

Translation of Japanese Original

November 17, 2020

To All Concerned Parties

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Kenedix Retail REIT Corporation
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(Securities Code: 3453)

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Notice Concerning Revisions to Earnings and Distributions Forecasts for the Fiscal Period Ending March 31, 2021, and Earnings and Distributions Forecasts for the Fiscal Period Ending September 30, 2021

Kenedix Retail REIT Corporation (“KRR”) announced today revisions to its earnings and distributions forecasts for the fiscal period ending March 31, 2021 (October 1, 2020 to March 31, 2021) announced on May 18, 2020, as well as earnings and distributions forecasts for the fiscal period ending September 30, 2021 (April 1, 2021 to September 30, 2021) as follows.

1. Details of revisions for the fiscal period ending March 31, 2021 (12th fiscal period)

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)	Distributions per unit (including distributions in excess of earnings) (yen)
	(million yen)	(million yen)	(million yen)	(million yen)			
Previous forecast (A)	8,268	4,032	3,454	3,453	6,440	10	6,450
Revised forecast (B)	8,606	4,221	3,633	3,632	6,775	10	6,785
Net change (B-A)	337	188	179	179	335	-	335
Change (%)	4.1%	4.7%	5.2%	5.2%	5.2%	-	5.2%

Expected number of investment units outstanding at the end of the fiscal period: 536,177 units

(Notes)

- The earnings and distributions forecasts for the fiscal period ending March 31, 2021 above are calculated based on the assumptions listed under ATTACHMENT 1 “Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending March 31, 2021 and September 30, 2021”. Therefore, actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding distributions in excess of earnings), distributions in excess of earnings per unit and distributions per unit (including distributions in excess of earnings) may vary due to changes in assumptions, including the additional acquisitions or disposal of properties, changes in tenants or lease conditions and subsequent changes in rent revenues, unexpected repairs and maintenance works and other changes in management environment, changes in interest rates, and offerings of new investment units. In addition, these forecasts do not guarantee the above mentioned distribution amounts.
- The above forecasts may be revised if the degree of deviation with subsequent estimates exceeds a certain level.
- The amounts are rounded down to the nearest whole number; the percentages are rounded to the second decimal place.

2. Details of the forecasts for the fiscal period ending September 30, 2021 (13th fiscal period)

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	Distributions per unit (including distributions in excess of earnings)
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)	(yen)	(yen)
Fiscal period ending September 30, 2021 (13th fiscal period)	8,453	4,156	3,553	3,552	6,625	10	6,635

Expected number of investment units outstanding at the end of the fiscal period: 536,177 units

(Notes)

1. The earnings and distributions forecasts for the fiscal period ending September 30, 2021 are calculated based on the assumptions listed under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending March 31, 2021 and September 30, 2021"*. Therefore, actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding distributions in excess of earnings), distributions in excess of earnings per unit and distributions per unit (including distributions in excess of earnings) may vary due to changes in assumptions, including the additional acquisitions or disposal of properties, changes in tenants or lease conditions and subsequent changes in rent revenues, unexpected repair & maintenance work and other changes in management environment, changes in interest rates, and offerings of new investment units. In addition, these forecasts do not guarantee the above mentioned distribution amounts.
2. The above forecasts may be revised if the degree of deviation with subsequent estimate exceeds a certain level.
3. The amounts are rounded down to the nearest whole number.

3. Reasons for revisions to the forecasts and announcement

Kenedix Real Estate Fund Management, Inc. ("the Asset Manager"), the asset manager for KRR, has decided to dispose of a property (Note). By the disposition, 451 million yen, 342 million yen and 344 million yen gains on sale of the property are assumed for the fiscal period ending March 31, 2021, September 30, 2021 and March 31, 2022, respectively. As a result, KRR is announcing new forecasts as more than 5% difference occurred in the distribution per unit forecast for the fiscal period ending March 31, 2021 (the 12th fiscal period) announced on May 18, 2020.

(Note) For details of the disposition of property, please refer to the press release "Notice Concerning Disposition of Property (Daikanyama Address Dixsept)" released today.

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

This notice is the English translation of the Japanese announcement on November 17, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

[ATTACHMENT 1]

Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending March 31, 2021 and September 30, 2021

