KENEDIX
Retail REIT Corporation

Translation of Japanese Original

September 11, 2019

To All Concerned Parties

REIT Issuer:
Kenedix Retail REIT Corporation
Representative: Akihiro Asano, Executive Director
(Securities Code: 3453)

Asset Manager:
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Notice Concerning Acquisition of 3 Properties and Disposition and Termination of Lease in respect of Fululu Garden Yachiyo

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 three properties, and to dispose and terminate the lease for one property (respectively, the "Acquisition" and the "Disposition", and collectively, the "Transactions"). Of the acquisitions from the sellers, which are deemed related parties under the Retail REIT Division Related-party Transactions Rules, the acquisition of Gyoda Distribution Center has been deliberated and approved by way of a resolution passed by KRR's Board of Directors, and the Asset Manager has obtained the consent of the Executive Director of KRR for the Transactions based on the resolution.

1. Outline of the Acquisition

Property number	Property name	Location	Type of acquisition	Acquisition price (million yen) (Note 1)	Appraisal NOI yield (%) (Note 2)
T-25	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	Trust beneficiary interest in real estate (51% trust beneficiary quasi-co-ownership interest)	5,899	4.8
O-11	Habikigaoka Shopping Center	Habikino, Osaka	Trust beneficiary interest in real estate	2,000	5.3
L-5	Gyoda Distribution Center	Gyoda, Saitama	Trust beneficiary interest in real estate	3,160	5.7
Total Acquisition price /Average NOI yield (%)				11,059	5.1

(1) Date of contract: September 11, 2019
(2) Acquisition date: November 1, 2019 (Property number T-25)
September 27, 2019 (Property number O-11)
October 1, 2019 (Property number L-5)
(3) Seller: Please refer to Item 5. (Sellers' and Buyer's profile) below
(4) Acquisition funds: Part-funded by proceeds from the Disposition, as further described in Item 2 below.
(5) Settlement method: Payment in full at settlement

(Note 1) Excluding acquisition costs, adjustment amount of property tax and city-planning tax, consumption tax, etc. The acquisition price

for Apita Terrace Yokohama Tsunashima is 5,899,170,000 yen, but this figure has been rounded off to the nearest million yen in the table above.

(Note 2) The "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated properties as of the date of the appraisal report (being September 1, 2019) by the acquisition price for the properties, with the result being rounded to the first decimal place. "Appraisal NOI" refers to the net operating income before depreciation expenses. It is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and accordingly differs from NCF (Net Cash Flow), which is calculated by adding profits from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is NOI calculated by the direct capitalization method.

2.Outline of the Disposition

Property number	Property name	Location	Type of acquisition	Disposition price (million yen) (Note 1)	Book value (million yen) (Note 2)
T-1	Fululu Garden Yachiyo	Yachiyo, Chiba	Trust beneficiary interest in real estate	15,200	14,866
Difference between disposition price and book value (Note 3)					334

(1) Date of contract: September 11, 2019
(2) Disposition date: September 27, 2019
(3) Buyer: Please refer to Item 5. (Sellers' and Buyer's profile) below
(4) Use of proceeds: To partly finance the Acquisition (and related expenses) described in Item 1 above.
The remaining proceeds will be allocated as cash on hand and used for future acquisitions of specified assets and related expenses, redemption of investment corporation bonds or repayment of borrowings.
(5) Settlement method: Disposition in full at settlement

(Note 1) Excluding Disposition costs, adjustment amount in respect of property, city-planning and consumption taxes, etc.

(Note 2) Book value is as of March 31, 2019, rounded off to the nearest million yen.

(Note 3) Figure is referential amount, calculated as the difference between the Disposition price and book value as of March 31, 2019, and is different from any gain or loss on sale. It is rounded off to the nearest million yen.

3.Reason for the Transactions

Since its listing in February 2015 as the first J-REIT to focus on investments in shopping centers for daily needs, KRR has increased its asset under management to achieve stable growth in unitholders' value. Additionally, KRR changed its portfolio investment policy in June 2018 to broaden its investment opportunities by adding distribution centers to its investment targets, considering that e-commerce underlies advances in information technologies and that the differences between retail facilities and distribution centers are diminishing from the perspective of product offerings. Furthermore, to increase unitholder value, KRR has announced that it is seeking opportunities for asset reshuffling as a way to grow distributions per unit. Since December 2018, KRR has disposed Solara Plaza and other properties, while acquiring four distribution centers. As a result, KRR's assets totals 213.7 billion yen (being the aggregate acquisition price base) as of today, and comprises a portfolio that is more stable in terms of both quality and quantity.

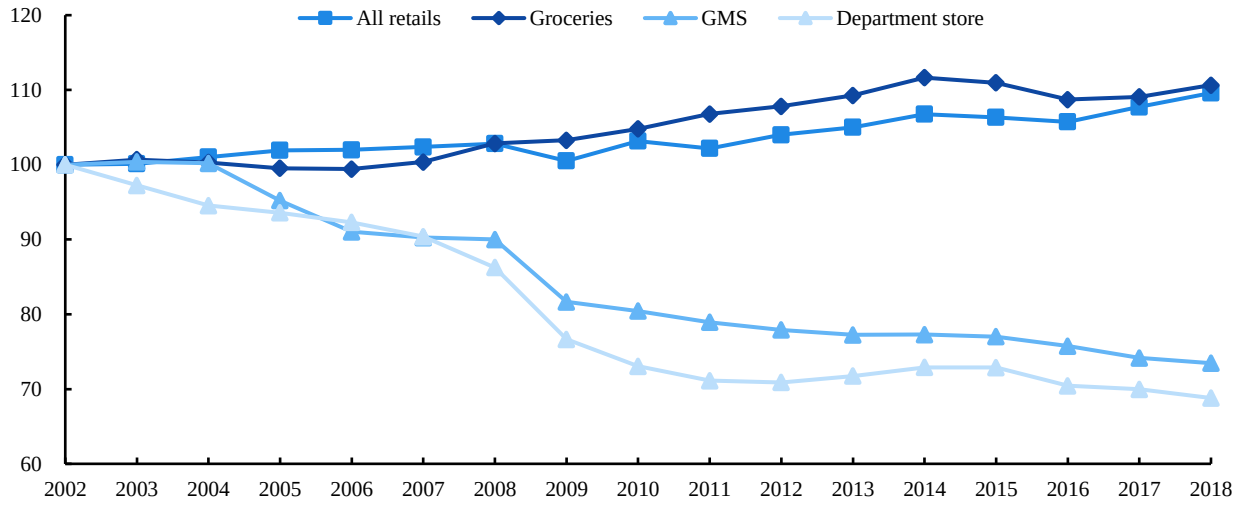
The aim of the Transactions is to further improve the quality and profitability of KRR's portfolio by further reshuffling of assets, and enhancing the stability of the portfolio by further diversification. Specifically, KRR will dispose Fululu Garden Yachiyo, its largest asset in terms of acquisition price and currently the only property with a general merchandise store (GMS) tenant, at a price above its book value and appraised value. Utilizing the proceeds from such disposition, KRR will acquire two shopping centers for daily needs (which fall within KRR's investment focus) and one retail distribution center.

