lessee's consent.

4. Overview of the buyer

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. Investment in real estate properties 2. Subleasing, leasing and fund management of real estate 3. Brokerage of real estate properties 4. All kinds of services ancillary/ related to the above businesses
Capital	2,900 million yen (as of April 1, 2018)
Incorporation	April 7, 2000
Net assets	15,120 million yen
Total assets	54,402 million yen
Major shareholders (Shareholding ratios)	Tetsuya Matsuoka
Relationship between KRR/ the Asset Manager and the brokerage firm	
Capital relationship	No special capital relationship between KRR/the Asset Manager and the buyer. Also, no special capital relationship between the related parties/ affiliates of KRR/the Asset Manager and the related parties/affiliates of the buyer.
Personnel relationship	No special personnel relationship between KRR/the Asset Manager and the buyer. Also, no special personnel relationship between the related parties/ affiliates of KRR/the Asset Manager and the related parties/affiliates of the buyer.
Business relationship	The buyer 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 buyer 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.

As of April 30, 2019

5. Details of brokerage

Not applicable.

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	May 16, 2019
Scheduled settlement date	October 31, 2019 (planned)

Note: The purchase and sale agreement with the buyer on the sale 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." ruled by the Financial Service Agency of Japan. In case the agreement is terminated, either of the parties responsible for the termination shall compensate for the damage resulted from the termination by paying a penalty corresponding to 20% of the sale price (excluding consumption taxes and local consumption taxes) to the other party. However, since KRR is the seller in this transaction and there is no concern such as financing in execution the sale, KRR believes that the risk of KRR paying the penalty and making an important impact on its financial condition is small.

8. Future outlook

Gains on sale of the property are assumed for the fiscal period ending March 31, 2020. Please refer to the forecasts of financial results published in the "Financial Report for the Fiscal Period Ended March 31, 2019" dated today.

9. Summary of real estate appraisal report

(The numbers are in yen unless otherwise noted)

Summary of real estate appraisal report			
Appraisal value	488,000,000 yen		
Appraiser	Japan Real Estate Institute		
Date of appraisal	March 31, 2019		
Item		Content	Basis
Income capitalization approach value		488,000,000 yen	Calculated by the DCF method.
Value based on direct capitalization method		784,000,000 yen	
(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		488,000,000 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	4.7%	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		-	
Ratio of land		-	
Ratio of building		-	
Adjustments in estimated value and considerations taken into account in determining appraisal value	The subject property is located about 750m north of Izumi-Omiya Station on the Nankai Main Line, and hence, is located within a walking distance of the nearest railway station. The property is favorably located to attract both the type of customers who come to the place by car and the residents in neighboring areas. The current land rent is considered generally reasonable, in comparison with the levels for comparable properties. Also, the property is expected to continue generating stable cash flows, as the risk that the existing tenants move out is limited in view of the sectors they belong to. All these factors were taken into account in determining the appraisal value.		

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

This notice is the English translation of the Japanese announcement on May 16, 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)

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	15,000	7.0
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	9,760	3.8
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,810	2.7
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	6,440	2.5
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	5,230	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	2,750	1.2
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,540	2.3
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,500	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	1,780	0.8
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	October 2, 2015	1,442	1,410	0.7
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	4,320	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
T-24	SS	Konami Sports Club Shibuya	Shibuya-ku, Tokyo	April 27, 2018	3,400	3,410	1.6
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,380	3.9

No.	Type (Note1)	Property name	Location	Acquisition date	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	3,150	1.3
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,5102,470	1.0
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,500	5.2
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	7,180	3.1
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,630	3.0
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	-	-	-
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	1.7
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	2,360	1.0
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,290	3.3
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,440	0.6
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,440	3.7
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,660	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,610	2.4
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,760	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 6)	10,046	11,600	4.7
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	939	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,030	2.0
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,340	1.5
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	877	0.4
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	4,240	1.9

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note 7)	5.0
R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	May 31, 2018	4,210	4,410	2.0
L-1	L	Zama Distribution Center	Zama, Kanagawa	April 5, 2019	1,400	1,640	0.7
L-2	L	Oppama Distribution Center	Yokosuka, Kanagawa	April 5, 2019	1,300	1,570	0.6
L-3	L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	March 26, 2019	3,879	4,000 (Note 7)	1.8
L-4	L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	April 11, 2019	790	840	0.4
Total/Average					213,299	230,436	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 March 31, 2019 for the properties held as of March 31, 2019 and Zama Distribution Center and Oppama Distribution Center, as of February 1, 2019 for Yokohama Kamigo 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) Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 90%).