KENEDIX
Retail REIT Corporation

Translation of Japanese Original

April 4, 2022

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
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Notice Concerning Construction of a New Building (Property Expansion) at Unicus Ina

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 build a new building ("the New Building") through construction (property expansion) at Unicus Ina ("the Property"), an existing property of KRR. This is the second property expansion at the Property, following the completion of the restaurant building on January 16, 2017.

1. Outline of the acquisition through construction

(1)	Property name:	Unicus Ina Restaurant Building B (Note 1)
(2)	Location:	2-188-1 Inamachi-gakuen, Kitaadachi-gun, Saitama
(3)	Type of specified asset:	Real estate (Note 2)
(4)	Use:	Retail
(5)	Zoning:	Category II residential area
(6)	Expected gross floor area:	Approximately 666.57 m^2 (Note 3)
(7)	Expected structure/no. of floors:	S-structure / 2 above-ground floor
(8)	Expected construction costs:	Approximately 169 million yen (Note 4)
(9)	Construction funds:	Cash on hand (Note 5)
(10)	Construction company:	Isa Construction Co., Ltd. (Planned) Maeda Road Construction Co., Ltd. (Planned)
(11)	Schedule:	Please refer to Item 4. Schedule for details
(12)	Assumed increase in NOI:	Approximately 16 million yen (Note 6)
(13)	Assumed NOI yield: (assumed increase in NOI to construction costs)	Approximately 9.6%
(14)	Expected completion date: (acquisition date)	Late November 2022

Notes:

1. The restaurant building acquired on January 16, 2017 is to be named as "Restaurant Building A" going forward.
2. KRR will acquire the New Building as real estate and additionally entrust the building to the trustee on the same date. KRR owns 80% of the quasi-co-ownership interest of the trust beneficiary right in the property.
3. Gross floor area shown is the entire figure of the New Building indicated on the construction confirmation certificate without taking into account the ratio of quasi-co-ownership interest of the trust beneficiary right to be held by KRR. Construction plan and other matters related to the New Building construction may change and accordingly gross floor area may increase or decrease.
4. Expected construction cost is based on the construction confirmation certificate and represents the amount corresponding to the ratio of quasi-co-ownership interest of the trust beneficiary right to be held by KRR. Construction plan and other matters related to the New Building construction may change and accordingly construction cost may

increase or decrease. Total expected construction cost for the entire space of the New Building is approximately 211 million yen as of today.

5. The settlement method and date for the construction are to be decided.
6. Assumed increase in NOI representing the amount corresponding to the ratio of quasi-co-ownership interest of the trust beneficiary right to be held by KRR is calculated as follows: assumed operating revenue minus assumed operating expenses (excluding depreciation) of the New Building; however, special items for the first year are excluded, and maintenance expenses, taxes and dues, insurance premium, etc. are included in expenses. Assumed operating revenue is calculated based on a lease contract with a prospective tenant. Furthermore, construction costs may change as indicated in Note 4 above. Accordingly, assumed NOI may increase or decrease, and assumed increase in NOI is not guaranteed. Assumed increase in NOI for the entire space of the New Building is approximately 20 million yen as of today.

2. Reason for construction

Through this construction, KRR seeks to enhance profitability and grow its asset value by property expansion on the underutilized space (Note 1) of existing properties, which is one of KRR's internal growth strategies. Internal growth is expected as (i) assumed NOI yield of the New Building (assumed increase in NOI of the Property to the construction costs) is approximately 9.6%, and (ii) appraisal value of Unicus Ina with the New Building valued by Japan Real Estate Institute, a real estate appraiser, is 4,552 million yen (Note 2), which is 336 million yen higher than the appraisal value of Unicus Ina before the construction as of September 30, 2021 (4,216 million yen).

Unicus Ina is a neighborhood shopping center housing a supermarket (grocery), drug store, 100 yen shop (a dollar shop), clothing stores and software rental shop. The population in the surrounding areas has continued to increase on the back of continued development and sale of residential properties. McDonald, which has maintained steady growth even amid the COVID-19 pandemic, is planning to open a new store at the New Building. The store will offer Table Delivery, Mobile Ordering and a service that enables customers to receive orders placed through Mobile Ordering in parking lots without leaving cars. As these services are designed to provide customers safe dining environment amid the pandemic and capture demands online, the store is expected to have synergistic effect among other tenants by attracting more families with young children.

