KENEDIX
Retail REIT Corporation

Translation of Japanese Original

May 18, 2020

To All Concerned Parties

REIT Issuer:
Kenedix Retail REIT Corporation
Representative: Moyuru Watanabe, 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, Retail REIT Department
TEL: +81-3-5157-6013

Notice Concerning Revisions to Earnings and Distributions Forecasts for the Fiscal Period Ending September 30, 2020, and Earnings and Distributions Forecasts for the Fiscal Period Ending March 31, 2021

Kenedix Retail REIT Corporation ("KRR") announced today revisions to its earnings and distributions forecasts for the fiscal period ending September 30, 2020 (April 1, 2020 to September 30, 2020) announced on November 15, 2019, as well as earnings and distributions forecasts for the fiscal period ending March 31, 2021 (October 1, 2020 to March 31, 2021) as follows.

1. Details of revisions 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)
Previous forecast (A)	8,414	4,069	3,484	3,483	6,496	10	6,506
Revised forecast (B)	7,857	3,547	2,966	2,965	5,530	10	5,540
Net change (B-A)	-556	-521	-518	-518	-966	-	-966
Change (%)	-6.6%	-12.8%	-14.9%	-14.9%	-14.8%	-	-14.8%

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, 2020 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, 2020 and March 31, 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, 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 March 31, 2021 (12th 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, 2021 (12th fiscal period)	8,268	4,032	3,454	3,453	6,440	10	6,450

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 March 31, 2021 are calculated based on the assumptions listed under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending September 30, 2020 and March 31, 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, 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

With the spread of novel coronavirus (COVID-19) and the state of emergency declaration, some tenants were forced to suspend operations. KRR has determined that it is necessary to accept temporary rent reduction/deferral requests for some tenants and aim to coexist with them in order to sustain businesses of tenants facing a sharp decline in sales due to the spread of COVID-19. Taking into account the spread of COVID-19 and the impact of discussions with tenants regarding temporary rent reductions/deferrals, a decrease in sales-linked rent, and delayed leasing of vacant spaces, KRR estimates negative impact of 645 million yen and 52 million yen on operating revenues for the 11th fiscal period ending September 30, 2020 and for the 12th fiscal period ending March 31, 2021, respectively, as a certain risk. 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 September 30, 2020 (the 11th fiscal period) and the forecast announced in the "Financial Report for the Fiscal Period Ended September 30, 2019 (REIT)" dated November 15, 2019.

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

This notice is the English translation of the Japanese announcement on May 18, 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 September 30, 2020 and March 31, 2021

Item	Assumptions
Calculation period	➢ Fiscal period ending September 30, 2020 (11th fiscal period): April 1, 2020 – September 30, 2020 (183 days) ➢ Fiscal period ending March 31, 2021 (12th fiscal period): October 1, 2020 – March 31, 2021 (182 days)
Portfolio properties	➢ Earnings forecasts for the fiscal period ending September 30, 2020 are based on 63 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 March 31, 2020 ("the Owned Assets") and Comfort Market Nishi-Magome acquired on April 15, 2020 ("the Acquired Asset"). Earnings forecasts for the fiscal period ending March 31, 2021 are based on 62 properties, excluding K's Denki Shin-Moriyama (Land) planned to be disposed of on September 30, 2020 ("the Disposing Asset"). 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 as of March 31, 2020, and other factors, including expectations based on market trends. ➢ Operating revenues from the Acquired Asset are based on the information provided by the sellers, the leasing agreements on the properties that are effective on the acquisition dates, and other factors, including expectations based on market trends. ➢ Gains on the sale of 123 million yen is assumed for the fiscal period ending September 30, 2020 by disposing K's Denki Shin-Moriyama (Land). ➢ Due to the effects of the spread of COVID-19, 645 million yen is assumed in the fiscal period ending September 30, 2020 (11th fiscal period) and 52 million yen is assumed in the fiscal period ending March 31, 2021 (12th fiscal period) as a certain risk, taking into account current discussions with tenants on temporary rent reductions/deferrals. ➢ 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 1,046 million yen and 1,060 million yen are assumed for the fiscal periods ending September 30, 2020 and March 31, 2021, respectively, using the straight-line depreciation method. ➢ Property-related taxes are assumed at 741 million yen for the fiscal period ending September 30, 2020 and 740 million yen for the fiscal period ending March 31, 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	➢ The amortization of offering-related costs are expected to be expensed 7 million yen and 7 million yen for the fiscal periods ending September 30, 2020 and March 31, 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, 573 million yen and 570 million yen are expected for the fiscal periods ending September 30, 2020 and March 31, 2021, respectively.
Borrowings and investment corporation bonds	➢ 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 September 30, 2020 and March 31, 2021 are estimated to be approximately 45.0% (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	➢ 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 March 31, 2021.

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 September 30, 2020 and March 31, 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	➢ 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 September 30, 2020 and March 31, 2021.
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. 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.