

January 26, 2017

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: Ryosuke Homma, CEO and President
Contact: Koichiro Nobata, General Manager of
Planning Department, Retail REIT Division
TEL: +81-3-5623-3868

Notice Concerning Acquisition of Property (Seiyu Rakuichi Moriya (Land))

Kenedix Retail REIT Corporation (“KRR”) announced today that Kenedix Real Estate Fund Management, Inc. (“the Asset Manager”), the asset manager for KRR, has decided to acquire the following property as follows.

1. Outline of the acquisition

- | | |
|-----------------------------------|---|
| (1) Type of acquisition: | Trust beneficiary interest in real estate |
| (2) Property name: | Seiyu Rakuichi Moriya (Land) |
| (3) Acquisition price: | 4,111 million yen
(Excluding acquisition costs, adjustment amount of property tax and city-planning tax, etc.) |
| (4) Estimated NOI yield (Note 1): | 4.1% |
| (5) Seller: | Please refer to Item 4. Seller’s profile for details |
| (6) Date of contract: | January 27, 2017 |
| (7) Acquisition date: | January 31, 2017 |
| (8) Acquisition funds: | Borrowings (Note 2) and cash on hand |
| (9) Settlement method: | Payment in full at settlement |

(Note 1) The “estimated NOI yield” is calculated using the following formula: Estimated NOI yield = ((Estimated revenues from the property to be acquired – Estimated operating expenses of the property excluding asset custody fees) ÷ Anticipated acquisition price)
The figure is based on the appraisal report dated January 1, 2017 and information provided by the seller. The figure is also based on the rent from April 1, 2017 as the rent is discounted until March 31, 2017, and it also takes into account expensing of property taxes from April 1, 2018.

(Note 2) Please refer to press release “Notice Concerning the Borrowings (Series 9) and Execution of Interest Rate Swap” on January 26, 2017 for details.

2. Reason for the acquisition

The acquisition is made to diversify and enhance the portfolio to realize the growth of asset size and secure stable revenues, in accordance with KRR’s investment targets (“focused investment in neighborhood, community and other shopping centers for daily needs”) and policies as set forth in its Articles of Incorporation. In addition, the acquisition is KRR’s first sale-and-leaseback transaction with a retailer, which makes it a milestone in KRR’s external growth.

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

Acquisition highlight:

Underlying land of an NSC facing a trunk road, with a popular supermarket as the core tenant

(1) Features of the property

The property is the underlying land of Seiyu Rakuichi Moriya, which is a neighborhood shopping center opened in April 2003 and facing National Route 294. Seiyu, the core tenant of the shopping center, is a subsidiary of Walmart, operating steadily in Japan with EDLP (Everyday Low Price) strategy. Other shops include Nitori, a furniture store, a sporting goods store, and a popular coffee shop. The retail stores surround a large parking lot capable of holding over 700 vehicles, including rooftop parking.

A long-term fixed business land lease with more than 20 years remaining will be contracted with Seiyu, contributing to the stability in cash flow. In addition, the acquisition unit price of JPY104,180 per m² is lower than the nearby official land price (JPY105,000 per m²) announced by Ministry of Land, Infrastructure, Transport and Tourism.

(2) Overview of the surrounding area

a. Location and access

The property is located in Moriya, where population has been growing rapidly after the opening of the Tsukuba Express, an urban express railway, in 2005. It takes about 32 minutes to Akihabara Station from Moriya Station by express train.

There are many single-family residences in the surrounding neighborhood with residential development in Minami-Moriya area. In addition, the property is facing National Route 294 with many roadside stores, maintaining good visibility and accessibility by car.

b. Characteristics of the surrounding area

According to the national census in 2010, the surrounding retail trade area has a residential population of approximately 12,000 people within a one-kilometer radius, 56,000 people within a three-kilometer radius and 108,000 people within a five-kilometer radius.

Compared to the population in 2005, the population in 2010 within a one-kilometer radius is 116.0%, the population within a three-kilometer radius is 113.3%, and the population within a five-kilometer radius is 108.6%, showing an upward trend. The number of households has also notably grown to 118.4% within a one-kilometer radius, 119.5% within a three-kilometer radius and 114.9% within a five-kilometer radius.

