

April 6, 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 Acquisition of Property (Konami Sports Club Shibuya)

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

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| (1) Type of acquisition: | Trust beneficiary interest in real estate |
| (2) Property name: | Konami Sports Club Shibuya |
| (3) Acquisition price: | 3,400 million yen
(Excluding acquisition costs, adjustment amount of property tax and city-planning tax, consumption tax, etc.) |
| (4) Appraisal NOI yield (Note 1): | 4.0% |
| (5) Seller: | Please refer to Item 4. Seller’s profile for details |
| (6) Date of contract: | April 6, 2018 |
| (7) Acquisition date: | April 27, 2018 |
| (8) Acquisition funds: | Borrowings (Note 2) and cash on hand |
| (9) Settlement method: | Payment in full at settlement |

(Note 1) “Appraisal NOI yield” is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of March 1, 2018 by the anticipated acquisition price for the property and rounded to the first decimal place. “Appraisal NOP” refers to the net operating income before depreciation expenses, which is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated using the direct capitalization method.

(Note 2) Please refer to press release “Notice Concerning Debt Financing (Series 21) and Execution of Interest Rate Swaps” on April 6, 2018 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 acquiring the property, KRR especially evaluated the following points. In addition, the appraisal value of the land as a vacant lot is valued at 3,450 million yen as of March 1, 2018, which is higher than the acquisition price of the property.

Acquisition highlight:

A large sports club with a wide range of facilities in a densely populated area of central Tokyo

(1) Features of the property

- The property is a membership sports club, located in an upper-class residential area along Yamate-

dori Street, approx. four minutes from Shinsen Station on the Keio Inokashira Line or approx. twelve minutes from JR Shibuya Station.

- The sports club has a wide range of facilities such as swimming pools, two studios, machine gym and indoor driving ranges, as well as cafeteria, personal training spaces and outdoor relaxing spaces.
- The property is leased to Konami Sports Club, the largest sports club operator in Japan. Shibuya ward and neighboring Meguro ward are Konami's strategic focus area, making the property important for Konami.

(2) Overview of the surrounding area

a. Location and access

- The property is located in Shinsencho, Shibuya-ku within central Tokyo with rich population density. The surrounding area, including Shoto, is an upper-class residential area.
- It is approx. four minutes from Shinsen Station on the Keio Inokashira Line. The property is also accessible from Shibuya Station on JR, Tokyu, Keio or Tokyo Metro lines.
- The property is located at the corner lot where Yamate-dori Street and Shoto Bunkamura Street cross, making the property highly visible from streets.

b. Characteristics of the surrounding area

- According to the national census in 2010, the surrounding retail trade area has a residential population of approx. 37 thousand people within a one-kilometer radius, 168 thousand people within a two-kilometer radius and 436 thousand people within a three-kilometer radius. The area is an upper-class area, but relatively young people in their twenties to forties also live in the area as apartments are built.
- In addition, the daytime population including workers and students are approx. 142 thousand people within a one-kilometer radius, 429 thousand people within a two-kilometer radius and 796 thousand people within a three-kilometer radius, largely exceeding the nighttime population.
- The property can target the daytime population as well as the nighttime population, making it an ideal area for a sports club.

3. Details of the property

Property name		Konami Sports Club Shibuya
Anticipated acquisition date		April 27, 2018
Property type (Note 1)		SS
Type of specified asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust period		January 31, 2013 to April 30, 2037 (planned)
Seller		Undisclosed (Note 2)
Location		18-11, Shinsencho, Shibuya-ku, Tokyo
Land	Form of ownership	Proprietary ownership
	Land area	755.71 m ²
	Zoning	i) Commercial area ii) Category I residential area (Note 3)
	Building coverage ratio	i) 80% ii) 60%
	Floor-area ratio	i) 500% ii) 300%
Building	Form of ownership	Proprietary ownership
	Gross floor area	5,019.09 m ²
	Date constructed	May 17, 1990

	Use	Sports Club
	Structure/No. of floors	SRC-structure/9-story building with 2 basement floors and flat roof
Architect		Institute of New Architecture Inc.
Construction company		Okumura Corporation
Construction confirmation authority		Tokyo
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc. (planned)
Sub-PM		Kenedix Property Management, Inc. (planned)
PML		5.80%
Acquisition price		3,400 million yen
Appraisal value		3,430 million yen (as of March 1, 2018)
Real estate appraiser		The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal NOI yield		4.0% (Note 4)
Collateral		None
Lease summary		(as of March 31, 2018)
	Number of tenants	1
	Annual rent	Undisclosed (Note 5)
	Tenant deposits	Undisclosed (Note 5)
	Leased area	4,992.98 m ²
	Leasable area	4,992.98 m ²
	Occupancy rate	100.0%
Remarks		Part of this property conflicts with the Building Standards Act and the Fire Service Act. However, renovation and improvement are to be completed at the responsibility of the tenant by the acquisition date.
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). Undisclosed as KRR has not obtained consent from the seller. The area from the boundary along the road on the west to within 30 meters is shown in (i), and over 30 meters is shown in (ii). “Appraisal NOI yield” is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of March 1, 2018 by the anticipated acquisition price for the property and rounded to the first decimal place. “Appraisal NOI” refers to the net operating income before depreciation expenses, which is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated using the direct capitalization method. Undisclosed as KRR has not obtained consent from the tenant.