KRR does not currently invest in stand-alone GMSs, and Fululu Garden Yachiyo is currently the only property in its portfolio with a GMS tenant. According to the Ministry of Economy, Trade and Industry's Current Survey of Commerce, the market for groceries (including supermarkets) that are the flagship tenants of shopping centers

for daily needs, expanded from 40.8 trillion yen in 2002 to 45.1 trillion yen in 2018, while the market for GMSs shrank from 7.5 trillion yen in 2002 to 5.6 trillion yen in 2018. In addition to these circumstances, KRR believes that investors are relatively concerned about retail properties with GMS tenants, as a number of stand-alone GMSs owned by other J-REITs have exited the market (Note). Furthermore, capital expenditures and repair expenses for maintaining and improving the competitiveness of Fululu Garden Yachiyo are expected to increase in the future. Against this backdrop, and with the intention of mitigate these future risks, KRR will dispose Fululu Garden Yachiyo and acquire two shopping centers for daily needs and one retail distribution center.

(Note) Although the cases of GMS exits do not necessarily indicate that GMS in general are exiting, cases of GMS exits have been described above because KRR considers such circumstances to be one of the key factors when considering investments in retail properties.

Total sales values in the retail sector (Note)



Source: Current Survey of Commerce issued by Ministry of Economy, Trade and Industry
(Note) For reference purposes, the total sales values as of 2002 have been set at 100.

In terms of profitability, the NOI yield of Fululu Garden Yachiyo based on the actual NOI of the fiscal periods ended September 30, 2018 (7th fiscal period) and March 31, 2019 (8th fiscal period) was 4.7%. On the other hand, the average appraisal NOI yield of the properties under the Acquisition is 5.1%. As this figure exceeds the NOI yield of Fululu Garden Yachiyo, KRR believes the Transactions will lead to an improvement in the profitability of its portfolio.
In addition, because Fululu Garden Yachiyo is KRR's largest asset in terms of acquisition price, with a tenant that has a high concentration ratio in KRR's portfolio, the Transaction will result in an improvement in KRR's property and tenant diversification, as set forth in the following table.

Changes in portfolio ratios

	At listing	March 31, 2019	After the Transactions
Top 5 properties (based on acquisition price)	57.9%	25.8%	23.0%
Top 10 tenants (based on rental income)	45.0%	32.9%	32.1%
Percentage of GMS tenant category (based on rental income)	11.2%	4.6%	0.0%

In acquiring the properties, KRR has particularly considered the following points:

T-25 Apita Terrace Yokohama Tsunashima
Acquisition highlight:
Neighborhood Shopping Center ("NSC") that meets diverse customer needs and constitutes a next-generation urban smart city in an area with a dense and growing population (Note)

(1) Features of the property

- This property was opened in March 2018 as a shopping center within Tsunashima Sustainable Smart Town, a next-generation urban smart city located between Tokyu Toyoko Line Tsunashima Station and Hiyoshi Station. This NSC consists of the Apita Food Market, which is a grocery supermarket and the core tenant, as well as approximately 60 tenants, including Nitori, a furniture store, a drugstore, a dollar shop, as well as service-oriented tenants, such as restaurants, clinic malls, and a post office.
  This property is located along Tsunashima Street and Prefectural Route 102, and has parking spaces for 900 cars and 450 bicycles, making it highly convenient for both cars and bicycles to access. In addition, it is a facility that takes sustainability into consideration and has solar panels installed.

(2) Overview of the surrounding area

a. Location and access

- This property is located along Tsunashima Street, approximately 1 km north of Tsunashima Station and approximately 1.2 km south of Hiyoshi Station.
- In addition, it is located at the crossing point of Prefectural Route 102 along the Toyoko Line, thereby enabling it to easily expand its catchment area to the east and west. It is also a location with high visibility.

b. Characteristics of the surrounding area

- Based on the 2015 Population Census, the population in the catchment area was approximately 48,000 people in the 1km radius, approximately 178,000 people in the 2km radius, and 374,000 people in the 3km radius. The population in the 1km radius catchment area is dense enough to sustain a grocery supermarket.
- Compared to population numbers in 2010, the population in 2015 within the 1 km, 2 km and 3 km radius were 104.8%, 104.7%, and 104.1%. This reflects significant potential for market growth. In the Tsunashima area, Tokyu's Shin-Tsunashima Station (provisional name) and surrounding areas are being developed (including the development of large-scale condominiums in the neighborhood). Such developments are expected to further increase the population in the catchment areas.

Apita Terrace Yokohama Tsunashima is a property developed through a retail property development fund organized by sponsor Kenedix, Inc. and ITOCHU Corporation, one of the Alliance Companies. KRR will acquire the asset from the fund by exercising its preferential negotiation right granted by the fund. KRR believes this property is in line with its growth strategies, which utilize a variety of acquisition methods to expand assets. KRR will acquire a 51% co-ownership interest in the property, but will continue to have preferential negotiation rights for the remaining 49%.

(Note) UNY Co., Ltd., the tenant of this property, operates GMSs under the Apita brand. However, UNY Co., Ltd. operates a grocery supermarket in this property called Apita Food Markets. Other spaces in the property contain approximately 60 specialty stores. Therefore, KRR positions the property as an NSC.

O-11 Habikigaoka Shopping Center
Acquisition highlight:
NSC located in New Town with housing developments in the southeastern part of Osaka Prefecture

(1) Features of the property

- This property is an NSC located in Habikino City, Osaka Prefecture. It consists of Sunplaza, a grocery

supermarket that has market dominance in the southern part of Osaka Prefecture, and Joshin, a consumer electronics store, as core tenants.

- This property is a highly visible facility along the Prefectural Route 32 Line adjacent to the Minami Hanna Road.

