

November 14, 2018

To All Concerned Parties

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

Asset Manager:
Kenedix Real Estate Fund Management, Inc.
Representative: Masahiko Tajima, President & CEO
Contact: Koichiro Nobata, Head of Planning Division,
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Notice Concerning Disposition of Property (Solala Plaza)

Kenedix Retail REIT Corporation (“KRR”) announced today that Kenedix Real Estate Fund Management, Inc. (“the Asset Manager”), the asset manager for KRR, has decided to dispose the following property as follows. The buyer is defined as a related party both in the Investment Trusts and Investment Corporations Law (“the Investment Trust Law”) and in the Retail REIT Division Related-party Transactions Rules.

1. Outline of the disposition

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|------|--|---|
| (1) | Type of asset: | Trust beneficiary interest in real estate |
| (2) | Property name: | Solala Plaza |
| (3) | Disposition price (Note): | 5,980 million yen
(The asset will be disposed on two dates. The disposition price on each date is as follows.)
(1) 2,930.2 million yen (49% quasi co-ownership interests)
(2) 3,049.8 million yen (51% quasi co-ownership interests) |
| (4) | Book value: | 5,595 million yen
(Book value is as of September 30, 2018, rounded off to the nearest million yen.) |
| (5) | Difference between disposition price and book value: | 384 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: | GK KRF74 |
| (7) | Date of contract: | November 14, 2018 |
| (8) | Disposition date: | (1) December 21, 2018 (49% quasi co-ownership interests)
(2) April 5, 2019 (51% 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.

The property is currently leased to Otsuka Kagu, Ltd. Considering the status of the tenant and the conditions of the lease term, the Asset Manager has been examining carefully the risk factors that may arise in the future and its impact. In addition, the Asset Manager has been examining the impact of potential asset reshuffle, considering that 3.5% NOI yield after depreciation of the property falls below that of the KRR portfolio average, which is 4.4%.

As a result of the above examination, the Asset Manager has decided to dispose the property to avoid future risks and to aim for replacing the property by shopping centers for daily needs or retail distribution centers, which may lead to portfolio quality and yield improvement.

The buyer is an SPC incorporated by Kenedix, Inc., the Sponsor. The buyer was selected from several potential buyers, considering the reliability of settlement and the price, which is above both the appraisal value and book value. The property will be disposed on two dates to mitigate the impact of the sale of the asset 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		Solala Plaza (Note 1)
Property type (Note 2)		Urban station-front
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Ltd.
Location		1-2-15 Kakyoin, Aoba-ku, Sendai, Miyagi
Land	Form of ownership	Co-ownership (51.3%)
	Land area	3,694.05 m ² (Note 3)
	Zoning	Commercial area
	Building coverage ratio	70%
	Floor-area ratio	700% (partially 600%)
Building	Form of ownership	Compartmentalized ownership
	Gross floor area	24,768.42 m ² (Note 4)
	Date constructed	September 7, 2009
	Use	Retail stores
	Structure/No. of floors	S-structure above-ground 15 floors (Note 5)
Acquisition price		5,720 million yen
Appraisal value (as of)		5,960 million yen (September 30, 2018)
Real estate appraiser		Japan Real Estate Institute
Lease summary		(as of September 30, 2018)
	Number of tenants	1
	Annual rent	Not disclosed (Note 6)
	Tenant deposits	Not disclosed (Note 6)
	Leased area	Not disclosed (Note 6)
	Leasable area	Not disclosed (Note 6)
	Occupancy rate	100.0%
Remarks		None
Others		Notes: 1. KRR concludes a purchase and sale agreement with the buyer to dispose 49% quasi co-ownership interests of the trust

	<p>beneficiary interest in real estate on December 21, 2018 and 51% on April 5, 2019. The trust beneficiary interest will be co-owned by KRR and the buyer after the first disposition of 49% until the second disposition of remaining 51%. 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.</p> <ol style="list-style-type: none"> 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 512,761/1,000,000 of the ownership interests in the underlying land, the land area for the entire property including the land area for this building is shown. 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 12,372.60 m²). 5. Although this building is subject to compartmentalized ownership, the structure and the number of floors for the entire property, including those of this building, are shown (the building KRR is disposing, with the address of 1-239-301, Kakyoin, is an S-structure 9-story building). 6. Undisclosed as KRR has not obtained lessee's consent.
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4. Overview of the buyer

