KENEDIX
Retail REIT Corporation

Translation of Japanese Original

October 8, 2019

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, 2020, and Earnings and Distributions Forecasts for the Fiscal Period Ending September 30, 2020

Kenedix Retail REIT Corporation ("KRR") announced today revisions to its earnings and distributions forecasts for the fiscal period ending March 31, 2020 (October 1, 2019 to March 31, 2020) announced on May 16, 2019, as well as earnings and distributions forecasts for the fiscal period ending September 30, 2020 (April 1, 2020 to September 30, 2020) as follows. No revisions were made to earnings and distributions forecasts for the fiscal period ended September 30, 2019 (April 1, 2019 to September 30, 2019) which KRR announced on May 16, 2019.

1. Details of revisions for the fiscal period ending March 31, 2020 (10th 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)	8,298	3,809	3,226	3,226	6,354	10	6,364
Revised forecast (B)	8,257	4,087	3,482	3,481	6,491	10	6,501
Net change (B-A)	-41	277	255	255	137	-	137
Change (%)	-0.5%	7.3%	7.9%	7.9%	2.2%	-	2.2%

Expected number of investment units outstanding at the end of the fiscal period: 536,300 units

(Notes)

1. The earnings and distributions forecasts for the fiscal period ending March 31, 2020 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, 2020 and September 30, 2020".* 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

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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.

2. Details of the forecasts for the fiscal period ending September 30, 2020 (11th 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 September 30, 2020 (11th fiscal period)	8,414	4,069	3,484	3,483	6,496	10	6,506

Expected number of investment units outstanding at the end of the fiscal period: 536,300 units

(Notes)
1. The earnings and distributions forecasts for the fiscal period ending September 30, 2020 are calculated based on the assumptions listed under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending March 31, 2020 and September 30, 2020"*. 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). KRR has revised its earnings and distributions forecasts for the fiscal period ending March 31, 2020 announced on May 16, 2019 because a material change occurred in its preconditions as a result of the above and the borrowings as described under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending March 31, 2020 and September 30, 2020"*.

KRR has also newly announced its earnings and distributions forecasts for the fiscal period ending September 30, 2020.

(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 acquisition of properties, please refer to the press release "Notice Concerning Acquisition and Leasing of Assets (5 Properties)" released today.

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

This notice is the English translation of the Japanese announcement on October 8, 2019. 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 March 31, 2020 and September 30, 2020

Item	Assumptions
Calculation period	➢ Fiscal period ending March 31, 2020 (10th fiscal period): October 1, 2019 – March 31, 2020 (183 days) ➢ Fiscal period ending September 30, 2020 (11th fiscal period): April 1, 2020 – September 30, 2020 (183 days)
Portfolio properties	➢ Earnings forecasts for the fiscal period ending March 31, 2020 are based on 61 properties (as of the end of the fiscal period) which consist of properties and trust beneficiary interest (55 properties in total) owned by KRR as of September 30, 2019 excluding Welcia Kishiwadakamori (Land) to be disposed on October 31, 2019 ("the Asset to be Disposed"), and including Gyoda Distribution Center acquired on October 1, 2019 (Gyoda Distribution Center and properties and trust beneficiary interest owned by KRR as of September 30, 2019 are collectively referred to as "the Owned Assets"), Apita Terrace Yokohama Tsunashima to be acquired on November 1, 2019, and trust beneficiary interest in five domestic properties to be acquired on October 24 and November 1, 2019 (Apita Terrace Yokohama Tsunashima and the trust beneficiary interest to be acquired are collectively referred to as "the Assets to be Acquired"). Please refer to KRR's press release "Notice Concerning Disposition of Property (Welcia Kishiwadakamori (Land))" released on May 16, 2019 for the disposition of Welcia Kishiwadakamori (Land), "Notice Concerning Acquisition of 3 Properties and Disposition and Termination of Lease in respect of Fululu Garden Yachiyo" released on September 11, 2019 for the acquisition of Gyoda Distribution Center and Apita Terrace Yokohama Tsunashima, and "Notice Concerning Acquisition and Leasing of Assets (5 Properties)" released today for trust beneficiary interest in five domestic properties. ➢ 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	➢ Operating revenues from the Owned Assets 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. ➢ Gains on sale of 56 million yen is assumed for the fiscal period ending March 31, 2020 by disposing Welcia Kishiwadakamori (Land). ➢ 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 1,014 million yen and 1,025 million yen are assumed for the fiscal periods ending March 31, 2020 and September 30, 2020, respectively, using the straight-line depreciation method. ➢ Property-related taxes are assumed at 630 million yen for the fiscal period ending March 31, 2020 and 740 million yen for the fiscal period ending September 30, 2020. 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. Property-related taxes on the Assets to be Acquired and properties acquired after January 1, 2019, which will be imposed from their acquisition date through December 31, 2019, are not expensed in the fiscal period ending March 31, 2020. As the imposition of property-related taxes for fiscal period 2020 will be determined in April 2020 onward, property-related taxes on properties owned as of January 1, 2020,