4. Overview of the seller

The name and attribute of the seller and other information are undisclosed as KRR has not obtained the seller's consent. There is no special capital, personnel, business relationship between KRR/the Asset Manager and the seller.

5. Status of property acquirer and previous owners

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

Name	Kenedix, Inc.
Location	2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo
Name and title of representative	Taisuke Miyajima, President and CEO
Description of business	1. Consulting business related to real estate transactions and usage as well as asset management 2. Real estate transaction, leasing, brokerage and appraisal 3. Management of real estate
Capital	40,271 million yen (as of December 31, 2017)
Incorporation	April 17, 1995
Brokerage fee	102,000,000 yen (excluding consumption tax, etc.)
Relationship between KRR/ the Asset Manager and the brokerage firm	The brokerage firm is the parent company of the Asset Manager under the Financial Instruments and Exchange Act, and a related party as defined in the Investment Trust Act and a related party as defined in the Retail REIT Department Related-party Transaction Rules of the Asset Manager.

7. Transactions with related parties

KRR plans to make the following transactions with related parties or the Asset Manager in relation to the acquisition of the real estate property to be acquired. 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) Entrustment of Brokerage Business

Outline of the brokerage is as stated in the above, "6. Details of brokerage".

(2) Appointment of Property Management Company

KRR will conclude a property management agreement with the Asset Manager. 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): 3.6 million yen (planned)

Fees associated with the management of construction projects:

Construction price	Fees
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% on the portion exceeding 2 million yen
5 million yen to less than 10 million yen	270,000 yen + 4% on the portion exceeding 5 million yen
10 million yen to less than 100 million yen	470,000 yen + 3% on the portion exceeding 10 million yen
100 million yen to less than 200 million yen	3,170,000 yen + 2% on the portion exceeding 100 million yen
200 million yen or more	5,170,000 yen + 1% on the portion exceeding 200 million yen

8. Acquisition schedule

Acquisition decision date	April 6, 2018
Scheduled contract date	April 6, 2018
Scheduled payment date / delivery date	April 27, 2018 (planned)

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, 2017” dated November 14, 2017 as the impact on the financial results is minimal.

10. Summary of real estate appraisal report

Summary of real estate appraisal report		
Appraisal value	3,430,000,000 yen	
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.	
Date of appraisal	March 1, 2018	
Item	Content	Basis
Income capitalization approach value	3,430,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method	3,500,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1) Gross operating revenue	Undisclosed	
Effective gross operating revenue	Undisclosed	
Loss from vacancy, etc.	0 yen	Calculated based on the occupancy rate level that is expected to remain stable over the medium term
(2) Operating expenses	Undisclosed	
Maintenance expenses	Undisclosed	
Utility expenses	0yen	None on assumption that the expenses are borne by the tenant
Repair expenses	Undisclosed	
PM fees	3,600,000 yen	Calculated based on anticipated PM fees for the property and the PM fee rates for comparable properties
Tenant recruit expenses, etc.	0 yen	None assuming long-term tenancy
Taxes and dues	Undisclosed	
Insurance premium	Undisclosed	
Other expenses	Undisclosed	
(3) Net operating income (NOI= (1)-(2))	137,641,904 yen	
(4) Profit from security deposits	847,800 yen	
(5) Capital expenditure	5,480,000 yen	The average annual renovation expenses described in the engineering report plus CM fees
(6) Net cash flow (NCF=(3)+(4)-(5))	133,009,704 yen	
(7) Cap rate	3.8%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method	3,400,000,000 yen	
Discount rate	3.9%	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	4.0%	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	3,640,000,000 yen	
Ratio of land	90.6%	
Ratio of building	9.4%	

Adjustments in estimated value and considerations taken into account in determining appraisal value	<p>The property is a sports club located approx. 300m northwest from Shinsen Station on Keio Inokashira Line and 1,000m west from Shibuya Station on JR Yamanote Line. The building is 28 years old, but it has a high level of visibility and accessibility due to its location along Yamate-dori Street. In addition, the surrounding area is an upper-class residential area with many apartments, giving the property high trade area population and thus high competitiveness as a sports club. Furthermore, although the property is along a trunk road, it is within a relatively quiet residential area, making the property suitable for a residential redevelopment project.</p> <p>From the factors shown above, the property is considered to be relatively competitive.</p>
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(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.