(2) Overview of the surrounding area

a. Location and access

- This property is located in a metropolitan commuter district of Namba, Osaka. It takes about 18 minutes by train.from the Furuichi Station to the Osaka-Abenobashi Station in the central part of Osaka. It is located in an area that encompasses the commercial districts in Habikigaoka, Satsukino, and Umenosato New Town, where there is continued housing development.
- This location is suitable for neighborhood shopping, with the new town surrounding it as the basic catchment area, along Prefectural Route 32 connecting National Routes 170 and 309.

b. Characteristics of the surrounding area

- Based on the 2015 National Census, the population of the catchment areas includes 13,000 people in the 1km radius, 44,000 people in the 2km radius, and 99,000 people in the 3km radius. The area within the 1km radius encompasses part of the new towns in Habikigaoka, Satsukino, and Umenosato.
- Compared to population numbers in 2010, the population in 2015 within the 1 km, 2 km and 3 km radius were 101.4%, 98.3%, and 96.7%, respectively. Population numbers are on a growing trend within the 1km radius, where there is continued housing development.

L-5 Gyoda Distribution Center

Acquisition highlight:

A highly versatile storage-type distribution center for regional and wider area delivery in the metropolitan area

(1) Location

This property is located in Gyoda City, Saitama Prefecture, within a commuter district of the Tokyo metropolitan area, where distribution centers are concentrated. This property is suitable for regional and wider area delivery. Its easy access to National Routes 125 and 17 makes it convenient for regional and wider area delivery. This area is expected to generate demand for distribution centers for regional industries (such as paper, printing, and food) and local logistics companies. In addition, 24-hour operation is possible as the property is situated within an industrial park, where factories and distribution centers are located.

(2) Features of the building

This facility consists of two buildings, Buildings A and B. Building A is a one-story building with a gross floor area of 13,337.81 m^2, which is considered large scale for a one-story facility. In the vicinity, low-rise distribution centers are limited, which makes this property unique and versatile.

Building B has facility specifications that allows it to serve as a storage area. It is a low-rise, three-story building with a gross floor area of 8,623.35 m^2. Low-rise distribution centers are highly versatile because they can handle both production goods and consumption goods.

(3) Tenant

Currently, Nippon Express Co., Ltd., a major logistics company, is using the distribution center for shippers of food-related and home appliances. In addition to this property, Nippon Express uses multiple warehouses in the area with a total gross floor area of more than 15,000 m^2, which is considered a high level of continued usage. In addition, since the rent level of this facility is relatively low in the Tokyo metropolitan area, 3PL operators and wholesalers, among which there is strong demand for low rents, will presumably be candidates in case of vacancies. Therefore, the property is considered to be a facility with low tenant risks.

4. Details of Acquisition

T-25 Apita Terrace Yokohama Tsunashima

Property name		Apita Terrace Yokohama Tsunashima
Anticipated acquisition date		November 1, 2019
Property type (Note 1)		NSC
Type of specified asset		Trust beneficiary interest in real estate (51% trust beneficiary quasi-co-ownership interest) (Note 2)
Trustee		Sumitomo Mitsui Trust Bank, Ltd.
Trust period		October 21, 2016 to September 30, 2039 (planned)
Seller (former beneficiary)		GK IK Investment Four (Note 3)
Location		4-3-17, Kohoku-ku Tsunashima higashi, Yokohama, Kanagawa
Land (Note 4)	Form of ownership	Proprietary ownership
	Land area	18,300.01 m^2
	Zoning	Semi-industrial area
	Building coverage ratio	60%
	Floor-area ratio	200%
Building (Note 4)	Form of ownership	Proprietary ownership
	Gross floor area	38,442.49 m^2
	Date constructed	December 20, 2017
	Use	Retail store, parking lot
	Structure/No. of floors	S-structure/flat-roofed 4-story building
Architect		Kiuchi Construction Corporation, Yokohama Branch First-Class Architect Office
Construction company		Kiuchi Construction Corporation, Tokyo Branch
Construction confirmation authority		Urban Housing Evaluation Center
Master lessee		-
Type of master lease		-
Property Manager (“PM”)		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		ITOCHU Urban Community Ltd. (planned)
Probable Maximum Loss (“PML”)		3.59%
Acquisition price		5,899 million yen
Appraised value		6,220 million yen (as of September 1, 2019) (Note 5)
Real estate appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal NOI yield		4.8% (Note 6)
Collateral		Set (Note 7)
Lease summary		(as of July 31, 2019)
	Number of tenants	1
	Annual rent	Undisclosed (Note 8)
	Tenant deposits	Undisclosed (Note 8)
	Leased area	22,729.70 m^2 (Note 5)
	Leasable area	22,729.70 m^2 (Note 5)
	Occupancy rate	100.0%

Remarks	· KRR will execute a quasi-co-ownership agreement with GK IK Investment Four, a quasi-co-owner of the property (the "Quasi-co-owner"). The agreement will stipulate the way in which decisions concerning the property will be made. and will mainly relate to decisions on the preferential offer to be made to the other quasi-owner in the event of a sale of quasi-co-ownership in the property. The following is a summary of the main provisions of the quasi-co-ownership agreement. 1. KRR and the Quasi-co-owner agree to establish rules concerning the property on decision making. 2. A preferential offer will be made to the other quasi-co-owner in the event of a sale of quasi-co-ownership in the property 3. KRR will have the right to negotiate preferentially with respect to the quasi-co-ownership interest held by the Quasi-co-owner to acquire the premises at a predetermined price by submitting an application to the Quasi-co-owner one year after KRR's acquisition of the property. 4. KRR and the Quasi-co-owner may request for the other quasi-owner to purchase the quasi-co-ownership interests of KRR at a predetermined amount if the other quasi-owner transfers its quasi-co-ownership interests in violation of the provisions of the Articles of the quasi-co-ownership agreement. · With respect to a portion of land of the property, a right of superficies is established for the purpose of installing, owning, operating and maintaining pipelines and the electric cables located within them. · Part of the land within this property is scheduled to be used for road expansion projects pursuant to urban planning (Tokyo Maruko Yokohama Line). · Part of this property is not in compliance with the Fire Service Act. KRR, however, has agreed with the seller that renovation and improvement will be completed at the expense and responsibility of the seller.

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. KRR will acquire 51% of the quasi-co-ownership interest of the trust beneficiary right in the property. 3. Seller will hold 49% of the quasi-co-ownership interest of the trust beneficiary right in the property. 4. Refers to the land and entire building of the property. 5. Represents the amount corresponding to the ratio of quasi-co-ownership interest of the trust beneficiary right (51%) to be acquired by KRR 6. "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as on the date of the appraisal report (being September 1, 2019) by the anticipated acquisition price of the property and rounded to the first decimal place. "Appraisal NOI" refers to net operating income before depreciation expenses, which is calculated by deducting operating expenses from the operating revenues described in the appraisal report, and thus differs from NCF (Net Cash Flow), which is calculated by adding profits from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated by way of the direct capitalization method. 7. With respect to this beneficiary right, a pledge has been established based on a trust beneficiary rights pledge agreement concluded between the Quasi-co-owner and a domestic financial institution, but the pledge will be terminated after the sale and purchase of the quasi-co-ownership interest of the trust beneficiary right in the property. 8. Undisclosed as KRR has not obtained consent from the tenant.