3. Details of the property

R-9 Seiyu Rakuichi Moriya (Land)

Property name		Seiyu Rakuichi Moriya (Land)
Anticipated acquisition date		January 31, 2017
Property type (Note 1)		NSC
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Ltd. (planned)
Trust period		January 31, 2017 to September 30, 2036 (planned) (Note 2)
Seller		Seiyu GK
Location		4-1 Keyakidai, Moriya, Ibaraki
Land	Form of ownership	Proprietary ownership
	Land area	39,460.28 m ²
	Zoning	Category I residential area (partially quasi-residential area)
	Building coverage ratio	60%
	Floor-area ratio	200%
Building	Form of ownership	-
	Gross floor area	-
	Date constructed	-

	Use	-
	Structure/No. of floors	-
Architect		-
Construction company		-
Construction confirmation authority		-
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		-
PML		-
Acquisition price		4,111 million yen
Appraisal value (as of)		4,190 million yen (January 1, 2017)
Real estate appraiser		Daiwa Real Estate Appraisal Co., Ltd.
Appraisal NOI yield		4.1% (Note 3)
Collateral		None
Lease summary		(as of January 31, 2017 (planned))
	Number of tenants	1
	Annual rent	Undisclosed (Note 4)
	Tenant deposits	Undisclosed (Note 4)
	Leased area	Undisclosed (Note 4)
	Leasable area	Undisclosed (Note 4)
	Occupancy rate	100%
Remarks		None
Others		<p>Notes:</p> <ol style="list-style-type: none"> 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). Although the property is not in trust as of January 26, 2017, the seller institutes trust in real estate on the planned acquisition date and KRR acquires the trust beneficiary interest in real estate on the same date. Appraisal NOI yield represents the value calculated using the following formula, rounded to the first decimal point. $\text{Appraisal NOI} \div \text{Acquisition price}$ (Appraisal NOI is the net operating income calculated by subtracting the operating expenses from the operating revenue in the appraisal report.) Undisclosed as KRR has not obtained lessee's consent.

4. Overview of the seller

R-9 Seiyu Rakuichi Moriya (Land)

Company name	Seiyu GK
Address	2-1-1 Akabane, Kita-ku, Tokyo
Name and title of representative	Representative partner: Walmart Japan Holdings GK Takeshi Kamigouchi, Director
Description of business	Operation of retail chain stores selling food, apparel, general merchandise and

	other products
Capital	100 million yen
Incorporation	December 14, 1946
Net assets	Undisclosed as KRR has not obtained seller's consent.
Total assets	Undisclosed as KRR has not obtained seller's consent.
Major shareholders	Undisclosed as KRR has not obtained seller's consent.
Relationship between KRR/the Asset Manager and the seller	
Capital relationship	No special capital relationship between KRR/the Asset Manager and the seller. Also, no special capital relationship between the related parties/affiliates of KRR/the Asset Manager and the related parties/affiliates of the seller.
Personnel relationship	No special personnel relationship between KRR/the Asset Manager and the seller.
Business relationship	No special business relationship between KRR/the Asset Manager and the seller.
Related party transactions	The seller is not deemed a related party under either the Investment Trust Law or the "Retail REIT Division's Internal Regulations on Related Party Transactions" of the Asset Manager.

As of December 16, 2016

5. Status of property acquirer, etc.

Details are omitted since the seller of the property is not a special related party of KRR or the Asset Manager.

6. Details of brokerage

The broker is a domestic company, and the name of 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 Division'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.

7. Transactions with related parties

KRR will conclude a property management agreement with the Asset Manager. For the transaction, the Asset Manager, pursuant to its Retail REIT Division'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 Division's Asset Management Committee for resolution. Fees to the Asset Manager regarding the property are at the same level as that of existing properties.

[Details of property management fee]

Property management fee (annual): 2.4 million yen

Fees associated with the management of construction projects:

Construction price	Fee
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% of the price over 2 million yen
5 million yen to less than 10 million yen	270,000 yen + 4% of the price over 5 million yen
10 million yen to less than 100 million yen	470,000 yen + 3% of the price over 10 million yen
100 million yen or more	Amount agreed upon by the parties

8. Acquisition schedule

Acquisition decision date	January 26, 2017
Scheduled contract date	January 27, 2017
Scheduled payment date / delivery date	January 31, 2017

9. Future Outlook

There are no changes to the forecasts of financial results of KRR published in the “Financial Report for the Fiscal Period Ended September 30, 2016” dated November 16, 2016 as the impact on the financial results is minimal.