Company name	GK KRF74
Address	2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo
Name and title of representative	Representative partner: Belinda Ippan Shadan Hojin Tadatsugu Ishimoto, Director
Description of business	<ol style="list-style-type: none"> 1. Acquisition, holding, disposition, leasing and management of real estate properties 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 12, 2018
Net assets	Undisclosed as KRR has not obtained buyer's consent.
Total assets	Undisclosed as KRR has not obtained buyer's consent.
Relationship between KRR/the Asset Manager and the buyer	
Capital relationship	Ippan Shadan Hojin holds all shares in the buyer, and Kenedix, Inc., the parent company under the Financial Instruments and Exchange Act holding 100% of the Asset Manager, has provided funds to Ippan Shadan Hojin. Kenedix holds 100% of the stake in Tokumei Kumiai operated by the buyer and in

	subordinated loans for the buyer.
Personnel relationship	No special personnel relationship between KRR/the Asset Manager and the buyer. No special personal relationship between the related parties/affiliates of KRR/ the Asset Manager and the related parties/affiliates of the buyer.
Business relationship	No special business relationship between KRR/the Asset Manager and the buyer. Kenedix Investment Partners, Inc., a wholly-owned subsidiary of Kenedix, Inc., is entrusted with asset management by the buyer.
Related party transactions	The buyer is deemed a related party under either the Investment Trust Law and the “Retail REIT Department’s Internal Regulations on Related Party Transactions” of the Asset Manager.

As of October 18, 2018

5. Details of brokerage

Not applicable.

6. Transactions with related parties

KRR plans to make the following transactions with related parties or the Asset Manager in relation to the disposition of the property.

For the transaction, the Asset Manager, pursuant to its Retail REIT Department’s Internal Regulations on Related Party Transactions, is required fully to comply with statutory and other regulatory requirements. The Asset Manager submits the transaction for deliberation and resolution by the Compliance Committee. Following the approval by the Compliance Committee, the transaction is submitted to the Retail REIT Department’s Asset Management Committee for resolution.

(1) Disposition of property

The buyer falls under the category of the related party defined under the Investment Trust Law and the Retail REIT Department related-party transaction rules of the Asset Manager. Details of the buyer are provided in “4. Overview of the buyer” above.

(2) Partial change of Property Management Agreement

The Asset Manager will continue to be the property manager of the property while KRR continues to own part of the trust beneficiary interest in the property. Accordingly, the Property Management Agreement will be partially changed among KRR, the buyer, the trustee and the Asset Manager on the date of the first disposition of 49%. (The total property management fees and fees associated with the management of construction projects paid to the Asset Manager will not be changed, but KRR will bear 51% of the fees after the first disposition of 49%.)

7. Disposition schedule

Disposition decision date/ contract date	November 14, 2018
Scheduled settlement date (49% quasi co-ownership interests)	December 21, 2018 (planned) (Note)
Scheduled settlement date (51% quasi co-ownership interests)	April 5, 2019 (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

175 million yen and 197 million yen gains on sale of the property are assumed for the fiscal period ending March 31, 2019 and September 30, 2019, respectively. The impact of the property disposition will be on the fiscal

periods ending March 31, 2019 and September 30, 2019, and please refer to the forecasts of financial results published in the “Financial Report for the Fiscal Period Ended September 30, 2018” dated today.