O-11 Habikigaoka Shopping Center

Property name		Habikigaoka Shopping Center
Anticipated acquisition date		September 27, 2019
Property type (Note 1)		NSC
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Ltd. (planned)
Trust period		September 27, 2019 to September 30, 2039 (planned)
Seller (former beneficiary)		Daiwa House Industry Co., Ltd.
Location		A:10-16-1, Habikigaoka, Habikino, Osaka B:10-17-1, Habikigaoka, Habikino, Osaka
Land	Form of ownership	Proprietary ownership
	Land area	12,782.46 m^2
	Zoning	Neighborhood commercial area
	Building coverage ratio	80%
	Floor-area ratio	200%
Building	Form of ownership	Proprietary ownership

(Note 4)	Gross floor area	A: 3,266.41 m^2 B: 178.46 m^2 C: 2,925.86 m^2
	Date constructed	A: March 25, 2009 B: March 18, 2009 C: April 9, 2007
	Use	A: Retail store B: Retail store C: Retail store
	Structure/No. of floors	A: S-structure/flat-roofed 2-story building B: S-structure/1 above-ground floor with galvanized steel sheet roof C: S-structure/flat roofed 1 above-ground floor
Architect (Note 4)		A: Daiwa House Industry Co., Ltd. Osaka head office first-class architect office B: Daiwa House Industry Co., Ltd. Osaka head office first-class architect office C: Daiwa House Industry Co., Ltd. Osaka head office first-class architect office
Construction company (Note 4)		A: Daiwa House Industry Co., Ltd. B: Daiwa House Industry Co., Ltd. C: Daiwa House Industry Co., Ltd.
Construction confirmation authority		Center For International Architectural Standard
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		JLL Mall Management, Co., Ltd. (planned)
PML (Note 4)		A: 5.61% B: 5.13% C: 5.33%
Acquisition price		2,000 million yen
Appraised value		2,020 million yen (as of September 1, 2019)
Real estate appraiser		The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal NOI yield		5.3% (Note 2)
Collateral		None
Lease summary		(as of July 31, 2019)
	Number of tenants	2
	Annual rent	Undisclosed (Note 3)
	Tenant deposits	Undisclosed (Note 3)
	Leased area	6,447.81 m^2
	Leasable area	6,447.81 m^2
	Occupancy rate	100.0%
Remarks		· Although part of the boundary lines with adjacent land have yet to be confirmed in writing, no conflict has occurred with the owner of any adjacent land as of today. · Part of this property is not in compliance with the Building Standards Act and the Fire Service Act. KRR, however, has agreed with the seller that renovation and improvement will be completed at the expense and responsibility of the seller. · Some of the installations owned by the tenants on the properties encroaches the front road of the premises. KRR,

	however, has agreed with the seller that renovation and improvement will be completed at the expense and responsibility of the seller.
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. "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as of the date of the appraisal report (being September 1, 2019) by the anticipated acquisition price of 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 operating expenses from the operating revenues described in the appraisal report, and thus differs from NCF (Net Cash Flow), which is calculated by adding profits from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated by way of the direct capitalization method. 3. Undisclosed as KRR has not obtained consent from the tenant. 4. A is for Sunplaza Building A, B is for Sunplaza Building B, and C is for the Joshin Building.

L-5 Gyoda Distribution Center

Property name		Gyoda Distribution Center
Anticipated acquisition date		October 1, 2019
Property type (Note 1)		L
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Mizuho Trust Bank, Ltd.
Trust period		November 26, 2018 to September 30, 2039 (planned)
Seller (former beneficiary)		GK KRF77
Location		1-7-1, Fujiminocho, Gyoda, Saitama
Land	Form of ownership	Proprietary ownership
	Land area	24,382.98 m^2
	Zoning	Industrial area
	Building coverage ratio	60%
	Floor-area ratio	200%
Building (Note 4)	Form of ownership	Proprietary ownership
	Gross floor area	A: 13,337.81 m^2 B: 8,623.35 m^2
	Date constructed	A: July 31, 1997 B: October 29, 2004
	Use	A: Warehouse B: Warehouse, workplace
	Structure/No. of floors	A: S-structure/1 above-ground floor with galvanized steel sheet roof B: S-structure/3-story building with galvanized steel roof
Architect (Note 4)		A: Fuji House Co., Ltd. B: Shimizu Corporation.

Construction company (Note 4)		A: Unknown. B: Shimizu Corporation.
Construction confirmation authority (Note 4)		A: Saitama Prefecture B: Saitama Prefecture
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		CRE, Inc.
PML		2.79%
Acquisition price		3,160 million yen
Appraised value		3,350 million yen (as of September 1, 2019)
Real estate appraiser		The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal NOI yield		5.7% (Note 2)
Collateral		None
Lease summary		(as of July 31, 2019)
	Number of tenants	1
	Annual rent	Undisclosed (Note 3)
	Tenant deposits	Undisclosed (Note 3)
	Leased area	21,956.09 m^2
	Leasable area	21,956.09 m^2
	Occupancy rate	100.0%
Remarks		· Some of the land of this property contains soil pollutants that exceed the standard values stipulated in the Soil Contamination Countermeasures Law. KRR commissioned Tokio Marine & Nichido Risk Consulting Co., Ltd. to conduct soil contamination risk surveys, and has been provided with the opinion that with respect to the current use of the property no groundwater is used for drinking, and almost the entire site is covered or planted, and that accordingly, the risks of damage to health posed by this property are evaluated low. When KRR acquires the Property, the acquisition price will be determined taking into consideration the cost of countermeasures to deal with contaminated soil. · Part of this property is not complied with the Building Standards Act and the Fire Service Act. KRR, however, has agreed with the seller that renovation and improvement will be completed at the expense and responsibility of the seller.

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. "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as of the date of the appraisal report (being September 1, 2019) by the anticipated acquisition price for the property and rounded to the first decimal place. "Appraisal NOI" refers to net operating income before depreciation expenses, which is calculated by deducting operating expenses from the operating revenues described in the appraisal report, and thus differs from NCF (Net Cash Flow), which is calculated by adding profits from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated by way of the direct capitalization method. 3. Undisclosed as KRR has not obtained consent from the tenant. 4. A is for Building A, and B is for Building B.