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

This notice is the English translation of the Japanese announcement on April 6, 2018. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material 1. Property photographs

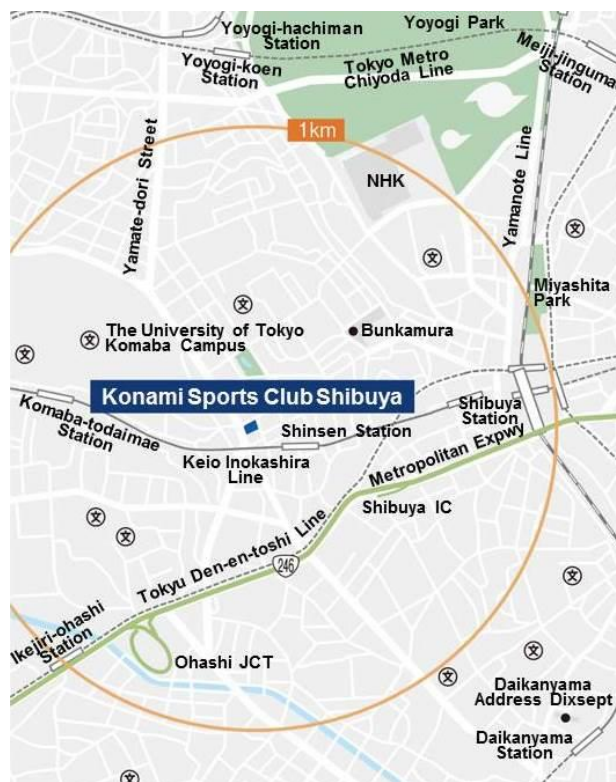
Reference material 2. Map

Reference material 3. Property portfolio of KRR

Reference material 1. Property photographs



Reference material 2. Map



Reference material 3. Property portfolio of KRR (after the acquisition of Konami Sports Club and Costco Wholesale Sapporo Warehouse and disposition of K's Denki Nakagawa Tomita (Land))

No.	Type (Note1)	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	7.0
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	8,820	3.8
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,370	2.7
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	5,940	2.5
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	4,850	2.1
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,310	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	2,750	1.2
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,400	2.3
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,530	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	807	0.4
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	April 21, 2016	3,360	3,820	1.6
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	April 20, 2016	1,724	1,910	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	4,300	2.0
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	April 19, 2017	3,416	3,520	1.6
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	May 18, 2017	3,097	3,260	1.5
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	April 19, 2017	2,820	2,840	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	3,430	1.6

No.	Type (Note1)	Property name	Location	(Anticipated) acquisition date	(Anticipated) 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	9,340	3.9
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,040	1.3
O-3	NSC	Piago Kahma Home Center Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,430	1.0
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,600	5.2
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	6,910	3.1
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,840	3.0
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	1,650	0.7
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	April 21, 2016	3,723	3,870	1.7
N-1	SS	Kahma Home Center Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	2,311	2,630	1.1
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	February 10, 2015	2,174	2,320	1.0
N-3	SS	K's Denki Nakagawa Tomita (Land) (Note 6)	Nagoya, Aichi	February 10, 2015	-	-	-
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,310	3.4
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,430	0.6
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,990	3.7
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,560	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,290	2.4
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,630	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 7)	10,046	11,300	4.7
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	947	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,060	2.0
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,330	1.5
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	876	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-7	Urban Station-Front SC	Solala Plaza	Sendai, Miyagi	April 21, 2016	5,720	5,960	2.7
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	April 22, 2016	4,010	4,340	1.9
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	January 31, 2017	4,111	4,220	1.9
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note 8)	5.0
R-11	SS	Costco Wholesale Sapporo Warehouse (Note 9)	Sapporo, Hokkaido	May 31, 2018	4,210	4,380	2.0
Total/Average					212,897	226,788	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) “(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, 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 2017 for the properties held as of September 30, 2017, as of December 1, 2017 for Ozeki Tokiwadai and as of March 1, 2018 for Konami Sports Club and Costco Wholesale Sapporo Warehouse.

(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) For details of the disposition of K’s Denki Nakagawa Tomita (Land), please refer to “Notice Concerning Disposition of Property (K’s Denki Nakagawa Tomita (Land))” dated November 14, 2017.

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

(Note 8) Represents the amount corresponding to the trust beneficiary co-ownership interest (a trust beneficiary co-ownership interest of 90%).

(Note 9) For details of the acquisition of Costco Wholesale Sapporo Warehouse, please refer to “Notice Concerning Acquisition of Property (Costco Wholesale Sapporo Warehouse)” dated March 30, 2018.