KENEDIX
Retail REIT Corporation

Translation of Japanese Original

November 17, 2020

To All Concerned Parties

REIT Issuer:
Kenedix Retail REIT Corporation
Representative: Moyuru Watanabe, Executive Director
(Securities Code: 3453)

Asset Manager:
Kenedix Real Estate Fund Management, Inc.
Representative: Masahiko Tajima, President & CEO
Contact: Koichiro Nobata, Head of Planning Division, Retail REIT Department
TEL: +81-3-5157-6013

Notice Concerning Disposition of Property (Daikanyama Address Dixsept)

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 of the following property as follows.

1. Outline of the disposition

(1)	Type of asset:	Trust beneficiary interest in real estate
(2)	Property name:	Daikanyama Address Dixsept
(3)	Disposition price (Note):	6,644 million yen (The asset will be disposed of on three dates. The disposition price on each date is as follows.) (1) 2,657.6 million yen (40% quasi co-ownership interests) (2) 1,993.2 million yen (30% quasi co-ownership interests) (3) 1,993.2 million yen (30% quasi co-ownership interests)
(4)	Book value:	5,363 million yen (Book value is as of September 30, 2020, rounded off to the nearest million yen.)
(5)	Difference between disposition price and book value:	1,280 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. (Overview of the buyer) below
(7)	Date of contract:	November 17, 2020
(8)	Disposition date:	(1) December 1, 2020 (40% quasi co-ownership interests) (2) April 1, 2021 (30% quasi co-ownership interests) (3) October 1, 2021 (30% quasi co-ownership interests)
(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 and other factors.

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

2. Reason for the disposition

The decision for the disposition is made with comprehensive considerations on factors such as return on profit on sale, enhancement of the portfolio, overall real estate market, the characteristics of individual asset, etc., with focus to enhance KRR unitholder value.

Daikanyama Address Dixsept is the retail part of a complex including tower condominiums, located in front of the station in Daikanyama, one of the leading retail areas in Tokyo. It opened in August 2000 as a landmark in Daikanyama. It has a competitive edge in tenant leasing taking advantage of its location in front of Daikanyama Station. On the other hand, the unit price of rent is high and there are many apparel tenants. These characteristics of the property make its NOI relatively volatile, as tenants regularly vacate. In addition, with the spread of COVID-19 and the announcement of the state of emergency, some tenants in KRR were forced to suspend operations, mainly in April and May of this year, and the number of tenants that suspended operations in this property was the highest among multi-tenant properties owned by KRR. KRR believes that the impact of the spread of COVID-19 on this property is relatively large among KRR properties.

Furthermore, the NOI yield and the NOI yield after depreciation of this property based on its acquisition price were 4.5% and 3.9%, respectively, as of September 2020, which are lower than the portfolio average appraisal NOI yield of 5.2% and the NOI yield after depreciation of 4.2%. In light of these considerations, KRR has engaged in disposition activities after examining the impact of asset reshuffle with this property.

As a result, KRR decided to dispose of the property based on the disposition price significantly higher than the book value and the real estate appraisal value, even amid the COVID-19 pandemic, and the judgment that the settlement to be highly probable.

KRR will seek to acquire assets with the proceeds of this property disposition. The property will be disposed of on three dates to mitigate the impact of the sale of the property on the outlook due to decrease in portfolio NOI, considering the possibility of future acquisitions to replace the property and acquisition schedule.

3. Details of the property

Property name		Daikanyama Address Dixsept (Note 1)
Property type (Note 2)		Urban station-front SC
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Ltd.
Location		17-6 Daikanyamacho, Shibuya-ku, Tokyo
Land	Form of ownership	Co-ownership (4.4%)
	Land area	17,262.00 m^2 (Note 3)
	Zoning	Category II residential area
	Building coverage ratio	60%
	Floor-area ratio	400% (up to 30m from Hachiman-dori) 300% (beyond 30m from Hachiman-dori)
Building	Form of ownership	Compartmentalized ownership
	Gross floor area	92,064.43 m^2 (Note 4)
	Date constructed	August 1, 2000
	Use	Retail stores
	Structure/No. of floors	SRC / 4 underground and 36 above-ground floors (Note 3)
Acquisition price		5,390 million yen
Appraisal value (as of)		6,120 million yen (September 30, 2020)
Real estate appraiser		Japan Real Estate Institute
Lease summary		(as of September 30, 2020)
	Number of tenants	1 (26)
	Annual rent	360,958 thousand yen
	Tenant deposits	314 million yen