5. Overview of Sellers' and Buyer's profile

(1) Overview of Seller's profile

1. Apita Terrace Yokohama Tsunashima

Company name		GK IK Investment Four
Address		3-1-1 Marunouchi, Chiyoda-ku, Tokyo
Name and title of representative		Representative partner: Ippan Shadan Hojin North Port Masakazu Hongo, Director *(shokumu-shikkosya)*
Description of business		1. Acquisition, holding, disposition, leasing and management of real estate 2. Acquisition, holding and disposition of trust beneficiary interests in real estate 3. All kinds of services ancillary/related to the above businesses
Capital		100,000 yen
Incorporation		September 21, 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	Kenedix, Inc., a parent company under the Financial Instruments and Exchange Act of Japan (the "FIEA") holds 100% of share of the Asset Manager, and 20% of the entire capital invested in the Tokumei Kumiai.
	Personnel relationship	There is no special personnel relationship to be noted between KRR/the Asset Manager and the seller. In addition, there is no special personnel relationship to be noted between the related parties/affiliates of KRR/the Asset Manager and the related parties/affiliates of the seller.
	Business relationship	There is no special business relationship to be noted between KRR/the Asset Manager and the seller. Kenedix Investment Partners, Inc. has been entrusted to provide asset management services by the seller.
	Related party transactions	The seller is deemed a related party under the Investment Trust Law of Japan (the "Investment Trust Law") and the Asset Manager's "Retail REIT Department's Internal Regulations on Related Party Transactions".

2. Habikigaoka Shopping Center

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, personal, business relationship between KRR / the Asset Manager and the seller, and the seller is not deemed a related party under the Investment Trust Law and the Asset Manager's "Retail REIT Department's Internal Regulations on Related Party Transactions".

3. Gyoda Distribution Center

Company name		GK KRF77
Address		2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo
Name and title of representative		Representative partner: Ippan Shadan Hojin KRF77 Tadatsugu Ishimoto, Director
Description of business		1. Acquisition, holding, disposition, leasing and management of real estate 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		October 22, 2018
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 provided with funds by Kenedix, Inc., a parent company under the FIEA holding 100% of share of the Asset Manager, holds 100% of share of the seller. In addition, Kenedix, Inc., a parent company under the FIEA
	Personnel relationship	There is no special personnel relationship to be noted between KRR/the Asset Manager and the seller. In addition, there is no special personnel relationship to be noted between the related parties/affiliates of KRR/the Asset Manager and the related parties/affiliates of the seller.
	Business relationship	There is no special business relationship to be noted between KRR/the Asset Manager and the seller. Kenedix Investment Partners, Inc. has been entrusted to provide asset management services by the seller.
	Related party transactions	The seller is deemed a related party under the Investment Trust Law and the Asset Manager's "Retail REIT Department's Internal Regulations on Related Party Transactions".

(2) Overview of Buyer's profile

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, or business relationship between KRR / the Asset Manager and the buyer, and the buyer is not deemed a related party under the Investment Trust Law and the Asset Manager's "Retail REIT Department's Internal Regulations on Related Party Transactions".

6. Status of Property Acquirer

Property name (Address)		Apita TerraceYokohama Tsunashima (Yokohama, Kanagawa)	
Status of property owners, etc.		Seller (previous owner/trust beneficiary)	Second previous owner/trust beneficiary
	Property name	GK IK Investment Four	-
	Relationship with the party with a	A private property fund in which Kenedix, Inc., the 100% parent	Parties other than special interested parties

special vested interest	company of the Asset Manager and the parent company under theFIEA, holds 20% of Tokumei Kumiai, and Kenedix Investment Partners, Inc. has been entrusted to provide the asset management business services.	
Background/reasons for the acquisition.	Acquired for development purposes	-
Acquisition price (Note 1)	Undisclosed	-
Acquisition date	Land: October 2016 Building: December 2017 (Note2)	-

Property name (Address)	Gyoda Distribution Center (Gyoda, Saitama)	
Status of property owners, etc.	Seller (previous owner/trust beneficiary)	Second previous owner/trust beneficiary
Property name	GK KRF77	-
Relationship with the party with a special vested interest	A private property fund in which Kenedix, Inc., a parent company under the FIEA holding 100% of share of the Asset Manager, is the fund contributor. Kenedix, Inc. holds 100% of the total amount of investments in Tokumei Kumiai, and Kenedix Investment Partners, Inc. has been entrusted to provide asset management business services.	Parties other than special interested parties
Background/reasons for the acquisition.	Acquired for investment management purposes	-
Acquisition price	2,700 million yen (before tax)	-
Acquisition date	November 2018	-

Habikigaoka Shopping Center is not being acquired from parties with a special vested interest in KRR or the Asset Manager.

(Note 1) The land is not disclosed because the previous owner has owned it for more than one year, and the building is a development project for the previous owner.

(Note 2) The building acquisition date is the completion date.

7. Detail of brokerage

Among the acquisitions, with respect to the acquisition of Habikigaoka Shopping Center, the name of the broker and other information are undisclosed because KRR has not obtained the buyer's consent for disclosure. The broker is not deemed to be 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, or business relationship to be noted between KRR / the Asset Manager and the broker. In addition, there is no applicable matter regarding mediation related to Apita Terrace Yokohama Tsunashima and Gyoda Distribution Center.

Disposition (Fululu Garden Yachiyo)

Company name	Undisclosed (Note)
Address	
Name and title of representative	
Description of business	
Capital	
Incorporation	
Brokerage fee	280 million yen (before tax)
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.

(Note) The name of the broker and other information are undisclosed because KRR has not obtained the buyer's consent for disclosure.

8. Transaction with Related Parties

(1) Acquisition of assets

The assets to be acquired through transactions with related parties include:

Name of seller	Property name	Anticipated acquisition price (million yen)
GK IK Investment Four	Apita Terrace Yokohama Tsunashima	5,899
GK KRF77	Gyoda Distribution Center	3,160

(2) Delegation of property management to the Asset Manager

KRR will conclude property management agreements with trustees and the Asset Manager. Fees to the Assets Manager under each property management agreement consist of the components as follows:

Property management fees for five multi-tenant retail properties:

Services provided by	Property name	Services provided	Property management fee (annual)
Kenedix Real Estate Fund Management, Inc.	Habikigaoka Shopping Center	Property management	Income from properties × 1.5% + on-site personnel expenses

Property management fees for two single-tenant retail and distribution properties:

Services provided by	Property name	Services provided	Property management fee (annual)
Kenedix Real Estate Fund Management, Inc.	Apita Terrace Yokohama Tsunashima Gyoda Distribution Center	Property management	Apita Terrace Yokohama Tsunashima: 3.6 million yen Gyoda Distribution Center: Total income from properties × 2.0% (lower limit 1.2 million yen and upper limit 3.6 million yen)

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

9. Acquisition and Disposition schedule

Acquisition

No.	Property name	Acquisition decision date Contract date	Acquisition date (anticipated)
T-25	Apita Terrace Yokohama Tsunashima	September 11, 2019	November 1, 2019
O-11	Habikigaoka Shopping Center		September 27, 2019
L-5	Gyoda Distribution Center		October 1, 2019

