

Translation of Japanese Original

April 30, 2015

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 Construction of a New Building (Property Expansion) at Roseo Mito

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 a new building (“the New Building”) through construction (property expansion) at Roseo Mito (“the Property”), an existing property of KRR. KRR will execute the construction as agreed with G.K. Roseo, the seller of the Property, utilizing the underutilized space of the Property, as described in press release “Notice Concerning Completion of Acquisition of Assets” dated February 10, 2015.

1. Outline of the acquisition through construction

- |      |  |   |
|------|--|---|
| (1)  | Property name:   | Roseo Mito (R-1) Secondhand Shop Building   |
| (2)  | Location:  | 978-50 Kasaharacho, Mito, Ibaraki, etc.   |
| (3)  | Type of specified asset:   | Real estate (Note 1)  |
| (4)  | Use:   | Retail  |
| (5)  | Zoning:  | Neighborhood commercial area  |
| (6)  | Expected gross floor area:   | Approximately 2,641.48 m <sup>2</sup> (Note 2)  |
| (7)  | Expected structure/no. of floors:  | S / 1 above-ground floor  |
| (8)  | Expected construction costs:   | Approximately 371 million yen   |
| (9)  | Construction funds:  | Cash on hand and borrowings (Note 3)  |
| (10) | Construction company:  | Choeihands  |
| (11) | Schedule:  | Please refer to Item 4. Schedule for details  |
| (12) | Assumed increase in NOI<br>(Note 4):                                     | Approximately 42 million yen (assumed increase after the construction)  |
| (13) | Assumed NOI yield (assumed<br>increase in NOI to construction<br>costs): | Approximately 11.5%   |
| (14) | Expected completion date<br>(acquisition date):                          | Towards the end of December 2015  |
| (15) | Others:  | KRR will transfer the status and rights from G.K. Roseo on May 1, 2015. The status and rights include: (i) an architectural design and supervision contract and a construction contract in relation to the construction of the New Building, (ii) a lease contract for a portion of the land to build the New Building, and (iii) a fixed-term building lease contract with a specific tenant for the New Building. |

Note:

1. KRR will acquire the New Building as real estate and additionally entrust the building to the trustee on the same date.

2. Gross floor area shown is based on the plan on building certification application.
3. Settlement method and date for the construction are undecided, and KRR may not undertake borrowings for the fund.
4. Assumed increase in NOI 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; as for operating revenue, since the lease contract with the tenant includes a step-up clause for the rent, average rent for the lease term is used for the calculation.

## 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 11.5%, and (ii) appraisal value of Roseo Mito with the New Building valued by Japan Real Estate Institute, a real estate appraiser, is 10,500 million yen (Note 2), which is 720 million yen higher than the appraisal value of Roseo Mito before the construction as of October 1, 2014 (9,780 million yen).

Roseo Mito is a neighborhood shopping center with a supermarket (grocery) and a hardware store as its core tenants. The area surrounding the Property is increasing in population due to the abundance of new residential developments and popularity with families with young children. KRR also seeks synergistic effect with other existing tenants by leasing the New Building for a secondhand shop.

Note:

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. 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.

## 3. Transactions with related parties

The transfer of status and rights is based on the purchase and sale agreement of the Property between G.K. Roseo and KRR as noticed on the press release "Notice Concerning Completion of Acquisition of Assets" dated February 10, 2015. However, since G.K. Roseo is deemed a related party under both the Investment Trust Act and "Retail REIT Division's Internal Regulations on Related Party Transactions" of the Asset Manager, the Asset Manager worked to fully comply with statutory and other regulatory requirements, pursuant to Investment Trust Act and its "Retail REIT Division's Internal Regulations on Related Party Transactions". The Asset Manager submitted the transaction for deliberation and resolution by the Compliance Committee. Following the approval by the Compliance Committee, the transaction was submitted to its Retail REIT Division's Asset Management Committee for resolution. Then, the approval of the transaction was resolved at the KRR Board of Directors Meeting held on April 30, 2015 and was agreed upon by the executive director of KRR based on the resolution.

Company name	G.K. Roseo
Address	6-5 Nihombashi Kabutocho, Chuo-ku, Tokyo
Name and title of representative	Representative Partner: Ippan Shadan Hojin Roseo Tadatsugu Ishimoto, Director
Description of business	1. Acquisition, holding, disposition, leasing and management of real estate properties 2. Acquisition, holding and disposition of trust beneficiary interests in real estate properties 3. All kinds of services ancillary to the above businesses
Capital	1 million yen

Incorporation	July 11, 2008
Net assets	Undisclosed as KRR has not obtained G.K. Roseo's consent.
Total assets	Undisclosed as KRR has not obtained G.K. Roseo's consent.
Relationship between KRR/the Asset Manager and G.K. Roseo	
Capital relationship	Ippan Shadan Hojin holds all shares in G.K. Roseo, and Kenedix, Inc., a parent company under the Financial Instruments and Exchange Act holding 100% of the Asset Manager, has provided funds to Ippan Shadan Hojin. Also, Kenedix holds the entire stake in Tokumei Kumiai operated by G.K. Roseo.
Personnel relationship	No special personnel relationship between KRR/the Asset Manager and G.K. Roseo.
Business relationship	Kenedix, Inc. is entrusted with asset management by G.K. Roseo. G.K. Roseo also sold the Property to KRR.
Related party transactions	G.K. Roseo is deemed a related party under both the Investment Trust Law and "Retail REIT Division's Internal Regulations on Related Party Transactions" of the Asset Manager.

