Translation of Japanese Original

KENEDIX
Retail REIT Corporation

March 31, 2017

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 September 30, 2017, and Earnings and Distributions Forecasts for the Fiscal Period Ending March 31, 2018

Kenedix Retail REIT Corporation ("KRR") announced today revisions to its earnings and distributions forecasts for the fiscal period ending September 30, 2017 (April 1, 2017 to September 30, 2017) announced on November 16, 2016, as well as earnings and distributions forecasts for the fiscal period ending March 31, 2018 (October 1, 2017 to March 31, 2018) as follows.

1. Details of revisions for the fiscal period ending September 30, 2017 (5th fiscal period)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	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)
Previous forecast (A)	6,451	2,925	2,464	2,463	5,830	13	5,843
Revised forecast (B)	7,655	3,618	3,067	3,067	6,040	11	6,051
Net change (B-A)	1,204	692	603	603	210	-2	208
Change (%)	18.7%	23.7%	24.5%	24.5%	3.6%	-15.4%	3.6%

Estimated number of investment units outstanding at the end of the fiscal period: 507,700 units

(Notes)

1. The earnings and distributions forecasts for the fiscal period ending September 30, 2017 above are calculated based on the assumptions listed under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending September 30, 2017 and March 31, 2018"*. 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, the actual number and issue price of new investment units to be issued, and additional 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 estimates exceeds a certain level.
3. The amounts are rounded down to the nearest whole number; the percentages are rounded to the second decimal place.

Disclaimer: This press release is not an offer to sell or a solicitation of any offer to buy the securities of KRR in the United States or elsewhere. Investment units may not be offered or sold in the United States without registration or an exemption from registration under the United States Securities Act of 1933 (the "Securities Act"). Any public offering of investment units to be made in the United States will be made by means of an English language prospectus prepared in accordance with the Securities Act that may be obtained from KRR and that will contain detailed information about KRR and its management, as well as KRR's financial statements. However, KRR will not undertake a public offering and sale of investment units in the United States, and the investment units have not been and will not be registered under the Securities Act.

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2. Details of the forecasts for the fiscal period ending March 31, 2018 (6th fiscal period)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	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)
Fiscal period ending March 31, 2018	7,682	3,631	3,085	3,085	6,076	11	6,087

Estimated number of investment units outstanding at the end of the fiscal period: 507,700 units

(Notes)

1. The earnings and distributions forecasts for the fiscal period ending March 31, 2018 are calculated based on the assumptions listed under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending September 30, 2017 and March 31, 2018"*. 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, the actual number and issue price of new investment units to be issued, and additional 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

KRR resolved at the Board of Directors meeting held today the issuance of new investment units, the secondary offering of investment units (Note 1) and the acquisition of properties (Note 2). To reflect the above and the borrowings as described under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending September 30, 2017 and March 31, 2018"* KRR has revised its earnings and distributions forecasts for the fiscal period ending September 30, 2017 announced on November 16, 2016.

KRR has also newly announced its earnings and distributions forecasts for the fiscal period ending March 31, 2018.

(Notes)

1. For details of issuance of new investment units and secondary offering, please refer to the press release "Notice Concerning Issuance of New Investment Units and Secondary Offering" released today.
2. For details of the acquisitions of properties, please refer to the press release "Notice Concerning Acquisition and Leasing of Assets (8 Properties)" released today.

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

This notice is the English translation of the Japanese announcement on March 31, 2017. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

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[ATTACHMENT 1]

Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending September 30, 2017 and March 31, 2018

