KENEDIX
Retail REIT Corporation

Translation of Japanese Original

July 30, 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

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 May 18, 2020, 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)	7,857	3,547	2,966	2,965	5,530	10	5,540
Revised forecast (B)	8,151	3,849	3,268	3,267	6,093	10	6,103
Net change (B-A)	293	301	301	301	563	-	563
Change (%)	3.7%	8.5%	10.2%	10.2%	10.2%	-	10.2%

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 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending 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 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.
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. 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 mainly in April and May 2020, when the state of emergency declaration was issued. Taking into account the spread of COVID-19 and the state of emergency declaration, 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 had estimated 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 in the "Financial Report for the Fiscal Period Ended March 31, 2020 (REIT)" dated May 18, 2020.

Subsequently, the state of emergency declaration was lifted earlier than KRR had anticipated in all of Japan by May 25, 2020 and temporary rent reduction/deferral requests have been settled for 88.6% of requests by July 27, 2020 (settled requests include those agreed not to give rent reductions/deferrals). In addition, it became clear that the decrease in sales-linked rent from April to June 2020 was not as large as the initial estimate. As a result, KRR is announcing new forecasts for the fiscal period ending September 30, 2020 (the 11th fiscal period) as more than 5% difference occurred in the distribution per unit forecast from the forecast announced in the "Financial Report for the Fiscal Period Ended March 31, 2020 (REIT)" dated May 18, 2020.

The revisions to the forecasts for the fiscal period ending September 30, 2020 reflect the following.

- the results of discussions with tenants regarding temporary rent reductions/deferrals
  (assumes a certain risk of a decrease in revenues for rent reduction/deferral requests currently under discussion; in addition, assumes a certain risk of a decrease in revenues due to impact from further spread of COVID-19 in August and September 2020, such as another state of emergency declaration)
- actual sales-linked rent from April to June 2020
  (assumes a certain risk of a decrease in revenues from sales-linked rent from July to September 2020, including impact from further spread of COVID-19 in August and September 2020, such as another state of emergency declaration)
- Total of 229 million yen is assumed as a certain future risk due to impact from the spread of COVID-19. The impact from the already-agreed rent reductions/deferrals and decrease in actual sales-linked rent are not included in this 229 million yen

KRR is not making changes to the forecasts for the fiscal period ending March 31, 2021 as of today.

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

This notice is the English translation of the Japanese announcement on July 30, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

[ATTACHMENT]

Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ending September 30

Item	Assumptions
Calculation period	➢ 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 September 30, 2020 are based on 63 properties which consist of properties and trust beneficiary interest owned by KRR as of July 30, 2020 ("the Owned Assets"). K's Denki Shin-Moriyama (Land) ("the Disposing Asset") is planned to be disposed of on September 30, 2020. ➢ 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 July 30, 2020, 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 of K's Denki Shin-Moriyama (Land). ➢ Due to the effects of the spread of COVID-19, 229 million yen is assumed in the fiscal period ending September 30, 2020 (11th fiscal period) as a certain risk, taking into account temporary rent reductions/deferrals, decrease in sales-linked rent and delayed leasing. 229 million yen excludes the impact from the already-agreed rent reductions/deferrals and decrease in actual sales-linked rent, but includes the impact from further spread of COVID-19 in August and September 2020, such as 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	➢ 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 are assumed for the fiscal periods ending September 30, 2020 using the straight-line depreciation method. ➢ Property-related taxes are assumed at 742 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. Therefore, for assets acquired on or after January 1, 2020, property-related taxed will be reflected as costs from the fiscal period ending September 2021. ➢ 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 is expected to be expensed 7 million yen for the fiscal periods ending September 30, 2020. 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 are expected for the fiscal periods ending September 30, 2020.
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 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 September 30, 2020.
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. ➢ 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 period ending 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 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.