(As of April 30, 2015)

4. Expected Schedule

May 1, 2015	Execution of contract for the transfer of status and rights in relation to the construction of the New Building
Mid-June 2015	Construction starts
Towards the end of December 2015	Completion and transfer of the New Building

5. Future outlook

The impact of the construction of the New Building on the financial results is minimal, and there are no changes to the forecasts of financial results of KRR published in the "Notice Concerning Forecasts of Financial Results for the Fiscal Periods Ending September 30, 2015 and March 31, 2016" dated March 31, 2015.

6. Summary of real estate investigation report

(The numbers are in yen unless otherwise noted)

Summary of real estate investigation report		
Appraisal value	10,500,000,000	
Appraiser	Japan Real Estate Institute	
Date of appraisal	April 30, 2015	
Item	Content	Basis
Income capitalization approach value	10,500,000,000	Calculated using DCF method, with result checked by using direct-capitalizaion method
Value based on direct capitalization method	10,500,000,000	Calculated by dividing the stabilized NCF by the cap rate
(1) Gross operating revenue	760,641,000	
Effective gross operating revenue	767,819,000	Calculated based on the fair rent level that is expected to be stable over the medium term
Loss from vacancy, etc.	7,178,000	Calculated based on the occupancy rate level that is expected to be stable over the medium term
(2) Operating expenses	165,938,000	
Maintenance expenses	19,524,000	Calculated by comparing the actual maintenance expenses during the past year for the property and the maintenance expense levels for comparable properties.

	Utility expenses	60,000,000	Calculated based on the actual utility expenses during the past year for the property with consideration for vacancy
	Repair expenses	5,714,000	Calculated based on the average annual repair expenses described in the engineering report
	PM fees	20,333,000	Calculated based on anticipated PM fees for the property and the PM fee rates for comparable properties
	Tenant recruit expenses, etc.	3,407,000	Calculated considering assumed occupancy period of tenants
	Taxes and dues	54,935,000	Calculated based on the actual taxes and dues for 2014
	Insurance premium	1,425,000	Calculated based on actual insurance premiums and the comparison with insurance premium rates for comparable properties
	Other expenses	600,000	Calculated based on actual costs for website maintenance
	(3) Net operating income (NOI= (1)-(2))	594,703,000	
	(4) Profit from security deposits	9,136,000	Calculated with assumed investment yield of 2.0%
	(5) Capital expenditure	13,903,000	Calculated based on the average annual capital expenditure described in the engineering report
	(6) Net cash flow (NCF=(3)+(4)-(5))	589,936,000	
	(7) Cap rate	5.6%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
	Value based on DCF method	10,400,000,000	
	Discount rate	5.3%	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	5.8%	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	9,660,000,000	
	Ratio of land	64.9%	
	Ratio of building	35.1%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	<p>The subject property is located near Ibaraki Prefectural Government and is easily accessible from major trunk roads. The building is relatively new and is highly versatile in that the shape of retail spaces is regular and the ceiling is high. Also, the property has a competitive advantage as an NSC due to its optimum mix of tenants, including specialty stores and a high-profile international brand as the anchor tenant. The current contract has ensured stable rent revenues from tenants over the long term.</p> <p>All these factors were taken into account in determining the appraisal value.</p>		

**Attached materials**

Reference material 1. Perspective drawing and layout of the New Building

Reference material 2. Property photograph and map of Roseo Mito

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

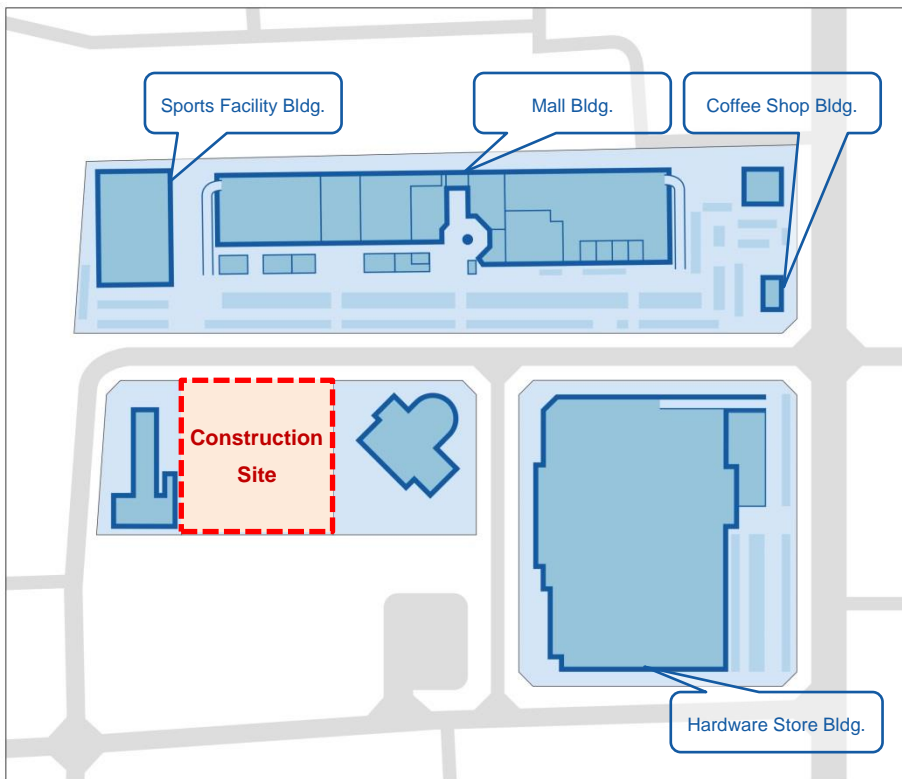
*This notice is the English translation of the Japanese announcement on April 30, 2015. However, no assurance or warranties are given for the completeness or accuracy of this English translation.*

Reference material 1. Perspective drawing and layout of the New Building

Perspective drawing



Layout





Reference material 2. Property photograph and map of Roseo Mito