(Note) The purchase and sale agreement ("the Agreement") of the quasi-co-ownership interest of the trust beneficiary right in Apita Terrace Yokohama Tsunashima constitutes a 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. (Forward commitment here means a forward commitment contract that is conditional on settlement and delivery of properties after the elapse of one month or more from the execution of the contract.) If 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 prior notice to the violating party, unless otherwise stated in the Agreement. In the event the Agreement is terminated in such a manner, the violating party shall pay a penalty corresponding to 20% of the acquisition price (excluding consumption taxes and local consumption taxes) to the other party and may also be charged for the damage in excess of the above penalty, but shall not be liable for any other damage, loss or expense. KRR's cash on hand and the source of dividends are available to cover the penalty and the compensation. KRR therefore believes the failure to enter into the Agreement is unlikely to have significant direct adverse effect on KRR's financial position.

Disposition

No.	Property name	Disposition decision date Contract date	Disposition date (anticipated)
T-1	Fululu Garden Yachiyo	September 11, 2019	September 27, 2019

10. Future outlook

Gains on sale of the property are assumed for the fiscal period ending September 31, 2019. There are no changes to the forecasts of financial results of KRR published in the "Financial Report for the Fiscal Period Ended March 31, 2020" dated May 16, 2019 as the impact on the financial results is minimal.

11. Summary of real estate appraisal report (Acquisition)

T-25 Apita Terrace Yokohama Tsunashima

Summary of real estate appraisal report			
Appraised value	6,220,000,000 yen (Note 1)		
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		
Date of appraisal	September 1, 2019		
Item		Content	Basis
Income capitalization approach value		12,200,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method		12,400,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue (Note 2) (i) – ii))	Undisclosed	
	i) Effective gross operating revenue	Undisclosed	
	ii) 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 (Note 2)	Undisclosed	

	Maintenance expenses	0 yen	None on assumption that the expenses are borne by the tenant
	Utility expenses	0 yen	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 the current tenancy agreement will remain effective for a long period
	Taxes and dues	Undisclosed	
	Insurance premium	Undisclosed	
	Other expenses	Undisclosed	
(3)	Net operating income (NOI= (1)-(2))	551,010,293 yen	
(4)	Profit from security deposits	3,274,998 yen	Calculated on assumption that the investment yield is 1.0%
(5)	Capital expenditure	20,714,536 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))	533,570,755 yen	
(7)	Cap rate	4.3%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method		12,100,000,000 yen	
	Discount rate	4.1%	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	4.5%	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		15,300,000,000 yen	
Ratio of land		66.2%	
Ratio of building		33.8%	
Adjustments in estimated value and considerations taken into account in determining appraised value	The subject property is a slight distance from the nearest station, with a walk of about 12 minutes from Tsunashima Station on the Tokyu Toyoko Line. However, the bus network is extensive and the property faces a main road, making it easier to secure a relatively large population of commercial areas. In addition to residential land spreading behind the neighborhood, the development of large-scale condominiums is underway, and there is the potential to establish multiple food supermarkets based on the abundant population in the near future. In addition to the plaza on the premises, there are only two stores, and the shape of the building is also fair, making it easy to circulate. Stores consist mainly of food supermarkets and nearby specialty stores, and also include regional facilities such as post offices, conference rooms for rent, and after-school childcare centers. From the factors shown above, the property's competitiveness is considered to be fair. Based on the above, the appraised value was determined.		

(Note 1) The appraised value represents the value of the quasi-co-ownership interest of the trust beneficiary right held by the seller (51% of the quasi-co-ownership interest of the trust beneficiary right quasi-co-ownership interest of the trust beneficiary right), while other figures and amounts represent the amounts and figures for the land and all buildings of the property. The total of the appraised value for the property and the underlying land is 12,200,000,000 yen.

(Note 2) Figures used in the direct capitalization method ((1) and (2)) include information for which KRR has not obtained consent for disclosure from the lessee. If such figures are disclosed, due to loss of confidential relationship between the lessee and KRR, claims for damages or request for termination may be brought against KRR for breach of confidentiality obligation, or it may become difficult to renew the agreement over a long term, causing disadvantages and in turn causing damage to the investors' interests. Therefore, information and figures are disclosed in (1) and (2) above only if it is determined that such disclosure causes no harm.

O-11 Habikigaoka Shopping Center

Summary of real estate appraisal report	
Appraised value	2,020,000,000 yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.

Date of appraisal	September 1, 2019		
Item		Content	Basis
Income capitalization approach value		2,020,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method		2,030,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue (Note) (i) – ii))	Undisclosed	
	i)Effective gross operating revenue	Undisclosed	
	ii) 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 (Note)	Undisclosed	
	Maintenance expenses	Undisclosed	
	Utility expenses	0 yen	None on assumption that the expenses are borne by the tenant
	Repair expenses	Undisclosed	
	PM fees	3,737,462 yen	Calculated based on anticipated PM fees for the property and the PM fee rates for comparable properties
	Tenant recruit expenses, etc.	0 yen	None assuming long-term tenancy. Costs associated with moving out of tenants, etc. are not recorded because they are considered in the cap rate.
	Taxes and dues	Undisclosed	
	Insurance premium	Undisclosed	
	Other expenses	Undisclosed	
(3)	Net operating income (NOI= (1)-(2))	106,495,162 yen	
(4)	Profit from security deposits	1,291,638 yen	Calculated on assumption that the investment yield in relation to deposit is 1.0%, and based on the average investment yield that takes into account the monthly equal return in relation to the security deposit
(5)	Capital expenditure	4,225,000 yen	The annual appraisal value based on the medium and long term repair/renewal expenses described in the engineering report, while taking CM fees into consideration
(6)	Net cash flow (NCF=(3)+(4)-(5))	103,561,800 yen	
(7)	Cap rate	5.1%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method		2,010,000,000 yen	
	Discount rate	[1st year-8th year] 5.1% [9th year-11th year] 5.2%	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	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		1,780,000,000 yen	
Ratio of land		77.2%	
Ratio of building		22.8%	
Adjustments in estimated value and considerations taken into account in determining appraised value		The subject property is a suburban commercial facility located around 4km southwest of Furuichi Station on the Kintetsu Minami-Osaka Line. It has excellent visibility because it touches prefectures with a relatively high volume of vehicle traffic, and it also has a particularly excellent location for vehicle access. Regarding buildings, the state of maintenance and management is generally good, and the structures, specifications, grades, and equipment levels of the buildings are generally at the standard level for similar types of buildings. In addition, large-scale residential complexes are formed in the background areas, and it is expected that stable sales will be secured in general, supported by a reasonable population behind them. Taking the above points into consideration, the subject property is judged to be a property with relatively good market competitiveness in the primary market area.	