Item	Assumptions
Calculation period	➢ Fiscal period ending September 30, 2017 (5th fiscal period): April 1, 2017 – September 30, 2017 (183 days) ➢ Fiscal period ending March 31, 2018 (6th fiscal period): October 1, 2017 – March 31, 2018 (182 days)
Portfolio properties	➢ KRR anticipates acquiring 8 properties (the "Anticipated Properties") as announced in its press release "Notice Concerning Acquisition and Leasing of Assets (8 Properties)" on April 19, 2017, April 27, 2017 and May 18, 2017. After the offerings, KRR is expected to own 50 properties including K's Denki Shin-Moriyama (Land) and Seiyu Rakuichi Moriya (Land). KRR assumes that there will be no other changes to the portfolio (any acquisition of new properties or any sale of existing properties, etc.) until the end of the fiscal period ending March 31, 2018. ➢ The actual portfolio may change, however, due to the acquisition of new properties other than the Assets to be Acquired or the disposal of owned properties, etc.
Operating revenues	➢ Operating revenues from the existing properties are based on the leasing agreements currently in place, and other factors, including expectations based on market trends. ➢ Operating revenues from the properties to be acquired are based on the information provided by the sellers, the leasing agreements on the properties to be acquired that will be effective on the acquisition dates, and other factors, including expectations based on market trends. ➢ Forecasts are based on the assumption that there will be no rent in arrears or non-payments by tenants.
Operating expenses	➢ 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 868 million yen and 871 million yen are assumed for the fiscal periods ending September 30, 2017 and March 31, 2018, respectively, using the straight-line depreciation method. ➢ Property-related taxes of 563 million yen are assumed for the fiscal periods ending September 30, 2017 and March 31, 2018. 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. For the Anticipated Properties and Seiyu Rakuichi Moriya (Land), property-related taxes from the date of acquisition to December 31, 2017 are not expensed in the fiscal periods ending September 30, 2017 and March 31, 2018. In addition, property-related taxes for existing properties from January 1, 2018 to March 31, 2018 will not be expensed as such property-related taxes will be determined after April 2018. For details of the impact that capitalization of such costs would have on our forecasts for the fiscal period ending March 31, 2018, please see *ATTACHMENT 2 "(Reference) Adjusted Forecasts for the Fiscal Period Ending March 31, 2018"*. ➢ 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	➢ The offering-related costs will be amortized using the straight-line method over 3 years. The amortization of related costs, including those related to the primary and secondary offering of investment units on February 10, 2015, October 2, 2015 and April 21, 2016, are assumed at 96 million yen for the fiscal period ending September 30, 2017 and 84 million yen for the fiscal period ending March 31, 2018. ➢ Interest expenses and other debt-related expenses are assumed at 448 million yen for the fiscal period ending September 30, 2017 and 454 million yen for the fiscal period ending March 31, 2018.
Borrowings and investment corporation bonds	➢ KRR assumes that it will borrow an aggregate of 13,700 million yen on April 27, 2017 and May 18, 2017, in addition to the outstanding borrowings of 72,700 million yen and the outstanding investment corporation bonds of 2,000 million yen as of today. It is also assumed that a portion of the short-term loans payable will be repaid in the fiscal period ending September 30, 2017 with the proceeds from the third-party allotment of investment units (up to 4,000 units). ➢ LTV ratios at the end of fiscal period ending September 30, 2017 and March 31, 2018 are estimated to be approximately 43.0% (rounded off to the first decimal place). ➢ LTV ratios are calculated according to the following formula: LTV ratio = (Borrowings + Investment corporation bonds + Tenant leasehold and security deposits –

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	Amounts reserved for return of tenant leasehold and security deposits)/(Total assets – Amounts reserved for return of tenant leasehold and security deposits). ➢ LTV ratios are subject to change depending on the number and issue price of new investment units.
Investment units	➢ It is assumed that in addition to the 422,450 units currently outstanding as of today, all of the new investment units planned for issuance, totaling 81,250 units, and the third-party allotment of investment units (up to 4,000 units), will be issued as planned through the public offering of new investment units (totaling 85,250 units), as decided at the Board of Directors Meeting held today. ➢ It is assumed that, excluding the above, 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 March 31, 2018. ➢ The distributions per unit for the above fiscal periods have been calculated based on the forecast maximum number of investment units issued, totaling 507,700 units, at the end of the fiscal periods ending September 30, 2017 and March 31, 2018 including the 85,250 new investment units being issued.
Distributions per unit (excluding distributions in excess of earnings)	➢ 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. ➢ It is assumed that fluctuation in price of interest swap does not impact on the distributions per unit in the fiscal periods ending September 30, 2017 and March 31, 2018. ➢ 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	➢ KRR expects to record allowance for temporary difference 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). ➢ KRR has a policy to distribute the amount of increase in ATA, in excess of its earnings, and anticipate implementing such distributions of 11 yen per unit in the periods ending September 30, 2017 and March 31, 2018.
Others	➢ 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. that 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.

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[ATTACHMENT 2]

"(Reference) Adjusted Forecasts for the Fiscal Period Ending March 31, 2018"

	Fiscal period ending March 31, 2018 (as of March 31, 2017)	Adjusted forecasts assuming expensing property-related taxes, etc. for the fiscal period ending March 31, 2018
Operating revenues (million yen)	7,682	7,682
Operating income (million yen)	3,631	3,545
Ordinary income (million yen)	3,085	3,022
Net income (million yen)	3,085	3,021
Distributions per unit (excluding distributions in excess of earnings) (yen)	6,076	5,951
Distributions in excess of earnings per unit (yen)	11	10
Distributions per unit (including distributions in excess of earnings per unit) (yen)	6,087	5,961
Number of investment units outstanding (units)	507,700	507,700

<Adjusted forecasts assuming expensing property-related taxes, etc. for the fiscal period ending March 31, 2018>

Changes have been made to forecast financials of the fiscal period ending March 31, 2018, based on the assumptions that:

- The impact to forecasts in case where annual property-related taxes for the Anticipated Properties and Seiyu Rakuichi Moriya (Land) expensed is expected to be 99 million yen.
- It is assumed that amortization expenses of 22 million yen related to the cost of the issuance of new investment units and secondary offering as of February 10, 2015 which will be fully amortized in the fiscal period ending March 31, 2018 would not impact the forecasts for the fiscal period ending September 30, 2018 and thereafter, where property-related taxes of Anticipated Properties and Seiyu Rakuichi Moriya (Land) will be expensed.
- Asset management fees are assumed to decrease by 12 million yen considering the increase in operating expense and the decrease in non-operating expenses due to the completion of the depreciation related to the issuance of new investment units and secondary offering as of February 10, 2015.

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