10. Summary of real estate appraisal report

(The numbers are in yen unless otherwise noted)

R-9 Seiyu Rakuichi Moriya (Land)

Summary of real estate appraisal report		
Appraisal value	4,190,000,000	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Date of appraisal	January 1, 2017	
Item	Content	Basis
Income capitalization approach value	4,190,000,000	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method	4,250,000,000	Calculating by multiplying the stabilized NCF with compound present value factor and then adjusting the present value of the land at the end of the lease contract
(1) Gross operating revenue	Undisclosed	
Effective gross operating revenue	Undisclosed	
Loss from vacancy, etc.	Undisclosed	
(2) Operating expenses	Undisclosed	
Maintenance expenses	0	Not applicable
Utility expenses	0	Not applicable
Repair expenses	0	Not applicable
PM fees	2,400,000	Calculated based on anticipated PM fees for the property and the PM fees for comparable properties
Tenant recruit expenses, etc.	0	None assuming long-term tenancy
Taxes and dues	Undisclosed	
Insurance premium	0	Not applicable
Other expenses	0	None
(3) Net operating income (NOI=(1)-(2))	166,495,580	
(4) Profit from security deposits	478,380	
(5) Capital expenditure	0	Not applicable
(6) Net cash flow (NCF=(3)+(4)-(5))	166,973,960	
(7) Cap rate	4.3%	Calculated based on the past transactions of comparable properties and by taking into account the uniqueness of real estate properties as financial assets in terms of investment yield
Value based on DCF method	4,160,000,000	
Discount rate	4.2%	Calculated based on the past 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	4.4%	Calculated by taking into account the characteristics of the NCF used for the capitalization rate and future uncertainties/liquidity/marketability of the property
Value based on cost method		-	
	Ratio of land	-	
	Ratio of building	-	
Adjustments in estimated value and considerations taken into account in determining appraisal value	<p>The property is located about a 7-minute walk from Minami-Moriya Station of Kanto Railway Joso Line. It is facing National Route 294, making it highly accessible by car from wide area in southern Ibaraki Prefecture. In addition, the property is surrounded by many single-family residences of New Town development. As a result, the property can target consumers accessing by car as well as those living in the surrounding area.</p> <p>In terms of lease contract, a fixed business land lease will be contracted with the tenant, and the rent level is considered to be at appropriate level compared with comparable properties and considering the revenue from the buildings. Given the above conditions, the property is expected to continue generating stable cash flows based on the land lease.</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 lessee 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: <http://www.krr-reit.com/en/>

This notice is the English translation of the Japanese announcement on January 26, 2017. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material 1. Property photographs

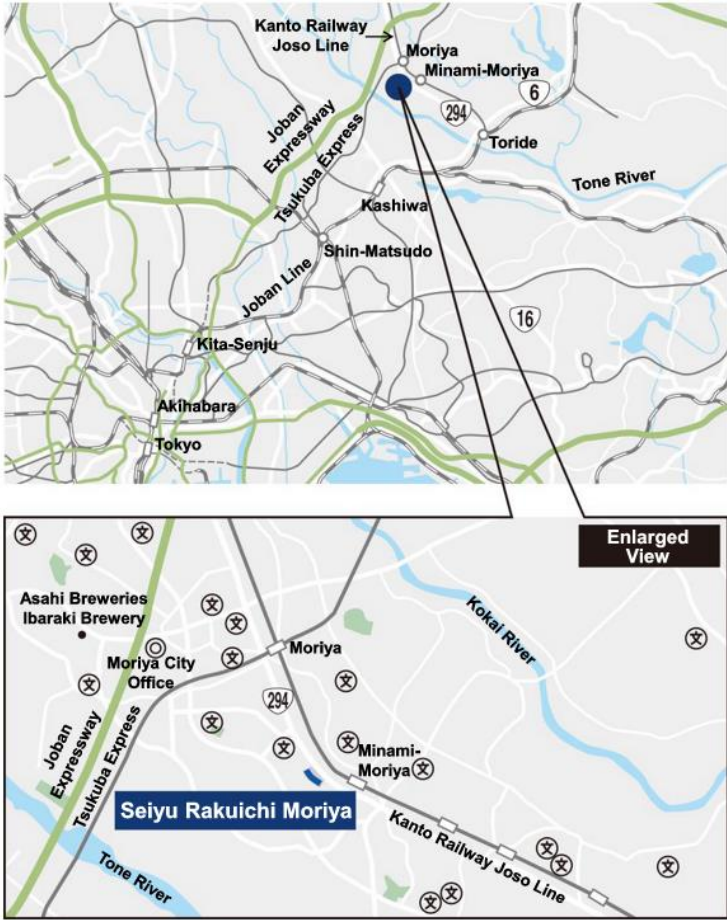
Reference material 2. Map

Reference material 3. Property portfolio of KRR (after the acquisition)