	Based on the above, the appraised value was determined.

(Note) Figures used in the direct capitalization method ((1) and (2)) include information for which KRR has not obtained consent for disclosure from the lessee. If such figures are disclosed, due to loss of confidential relationship between the lessee and KRR, claims for damages or request for termination may be brought against KRR for breach of confidentiality obligation, or it may become difficult to renew the agreement over a long term, causing disadvantages and in turn causing damage to the investors' interests. Therefore, information and figures are disclosed in (1) and (2) above only if it is determined that such disclosure causes no harm.

L-5 Gyoda Distribution Center

Summary of real estate appraisal report			
Appraised value	3,350,000,000 yen		
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.		
Date of appraisal	September 1, 2019		
Item		Content	Basis
Income capitalization approach value		3,350,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method		3,320,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue (Note) (i) – ii))	Undisclosed	
	i) Effective gross operating revenue	Undisclosed	
	ii) 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 (Note)	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 and the PM fee rates for comparable properties
	Tenant recruit expenses, etc.	0 yen	None assuming long-term tenancy. Costs associated with moving out of tenants, etc. are not recorded because they are considered in the cap rate.
	Taxes and dues	Undisclosed	
	Insurance premium	Undisclosed	
	Other expenses	Undisclosed	
(3)	Net operating income (NOI= (1)-(2))	179,356,602 yen	
(4)	Profit from security deposits	546,467 yen	Calculated on assumption that the investment yield is 1.0%
(5)	Capital expenditure	10,750,000 yen	The annual appraisal value based on the medium and long term repair/renewal expenses described in the engineering report, while taking CM fees into consideration
(6)	Net cash flow (NCF=(3)+(4)-(5))	169,153,069 yen	
(7)	Cap rate	5.1%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method		3,360,000,000 yen	
	Discount rate	[1st year-8th year] 5.0% [9th year-11th year] 5.1%	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		3,260,000,000 yen	
Ratio of land		54.5%	

Ratio of building	45.5%	
Adjustments in estimated value and considerations taken into account in determining appraised value	The subject property is a logistics facility located in Gyoda-city, Saitama, a district in where many logistics facilities can be found in the outskirts of the metropolitan area. It is readily accessible by National Routes No. 125 and 17, and is convenient for local- or semi-wide area distribution. Additionally, the property is located in the middle of an industrial park where factories and logistics facilities are located. Situated in such a location, the property is considered to have relatively higher competitiveness compared to other properties with similar locational conditions, considering the fact that the environment is suitable for 24-hour operations and that the specifications of the building is sufficiently ideal.	

(Note) Figures used in the direct capitalization method ((1) and (2)) include information for which KRR has not obtained consent for disclosure from the lessee. If such figures are disclosed, due to loss of confidential relationship between the lessee and KRR, claims for damages or request for termination may be brought against KRR for breach of confidentiality obligation, or it may become difficult to renew the agreement over a long term, causing disadvantages and in turn causing damage to the investors' interests. Therefore, information and figures are disclosed in (1) and (2) above only if it is determined that such disclosure causes no harm.

12. Summary of real estate appraisal report (Disposition)

T-1 Fululu Garden Yachiyo

Summary of real estate appraisal report			
Appraised value	15,000,000,000 yen		
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		
Date of appraisal	March 31, 2019		
Item		Content	Basis
Income capitalization approach value		15,000,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method		15,000,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue	1,450,535,758 yen	
	Effective gross operating revenue	1,471,297,120 yen	
	Loss from vacancy, etc.	20,761,362 yen	
(2)	Operating expenses	690,399,566 yen	
	Maintenance expenses	209,787,000 yen	Calculated as 750 yen per tsubo of leasable floor area based on the past amount
	Utility expenses	134,264,000 yen	Calculated as 480 yen per tsubo of leasable floor area based on the past amount
	Repair expenses	21,100,500 yen	Calculated based on ER's 12-year average repair costs
	PM fees	77,996,949 yen	Calculated based on current property management contract.
	Tenant recruit expenses, etc.	4,786,307 yen	Calculated 1.0 month expense for new tenants based on tenant soliciting fees for similar properties
	Taxes and dues	139,779,300 yen	Calculated based on the actual amount in 2018, taking into account the level of burden
	Insurance premium	3,055,810 yen	Calculated based on the actual amount of non-life insurance premiums (which is considered appropriate), referring to non-life insurance fees of similar properties
	Other expenses	99,629,700 yen	
(3)	Net operating income (NOI= (1)-(2))	760,136,192 yen	
(4)	Profit from security deposits	9,877,997 yen	Calculated on assumption that the investment yield in relation to refundable security deposit is 1.0%, and based on the investment yield and funding rate of financial assets
(5)	Capital expenditure	63,269,425 yen	Calculated based on ER's 12-year average renewal fee, taking CM fee into consideration
(6)	Net cash flow (NCF=(3)+(4)-(5))	706,744,764 yen	
(7)	Cap rate	4.7%	
Value based on DCF method		15,000,000,000 yen	

	Discount rate	4.5%	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	4.9%	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		20,500,000,000 yen	
	Ratio of land	75.3%	
	Ratio of building	24.7%	
Adjustments in estimated value and considerations taken into account in determining appraised value	The subject property is a shopping center located in front of the Murakami Station on the Toyo Rapid Line of the Toyo Rapid Railway. It is located along National Route 16, which is close to the crossing with National Route 296, and has excellent access by vehicles and good visibility. The target buildings are composed of two buildings, that is, the Ito-Yokado building and the Specialist Store building. The connection between the buildings is weak due to the connection by accessway, and the accessibility is slightly disconnected. In terms of parking facilities, a total of 2,300 parking spaces can be accommodated in two buildings, and a sufficient number of parking spaces are secured. Ito-Yokado is a directly managed Ito-Yokado building. Ito-Yokado buildings are located on the first floor of the building, with food products, restaurants, and household goods on the second floor, apparel on the third floor, and children's goods and household goods on the first to third floors. In addition, there are about 30 subleased specialty stores on each floor of the first to third floors. 50 stores, including apparel stores, eating and drinking places, services, amusement, and other specialty stores are opened in the Specialty Store building, with UNIQLO, Super Sports XEBIO, The Daiso, Avail, and Nitori Deco Home as core tenants. In addition, it is an open mall in the vicinity of the central flood plaza, has event spaces, and functions as a community plaza in the region. In terms of population, the 3km area contains around 165,000 people and the 5km area contains around 330,000 people (according to MRC's MRC Corporation Power Report), which is the average population in the suburbs of the Tokyo metropolitan area, but the population density in the north and south away from railway lines is low. On the other hand, the population by driving distance is about 65,000 in 10 minutes and about 266,000 in 20 minutes (according to the "Yachiyo Full Garden Market Potential Evaluation, July 2014" compiled by BAC Urban Project Co., Ltd.), and there is a lack of expansion in the east and west where the road network is inadequate. In the 3km area, there are many competing stores, mainly in food supermarkets, but within the area, the subject property is the largest facility, and its competitive edge is high. In the 5km area, the western Aeon Mall Yachiyo Midorigaoka will be the most competitive. In the eastern area, the Aeon Town Yukarigaoka opened in June 2016, but the subject property is expected to attract customers from the north and south, centered on National Route 16. Based on the above, the appraised value was determined.		