Notes:

1. "Underutilized space" is floor-area ratio as determined according to the Building Standards Act, etc. multiplied by the land area minus the actual gross floor area of building to land area.
2. Assumed NOI may increase or decrease as construction costs may change. Accordingly, assumed increase in NOI is not guaranteed.
3. This appraisal value is from real estate investigation report, which has been prepared in accordance with MLIT's Guideline regarding Scope of Work and Reporting when appraisers conduct assignments under certain conditions.
4. Further details of the services are available on the website of McDonald's Holdings Company (Japan), Ltd. (https://www.mcd-holdings.co.jp/en/).

3. Transactions with related parties

Not applicable

4. Expected Schedule

April 4, 2022	Decision to construct the New Building
Mid-June 2022	Construction starts
Late November 2022	Completion and transfer of the New Building

5. Future outlook

There are no changes to the forecasts of fiscal periods ending September 30, 2022 (April 1, 2022 to September 30, 2022) as the impact of the construction of the New Building on the financial results is minimal.

6. Summary of real estate investigation report assuming the property expansion

(The numbers are in yen unless otherwise noted)

Summary of real estate investigation report			
Appraisal value	4,552,000,000 (Note)		
Appraiser	Japan Real Estate Institute		
Date of appraisal	March 1, 2022		
Item		Content	Basis
Income capitalization approach value		5,690,000,000	Calculated using DCF method, with result checked by using direct-capitalization method
Value based on direct capitalization method		5,710,000,000	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue	304,934,000	
	Effective gross operating revenue	304,934,000	Total rent income based on the terms of lease agreements, taking into account tenant's ability to pay rent, etc.
	Loss from vacancy, etc.	0	None by taking into account status of tenants and the competitiveness of the property in the rental market, etc.
(2)	Operating expenses	33,671,000	
	Maintenance expenses	300,000	Calculated based on actual bank transfer fee and maintenance expenses of wooden Restaurant Building A
	Utility expenses	0	None on assumption that the expenses are borne by lessees
	Repair expenses	6,473,000	Calculated based on actual repair expenses, future management and operation plans, cost levels of similar properties and repair and maintenance costs described in the engineering report
	PM fees	3,600,000	Calculated by taking into account the PM fee rates for comparable properties, the uniqueness of the property, etc., with reference to the PM fee of the current contract, etc.
	Tenant recruit expenses, etc.	0	None based on the long-term lease with the existing tenant for the entire space
	Taxes and dues	22,461,000	Calculated based on tax documents and content of abatement policy
	Insurance premium	837,000	Calculated based on insurance premium in the insurance contract and insurance premium rates for comparable properties
	Other expenses	0	None
(3)	Net operating income (NOI= (1)-(2))	271,263,000	
(4)	Profit from security deposits	1,516,000	Calculated by multiplying the deposits based on lease agreements in effect and to be in effect by investment yield, 1.0%, which is assumed to be appropriate based on level of interest rates, etc., and from the perspective of asset management and financing during the deposits in trust
(5)	Capital expenditure	15,727,000	Calculated on assumption that the expected average renovation expenses to be deposited periodically and based on the costs of comparable properties, the property age and the average annual capital expenditure described in the engineering report
(6)	Net cash flow (NCF=(3)+(4)-(5))	257,052,000	
(7)	Cap rate	4.5%	Calculated by adding spread to cap rates of properties which are regarded as properties with lowest investment risk by taking into account the competitiveness of the property as a retail facility, terms of contracts, interviews with investors, etc.
Value based on DCF method		5,660,000,000	
	Discount rate	4.2%	Calculated comprehensively by taking into account the uniqueness of the property, and by referring transactions of comparable properties
	Terminal cap rate	4.7%	Calculated by taking into account the future trends of investment yields, risks associated with the target property as an investment asset, the general outlook for future economic growth and trends in real estate prices and rents, etc., with reference to transactional yields, etc., of comparable properties
Value based on cost method		4,240,000,000	
Ratio of land		58.8%	
Ratio of building		41.2%	
Adjustments in estimated value and considerations taken into account in determining appraisal value		None.	

(Note) The appraisal value represents the value of the trust beneficiary co-ownership interest to be held by KRR (a trust beneficiary co-ownership interest of 80%), while other figures and amounts represent the amounts and figures for the land and all buildings of the property. The total appraisal value for the property and the underlying land is 5,690,000,000 yen.

Note: KRR's website address: http://www.krr-reit.com/en/

This notice is the English translation of the Japanese announcement on April 4, 2022. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material 1. Perspective drawings of the New Building
Reference material 2. Property photograph and map of Unicus Ina

Reference material 1. Perspective drawings of the New Building





Perspective drawings may differ from the actual building to be completed.

Reference material 2. Property photograph and map of Unicus Ina