Reference material 1. Property photographs



Reference material 2. Map



Reference material 3. Property portfolio of KRR (after the acquisition)

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-1	CSC	Fululu Garden Yachiyo	Yachiyo, Chiba	February 10, 2015	14,848	15,200	9.0
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	8,560	4.9
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,370	3.6
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	5,740	3.3
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015	4,470 (Note 5)	4,510	2.7
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,300	2.4
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	February 10, 2015	3,600	3,800	2.2
T-8	SS	Sports Club Renaissance Fujimidai	Nerima-ku, Tokyo	February 10, 2015	2,586	2,720	1.6
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,280	2.9
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,440	1.9
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	October 2, 2015	3,000	3,010	1.8
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	October 2, 2015	1,700	1,740	1.0
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	October 2, 2015	1,442	1,460	0.9
T-14	SM	Gourmet City Chiba-Chuo	Chiba, Chiba	October 2, 2015	760	799	0.5
T-15	NSC	Nakamachidai Tokyu Store	Tsuzuki-ku, Yokohama, Kanagawa	April 21, 2016	3,360	3,780	2.0
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Midori-ku, Yokohama, Kanagawa	April 20, 2016	1,724	1,900	1.0
T-17	SM	Life Kameido	Koto-ku, Tokyo	April 21, 2016	1,450	1,500	0.9
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	8,990	5.1
O-2	SM	Central Square Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	2,930	1.6
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Chiba	February 10, 2015	2,140	2,440	1.3
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,600	6.7
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	6,590	4.0
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,940	3.9
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	October 2, 2015	1,280	1,310	0.8
O-8	SS	Welcia Kishiwadakamori (Land)	Kishiwada, Osaka	October 2, 2015	487	500	0.3

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)
O-9	SM	Life Nishi-Tengachaya	Nishinari-ku, Osaka, Osaka	January 21, 2016	1,505	1,650	0.9
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	April 21, 2016	3,723	3,810	2.3
N-1	SS	Kama Home Center Nakagawa Tomita (Land)	Nakagawa-ku, Nagoya, Aichi	February 10, 2015	2,311	2,540	1.4
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	February 10, 2015	2,174	2,280	1.3
N-3	SS	K's Denki Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	889	960	0.5
N-4	SS	Homecenter Kohnan Sunadabashi	Higashi-ku, Nagoya, Aichi	April 21, 2016	7,140	7,220	4.3
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,410	0.8
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,520	0.9
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015	10,046 (Note 6)	10,900	6.1
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	February 10, 2015	1,469	1,550	0.9
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	February 10, 2015	898	924	0.5
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,060	2.5
R-5	NSC	York Town Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,310	2.0
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	861	0.5
R-7	Urban Station-Front SC	Solala Plaza	Aoba-ku, Sendai, Miyagi	April 21, 2016	5,720	5,910	3.5
R-8	NSC	P-1 Plaza Tenno	Higashi-ku, Hamamatsu, Shizuoka	April 22, 2016	4,010	4,260	2.4
R-9	NSC	Seiyu Rakuichi Moriya	Moriya, Ibaraki	January 31, 2017	4,111	4,190	2.5
Total					164,338	173,764	100.0

Investment securities	Silent partnership equity interest in JRP8 G.K.	October 31, 2016	100	—	—
	1 security subtotal		100	—	—

(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) “(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). In addition, for Roseo Mito, acquisition price includes 371 million yen (excluding expenses and taxes and rounded down to the nearest million yen) on the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the secondhand shop building (building expansion) and for Unicus Ina, acquisition price includes 91 million yen (excluding expenses and taxes and rounded down to the nearest million yen) on the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the restaurant (building expansion).

(Note 3) “Appraisal values” is as of September 30, 2016 for the properties in our portfolio as of September 30, 2016, as of October 1, 2016 for K's Denki Shin-Moriyama, and as of January 1, 2017 for Seiyu Rakuichi Moriya.

(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 point.

(Note 5) KRR acquired the restaurant building on January 16, 2017.

(Note 6) KRR acquired the secondhand shop building on November 26, 2015.