	Leased area	4,856.58 m^2
	Leasable area	5,056.39m^2
	Occupancy rate	96.0%
Remarks		None
Others		Notes: 1. KRR concludes a purchase and sale agreement with the buyer to dispose of 40% quasi co-ownership interests of the trust beneficiary interest in real estate on December 1, 2020, 30% quasi co-ownership interests of trust beneficiary interest in real estate on April 1, 2021 and 30% on October 1, 2021. The trust beneficiary interest will be co-owned by KRR and the buyer after the first disposition of 40% until the disposition of the remaining co-ownership interests (30% and 30%). Accordingly, co-ownership agreement will be concluded among KRR, the Asset Manager, the buyer and the trustee. The dates of dispositions may change upon agreement between KRR and the buyer. 2. Properties are categorized into the following five types of retail properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center) and SS (Specialty Store). 3. The building is subject to compartmentalized ownership, and although KRR is disposing 4,384,472/100,000,000 of the ownership interests in the underlying land, the land area for the entire property including the land area for this building is shown. 4. 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 that will be disposed totals 7,211.45 m^2). 5. Although this building is subject to compartmentalized ownership, the structure and number of floors for the entire property isshown. The structure and number of floors that KRR acquired are “SRC / 5 above-ground floors” for “Building 6-101”, “SRC / 1above-ground floor” for “Building 5-301” and “SRC / 1 above-ground floor” for “Building 5-303”).

4. Overview of the buyer

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”.

5. Details of brokerage

The broker is a domestic company, and the name of the broker and other information are undisclosed as KRR has not obtained the broker’s consent. 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	November 17, 2020
Scheduled settlement date (40% quasi co-ownership interests)	December 1, 2020 (planned)
Scheduled settlement date (30% quasi co-ownership interests)	April 1, 2021 (planned) (Note)
Scheduled settlement date (30% quasi co-ownership interests)	October 1, 2021 (planned) (Note)

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 executing 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

451 million yen, 342 million yen and 344 million yen gains on sale of the property are assumed for the fiscal period ending March 31, 2021, September 30, 2021 and March 31, 2022, respectively. The impact of the property disposition will be on the fiscal periods ending March 31, 2021, September 30, 2021 and March 31, 2022. Please refer to the forecasts of financial results published in the "Financial Report for the Fiscal Period Ended September 30, 2020" dated today.

9. Summary of real estate appraisal report

Summary of real estate appraisal report			
Appraisal value	6,120,000,000 yen		
Appraiser	Japan Real Estate Institute		
Date of appraisal	September 30, 2020		
Item		Content	Basis
Income capitalization approach value		6,120,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method.
Value based on direct capitalization method		6,240,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate.
(1)	Gross operating revenue	519,359,000 yen	
	Effective gross operating revenue	541,369,000 yen	
	Loss from vacancy, etc.	22,010,000 yen	
(2)	Operating expenses	301,300,000 yen	
	Maintenance expenses	93,000,000 yen	Calculated on the basis of past years' results, taking into account the individuality of the subject property.
	Utility expenses	71,520,000 yen	Calculated based on the actual amount of past years' results, taking into account the occupancy rate of the leased space.
	Repair expenses	6,236,000 yen	Calculated based on past year's results, future management and operation plans, cost levels of similar properties and ER repair and maintenance costs.
	PM fees	19,035,000 yen	Calculated based on estimated PM fees, with verification based on PM fees for similar properties.
	Tenant recruit expenses, etc.	2,921,000 yen	Calculated based on the lessee's assumed turnover period
	Taxes and dues	28,147,000 yen	Calculated based on the actual amount, taking into account the level of burden and other factors
	Insurance premium	441,000 yen	Calculated by taking into account the insurance premiums based on the insurance policy and the insurance rates of the building in

			question and similar buildings.
Other expenses	80,000,000 yen	Calculated as Parking fees and other expenses are other expenses.	
(3) Net operating income (NOI= (1)-(2))	218,059,000 yen		
(4) Profit from security deposits	3,125,000 yen	Calculated as 1.0%, based on the investment yield of financial assets and funding rates, etc.	
(5) Capital expenditure	15,158,000 yen	Calculated by taking into account the level of capital expenditure on similar properties, the age of the building and the annual average of repair and renewal costs in the engineering report.	
(6) Net cash flow (NCF=(3)+(4)-(5))	206,026,000 yen		
(7) Cap rate	3.3%		
Value based on DCF method	6,000,000,000 yen		
Discount rate	3.1%	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	3.5%	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	5,870,000,000 yen		
Ratio of land	90.3%		
Ratio of building	9.7%		
Adjustments in estimated value and considerations taken into account in determining appraisal value	None		