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	which will be imposed from the date through March 31, 2020, will not be expensed for the fiscal period ending March 31, 2020. ➢ 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 April 19,2017, are assumed at 27 million yen for the fiscal period ending March 31, 2020 and 8 million yen for the fiscal period ending September 30, 2020. ➢ Interest expenses and other debt-related expenses are assumed at 578 million yen for the fiscal period ending March 31, 2020 and 576 million yen for the fiscal period ending September 30, 2020.
Borrowings and investment corporation bonds	➢ KRR assumes that it will borrow an aggregate of 4,800 million yen on November 1, 2019, in addition to the outstanding borrowings of 99,100 million yen and the outstanding investment corporation bonds of 7,000 million yen as of today. ➢ LTV ratios at the end of fiscal period ending March 31, 2020 and September 30, 2020 are estimated to be approximately 44.5% (rounded off to the first decimal place). ➢ LTV ratios are calculated according to the following formula: LTV ratio = (Outstanding borrowings + Outstanding investment corporation bonds)/Total assets. ➢ 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 507,700 units currently outstanding as of today, all of the new investment units planned for issuance (totaling 28,600 units at most) through the issuance of new investment units (27,300 units to be purchased and underwritten by undertaking companies in the primary offering) and the third-party allotment of investment units (up to 1,300 units), will be issued 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 September 30, 2020. ➢ The distributions per unit for the fiscal periods ending March 31, 2020 and September 30, 2020 have been calculated based on the forecast maximum number of investment units issued, totaling 536,300 units, at the end of the fiscal periods including the above 28,600 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. ➢ 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, 2020 and September 30, 2020. ➢ 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 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 the each period ending March 31, 2020 and September 30, 2020.
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

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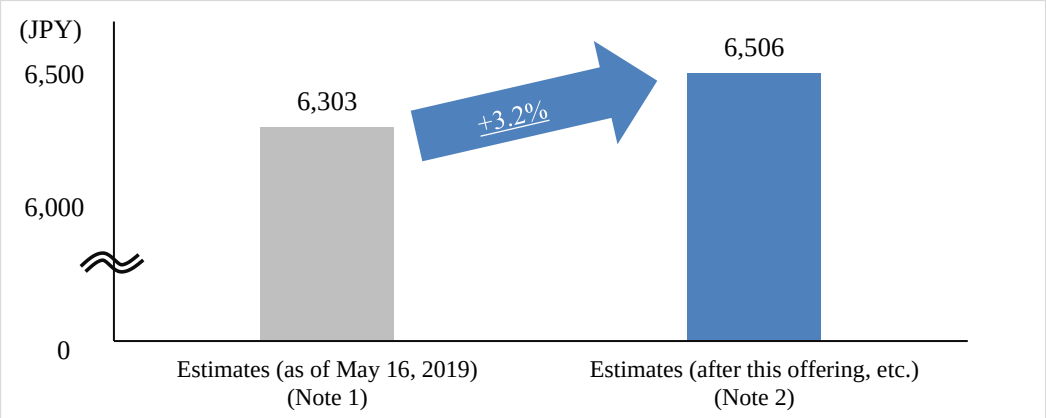
	Investment Trusts Association, Japan, etc. which may affect the aforementioned forecast figures. ➢ Forecasts are based on the assumption that there will be no unexpected significant changes in general economic trends and real estate market trends or other conditions.

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[ATTACHMENT 2]

Historical estimated DPU after adjusting for special factors

	Estimated earnings and distributions excluding temporary special factors such as profit and loss on sale based on the assumption that property-related taxes are expensed in the fiscal period ending March 31, 2020 (as of May 16, 2019) (Note 1)	Estimated earnings and distributions excluding temporary special factors such as profit and loss on sale based on the assumption that property-related taxes are expensed in the fiscal period ending September 30, 2020 (after this offering, etc.) (Note 2)
Operating revenues (million yen)	8,242	8,414
Operating income (million yen)	3,758	4,069
Ordinary income (million yen)	3,195	3,484
Net income (million yen)	3,194	3,483
Distributions per unit (excluding distributions in excess of earnings) (yen)	6,293	6,496
Distributions in excess of earnings per unit (yen)	10	10
Distributions per unit (including distributions in excess of earnings per unit) (yen)	6,303	6,506
Number of investment units outstanding (units)	507,700	536,300



(Notes)

1. Upon announcing earnings forecasts, KRR calculates estimated earnings and distributions excluding temporary special factors such as profit and loss on sales based on the assumption that property-related taxes are expensed. The estimated earnings and distributions , which were announced on May 16, 2019, is presented to enable understanding of changes from the previous estimates.
2. As property-related taxes will have been expensed and there will be no profit or loss on sales in the fiscal period ending September 30, 2020 after this offering, KRR's earnings and distributions forecasts for the fiscal period ending September 30, 2020, notified in this press release, is shown above as the estimated earnings and distributions excluding temporary special factors such as profit and loss on sales based on the assumption that property-related taxes are expensed in the fiscal period ending September 30, 2020.

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<Preconditions for estimated earnings and distributions excluding temporary special factors such as profit and loss on sales based on the assumption that property-related taxes are to be expensed in the fiscal period ending March 31, 2020 (as of May 16, 2019)>

The estimated earnings and distributions are calculated according to the following preconditions amended based on estimated earnings and distributions forecasts for the fiscal period ending March 31, 2020 as of May 16, 2019.

- It is estimated that if property-related taxes on Zama Distribution Center, Oppama Distribution Center, Musashi Ranzan Distribution Center, and Yokohama Kamigo Distribution Center are expensed throughout the operation period, the amount of such impact would be 23 million yen.
- After deducting profit of 56 million yen gained through the disposition of Welcia Kishiwadakamori (Land) from operating income, non-deductible consumption taxes related to the disposition are estimated at 4 million yen.
- The amount of depreciation of fixed assets and deferred assets which will end in the fiscal period ending March 31, 2020 is estimated at 30 million yen.
- Asset management fees are expected to decrease by 13 million yen due to fluctuation of profit related to the above.

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