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

This notice is the English translation of the Japanese announcement made on September 11, 2019. No assurances or warranties are given for the completeness or accuracy of this English translation.

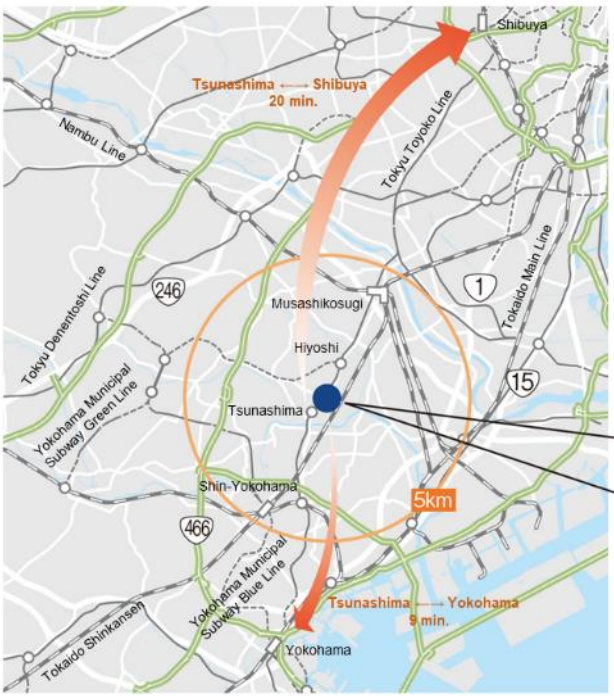
Attached materials

Reference materials 1. Property photographs and Maps
Reference materials 2. Property portfolio of KRR

Reference materials 1. Property photograph and Map

T-25　Apita Terrace Yokohama Tsunashima

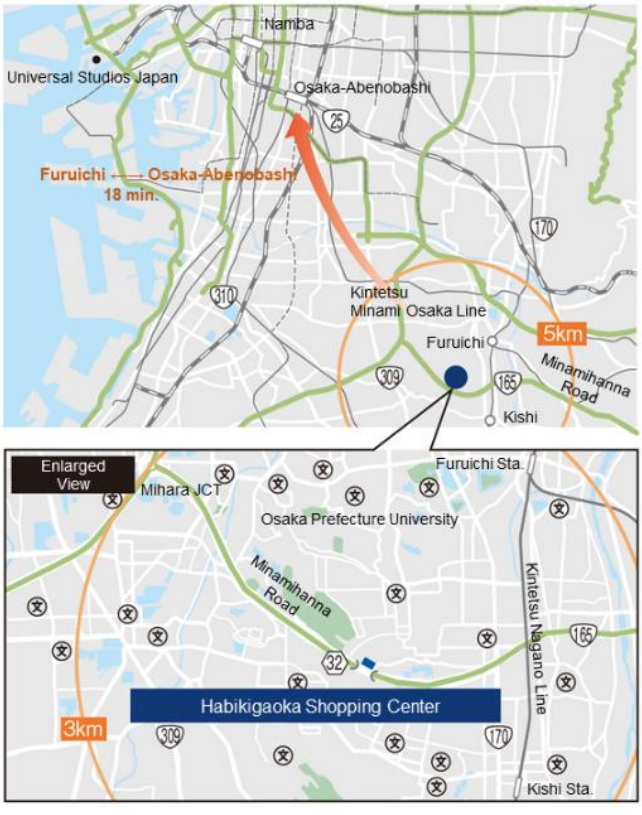






O-11　Habikigaoka Shopping Center





L-5　Gyoda Distribution Center





Reference materials 2. Property portfolio of KRR (after the acquisition of the properties and disposition of Fululu Garden Yachiyo and Welcia Kishiwadakamori (Land))

No.	Type (Note 1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraised value (million yen) (Note 3)	Share (%) (Note 4)
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	February 10, 2015	-	-	-
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	2.8
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	6,440	2.6
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
T-25	NSC	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	November 1 2019	5,899	6,220 (Note 6)	2.8

No.	Type (Note 1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraised value (million yen) (Note 3)	Share (%) (Note 4)
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,380	4.0
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,150	1.3
O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,510	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	7,180	3.1
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,630	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) (Note 7)	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	1.8
O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	September 27, 2019	2,000	2,020	1.0
N-1	SS	DCM Kahma 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	3.4
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	7,440	3.8
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 8)	10,046	11,600	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	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	1.6
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	877	0.4

No.	Type (Note 1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraised value (million yen) (Note 3)	Share (%) (Note 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	2.0
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note 6)	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	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 6)	1.9
L-4	L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	April 11, 2019	790	840	0.4
L-5	L	Gyoda Distribution Center	Gyoda Saitama	October 1 2019	3,160	3,350	1.5
Total/Average					209,511	227,026	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) "(Anticipated) acquisition price" indicates the purchase price of each trust beneficiary right and property specified in trust beneficiary interest purchase and sale agreement and real estate purchase and sale agreement in relation to each acquired property and property to be acquired (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 extended and acquired part of the shop building (excluding expenses and taxes and rounded down to the nearest million yen).

(Note 3) "Appraised values" means the values as of September 1, 2019 for the property to be acquired, as of February 1, 2019 for Yokohama Kamigo Distribution Center, and as of March 31, 2019 for other properties.

(Note 4) "Share" indicates the percentage of the (anticipated) acquisition price for each acquired property and property to be acquired, out of the total (anticipated) acquisition price, rounded to the first decimal place.

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

(Note 6) Represents the amount corresponding to KKR's quasi-co-ownership interest of the trust beneficiary right.

(Note 7) For details of the disposition of Welcia Kishiwadakamori (Land), please refer to the "Notice Concerning Disposition of Domestic Real Estate Trust Beneficiary Interest (Welcia Kishiwadakamori (Land))" dated May 16, 2019.

(Note 8) A second-hand store building was additionally acquired on November 26, 2015.