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> ➤ Fiscal period ending March 31, 2021 (12th fiscal period): October 1, 2020 – March 31, 2021 (182 days) ➤ Fiscal period ending September 30, 2021 (13th fiscal period): April 1, 2021 – September 30, 2021 (183 days)
Portfolio properties	<ul style="list-style-type: none"> ➤ Earnings forecasts for the fiscal period ending March 31, 2021 and September 30, 2021 are based on 62 properties (as of the end of the fiscal period) which consist of properties and trust beneficiary interest (62 properties in total) owned by KRR as of September 30, 2020 (“the Owned Assets”), excluding Daikanyama Address Dixsept planned to be disposed of on three dates (40% quasi co-ownership interests of the trust beneficiary interest in real estate on December 1, 2020, 30% on April 1, 2021, and 30% on October 1, 2021). Forecasts are based on the assumption that portfolio assets other than the above are not subject to change (such as acquisition of new properties and disposition of owned properties). ➤ The actual property portfolio may change due to the acquisition of new properties or the disposal of owned properties.
Operating revenues	<ul style="list-style-type: none"> ➤ Operating revenues from the Owned Assets are based on the leasing agreements as of September 30, 2020, and other factors, including expectations based on market trends. ➤ Gains on the sale of 451 million yen and 342 million yen are assumed for the fiscal period ending March 31, 2021 and September 30, 2021, respectively by disposing Daikanyama Address Dixsept. ➤ Due to the effects of the spread of COVID-19, 41 million yen is assumed in the fiscal period ending March 31, 2021 (12th fiscal period) and 41 million yen is assumed in the fiscal period ending September 30, 2021 (13th fiscal period) as a certain risk, taking into account possible risk of further increase in the number of COVID-19 cases and another state of emergency declaration. ➤ Forecasts are based on the assumption that there will be no rent in arrears or non-payments by tenants.
Operating expenses	<ul style="list-style-type: none"> ➤ Property-related operating expenses other than depreciation are calculated based on historic data, etc. and these expenses reflect fluctuations in costs, including leasing costs based on the leasing agreements. ➤ Depreciation expenses of 1,059 million yen and 1,066 million yen are assumed for the fiscal periods ending March 31, 2021 and September 30, 2021, respectively, using the straight-line depreciation method. ➤ Property-related taxes are assumed at 737 million yen for the fiscal period ending March 31, 2021 and 737 million yen for the fiscal period ending September 30, 2021. When a property is sold, the purchaser of the property typically reimburses the seller, pursuant to the purchase agreement, for the pro rata portion of the property-related taxes that relates to the period from the acquisition date to the end of the calendar year in which the acquisition occurs. As is customary for property transactions in Japan and in accordance with Japanese GAAP, KRR intends to capitalize the portions of the property-related taxes on the properties to be acquired. With respect to building repair expenses, the amount assumed to be necessary for each property is based on the repair plan of the asset manager (Kenedix Real Estate Fund Management, Inc.) for each fiscal period. However, repair expenses may be substantially different from the expected amount due to certain unexpected factors.
Non-operating expenses	<ul style="list-style-type: none"> ➤ The amortization of offering-related costs are expected to be expensed 7 million yen and 7 million yen for the fiscal periods ending March 31, 2021 and September 30, 2021. It is assumed that the offering-related costs are amortized using the straight-line method over three years. ➤ For interest expenses and other debt-related costs, 579 million yen and 595 million yen are expected for the fiscal periods ending March 31, 2021 and September 30, 2021, respectively.
Borrowings and investment corporation bonds	<ul style="list-style-type: none"> ➤ As of today, KRR has an outstanding balance of 104,800 million yen in borrowings and 8,000 million yen in investment corporation bonds. ➤ LTV ratios at the end of the period ending March 31, 2021 and September 30, 2021 are estimated to be approximately 44.9% (rounded to the nearest tenth). ➤ LTV ratios are calculated according to the following formula: ➤ $LTV\ ratio = (Outstanding\ borrowings + Outstanding\ investment\ corporation\ bonds) / Total\ assets$
Investment units	<ul style="list-style-type: none"> ➤ The forecasts are based on our assumption of 536,177 units issued as of today. It is assumed that there will be no changes in the number of investment units due to the new issuance of units until the end of the fiscal period ending September 30, 2021.
Distributions per unit (excluding	<ul style="list-style-type: none"> ➤ Distributions per unit (excluding distributions in excess of earnings per unit) are calculated in accordance with the distribution policy outlined in KRR’s Articles of Incorporation.

distributions in excess of earnings)	<ul style="list-style-type: none"> ➤ KRR assumes that there is no effect from the changes in market value of swaps on the distributions per unit for the fiscal periods ending March 31, 2021 and September 30, 2021. ➤ Actual distributions per unit (excluding distributions in excess of earnings per unit) may fluctuate due to various factors including movements in investment assets, fluctuations in rental revenues caused by tenant replacements or unexpected repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ➤ KRR expects to record Allowance for Temporary Adjustment (“ATA”) to adjust the temporary differences between treatment of certain transactions under Japanese GAAP and Japanese tax laws in relation to Sunny Noma, which results from the depreciation of fixed term land lease right for business purposes, the expensed interest from asset retirement obligations and depreciation of buildings, during the relevant period (30 years starting from March 16, 2007). Although KRR assumes that there is no effect from the changes in the market value of swaps on the distributions per unit, KRR may not record ATA, depending on the market value, which may change due to the fluctuations in the interest rate market. ➤ KRR has a policy to distribute the amount of increase in ATA, in excess of its earnings. Distributions in excess of earnings are expected to be 10 yen per unit in each period ending March 31, 2021 and September 30, 2021.
Others	<ul style="list-style-type: none"> ➤ Forecasts are based on the assumption that there will be no amendments to the law, taxation system, accounting standards, public listing regulations, requirements of the Investment Trusts Association, Japan, etc. which may affect the aforementioned forecast figures. ➤ Forecasts are based on the assumption that there will be no unexpected significant changes in general economic trends and real estate market trends or other conditions.