9. Summary of real estate appraisal report

(The numbers are in yen unless otherwise noted)

Summary of real estate appraisal report		
Appraisal value	5,960,000,000 yen	
Appraiser	Japan Real Estate Institute	
Date of appraisal	September 30, 2018	
Item	Content	Basis
Income capitalization approach value	5,960,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method.
Value based on direct capitalization method	6,000,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate.
(1) Gross operating revenue	Undisclosed (Note)	
Effective gross operating revenue	Undisclosed (Note)	
Loss from vacancy, etc.	0 yen	
(2) Operating expenses	Undisclosed (Note)	
Maintenance expenses	Undisclosed (Note)	
Utility expenses	0 yen	None on assumption that the expenses are borne by lessees
Repair expenses	Undisclosed (Note)	
PM fees	3,600,000 yen	Calculated based on anticipated PM fees for the property and the PM fees for comparable properties
Tenant recruit expenses, etc.	0 yen	None on assumption
Taxes and dues	Undisclosed (Note)	
Insurance premium	Undisclosed (Note)	
Other expenses	0 yen	None
(3) Net operating income (NOI= (1)-(2))	286,579,000 yen	
(4) Profit from security deposits	2,884,000 yen	
(5) Capital expenditure	1,558,000 yen	
(6) Net cash flow (NCF=(3)+(4)-(5))	287,905,000 yen	
(7) Cap rate	4.8%	
Value based on DCF method	5,910,000,000 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	5.0%	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	4,470,000,000 yen	
Ratio of land	64.6%	
Ratio of building	35.4%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	<p>Kakyoin Area, where the subject property is located, is well positioned to attract customers, given its easy access to JR Sendai Station. The grade of the building, including the level of equipment, is generally average. However, the property, including the building and the land, is subject to compartmentalized ownership and is less marketable due to limited liquidity, since the flexibility in exercising the relevant rights as an owner (in repair, maintenance, etc.) may be limited compared to cases where a building is owned by a sole owner. There may be risks in future cashflow, as the property is leased to a single tenant with relatively high rent.</p> <p>All these factors were taken into account in determining the appraisal value.</p>	

Note: Figures used in the direct capitalization method include information that KRR has not obtained consent from the lessees for its disclosure.

Such information or figures that can make calculation of such information are not disclosed in (1) and (2) above.

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

This notice is the English translation of the Japanese announcement on November 14, 2018. 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 (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
T-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	February 10, 2015	14,848	15,200	7.2
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	9,410	3.9
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,710	2.8
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	6,360	2.6
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	5,050	2.2
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,350	1.9
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	February 10, 2015	3,600	3,840	1.7
T-8	SS	Sports Club Renaissance Fujimidai	Nerima-ku, Tokyo	February 10, 2015	2,586	2,760	1.2
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,510	2.3
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,510	1.5
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	October 2, 2015	3,000	3,050	1.4
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	October 2, 2015	1,700	1,770	0.8
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	October 2, 2015	1,442	1,430	0.7
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	October 2, 2015	760	792	0.4
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	April 21, 2016	3,360	3,810	1.6
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	April 20, 2016	1,724	1,890	0.8
T-17	SM	Life Kameido	Koto-ku, Tokyo	April 21, 2016	1,450	1,520	0.7
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	April 19, 2017	4,170	4,310	2.0
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	April 19, 2017	3,416	3,510	1.6
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	May 18, 2017	3,097	3,210	1.5
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	April 19, 2017	2,820	2,830	1.4
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	3,420	1.6

No.	Type (Note 1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,370	4.0
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,150	1.3
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,470	1.0
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,500	5.3
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	7,040	3.2
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,790	3.1
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	October 2, 2015	1,280	1,330	0.6
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	October 2, 2015	487	488	0.2
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	January 21, 2016	1,505	1,690	0.7
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	April 21, 2016	3,723	3,950	1.8
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	2,311	2,700	1.1
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	February 10, 2015	2,174	2,330	1.0
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,290	3.4
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,440	0.7
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,950	3.8
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,620	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,500	2.4
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,720	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 6)	10,046	11,700	4.8
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	February 10, 2015	1,469	1,580	0.7
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	February 10, 2015	898	938	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,040	2.0
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,340	1.6
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	876	0.4
R-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	April 21, 2016	-	-	-

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal 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	4,230	2.0
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note 7)	5.2
R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	May 31, 2018	4,210	4,410	2.0
Total/Average					207,177	229,484	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) and SS (Specialty Store).

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

(Note 3) "Appraisal values" are the values as of the end of September 2018.

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

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

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

(Note 7) Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 90%).