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

This notice is the English translation of the Japanese announcement on November 17, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material: Property portfolio of KRR (after the disposition)

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No.	Type (Note 1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	10,000	3.6
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,620	2.6
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	-	-	-
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	5,240	2.0
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,350	1.8
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	February 10, 2015	3,600	3,860	1.6
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	5,470	2.2
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,470	1.4
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	1,390	0.7
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	April 21, 2016	3,360	3,750	1.5
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	April 20, 2016	1,724	1,780	0.8
T-17	SM	Life Kameido	Koto-ku, Tokyo	April 21, 2016	1,450	1,490	0.7
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	April 19, 2017	4,170	4,320	1.9
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	April 19, 2017	3,416	3,520	1.5
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	May 18, 2017	3,097	3,240	1.4
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	April 19, 2017	2,820	2,820	1.3
T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	April 19, 2017	1,880	1,970	0.9
T-23	SM	Ozeki Tokiwadai	Itabashi-ku, Tokyo	February 13, 2018	1,263	1,340	0.6
T-24	SS	Konami Sports Club Shibuya	Shibuya-ku, Tokyo	April 27, 2018	3,400	3,390	1.5
T-25	NSC	Apita Terrace Yokohama Tsunashima	Kohoku-ku, Yokohama, Kanagawa	November 1, 2019	5,899	6,170 (Note 6)	2.7
T-26	NSC	Kalsa Hiratsuka	Hiratsuka, Kanagawa	November 1, 2019	5,980	6,020	2.7

No.	Type (Note 1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
T-27	NSC	Monenosato Mall	Yotsukaido, Chiba	October 24, 2019	2,410	2,530	1.1
T-28	NSC	KDX Chofu Building (Retail wing)	Chofu, Tokyo	October 24, 2019	2,300	2,480	1.0
T-29	NSC	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	October 24, 2019	2,248	2,310	1.0
T-30	SM	Comfort Market Nishi-magome	Ota-ku, Tokyo	April 15, 2020	1,920	2,000	0.9
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,610	3.8
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,140	1.2
O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,590	1.0
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,000	5.0
O-5	Urban station-front	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	7,190	3.0
O-6	Urban station-front	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,490	2.9
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	October 2, 2015	1,280	1,330	0.6
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	3,980	1.7
O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	September 27, 2019	2,000	2,020	0.9
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	2,311	2,690	1.0
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	7,280	3.2
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,050	3.6
N-7	SM	Valor Nakashidami (Land)	Moriyama-ku, Nagoya, Aichi	November 1, 2019	2,551	2,560	1.2
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,640	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,760	2.3
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,840	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 7)	10,046	12,000	4.5
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	February 10, 2015	1,469	1,520	0.7
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	February 10, 2015	898	912	0.4

No.	Type (Note 1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	4,660	1.9
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	2,610	1.5
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	879	0.4
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	April 22, 2016	4,010	4,350	1.8
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	January 31, 2017	4,111	4,260	1.9
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note6)	4.9
R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	May 31, 2018	4,210	4,420	1.9
L-1	L	Zama Distribution Center	Zama, Kanagawa	April 5, 2019	1,400	1,690	0.6
L-2	L	Oppama Distribution Center	Yokosuka, Kanagawa	April 5, 2019	1,300	1,600	0.6
L-3	L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	March 26, 2019	3,879	4,090 (Note 6)	1.8
L-4	L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	April 11, 2019 (Note 8)	909	970	0.4
L-5	L	Gyoda Distribution Center	Gyoda, Saitama	October 1, 2019	3,160	3,440	1.4
L-6	L	Shinjuku Nishiochiai Distribution Center	Shinjuku-ku, Tokyo	January 10, 2020	810	821	0.4
Total					221,089	236,712	100.0

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

(Note 2) "(Anticipated) acquisition price" indicates the purchase price of each trust beneficiary interest specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen). (As for the properties with building expansion which were additionally acquired, the price includes the amount described in the construction contract and construction design/supervision outsourcing contracts related to construction (expansion) of the building which is additionally acquired part (excluding expenses and taxes and rounded down to the nearest million yen).

(Note 3) "Appraisal values" are the values as of September 30, 2020.

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

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

(Note 6) Represents the amount corresponding to the trust beneficiary quasi-co-ownership.

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

(Note 8) A restaurant building additionally acquired on September 29, 2020.