KENEDIX
Retail REIT Corporation

Translation of Japanese Original

April 7, 2021

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 Periods Ending March 31, 2021 and September 30, 2021, and Earnings and Distributions Forecasts for the Fiscal Period Ending March 31, 2022

Kenedix Retail REIT Corporation ("KRR") announced today revisions to its earnings and distributions forecasts for the fiscal periods ending March 31, 2021 (October 1, 2020 to March 31, 2021) and September 30, 2021 (April 1, 2021 to September 30, 2021) announced on November 17, 2020, as well as earnings and distributions forecasts for the fiscal period ending March 31, 2022 (October 1, 2021 to March 31, 2022) as follows.

1. Details of revisions for the fiscal periods ending March 31, 2021 (12th fiscal period) and September 30, 2021 (13th fiscal period)

(1) Fiscal period ended 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)
Previous forecast (A)	8,606	4,221	3,633	3,632	6,775	10	6,785
Revised forecast (B)	8,708	4,330	3,749	3,748	6,990	10	7,000
Net change (B-A)	102	109	115	115	215	-	215
Change (%)	1.2%	2.6%	3.2%	3.2%	3.2%	-	3.2%

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This press release does not constitute an offer of securities in the United States of America. The investment units have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act"). The investment units may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The investment units referred to above will not be offered, publicly or otherwise, in the United States.

(2) Fiscal period ending September 30, 2021 (13th fiscal period)

	Operating revenue (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)	8,453	4,156	3,553	3,552	6,625	10	6,635
Revised forecast (B)	9,495	4,790	4,158	4,157	7,141	9	7,150
Net change (B-A)	1,042	634	605	605	516	-1	515
Change (%)	12.3%	15.3%	17.0%	17.0%	7.8%	-10.0%	7.8%

Fiscal period ended March 31, 2021: Number of investment units outstanding at the end of the fiscal period: 536,177 units

Fiscal period ending September 30, 2021: Expected number of investment units outstanding at the end of the fiscal period: 582,177 units

(Notes)

1. The earnings and distributions forecasts for the fiscal periods ending March 31, 2021 and September 30, 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, September 30, 2021, and March 31, 2022"*. 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 off to the first decimal place.

2. Details of the forecasts for the fiscal period ending March 31, 2022 (14th 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, 2022 (14th fiscal period)	9,129	4,705	4,071	4,070	6,991	9	7,000

Fiscal period ending March 31, 2022: Expected number of investment units outstanding at the end of the fiscal period: 582,177 units

(Notes)

1. The earnings and distributions forecasts for the fiscal period ending March 31, 2022 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, September 30, 2021 and March 31, 2022"*. 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 and 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

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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 off to the first decimal place.

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 and disposition of properties (Note 2). KRR has revised its earnings and distributions forecasts for the fiscal period ending September 30, 2021 announced on November 17, 2020 because a material change occurred in its assumptions 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, 2021, September 30, 2021, and March 31, 2022".*

As for the fiscal period ended March 31, 2021, KRR had estimated a certain risk on real estate lease revenues due to the effects of the expanding COVID-19 pandemic on the operating revenue as described in "Financial Report for the fiscal period ended September 30, 2020" announced on November 17, 2020. However, KRR has revised the assumptions for earnings and distributions forecasts as the negative impact in association with the COVID-19 pandemic was not as large as the initial estimate.

KRR has also newly announced its earnings and distributions forecasts for the fiscal period ending March 31, 2022 along with the acquisition of the aforementioned properties and borrowings.

(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 and disposition of properties, please refer to the press release "Notice Concerning Acquisition and Leasing of 4 Properties and Disposition of Property (Unicus Ina (20% quasi-co-ownership interest))" released today.

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

This notice is the English translation of the Japanese announcement on April 7, 2021. 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, 2021, September 30, 2021, and March 31, 2022

Item	Assumptions
Calculation period	➢ Fiscal period ended 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) (183days) ➢ Fiscal period ending March 31, 2022 (14th fiscal period): (October 1, 2021 – March 31, 2022) (182 days)
Portfolio properties	➢ Earnings forecasts for the fiscal period ending September 30, 2021 are based on 66 properties (as of September 30, 2021) which consist of properties and trust beneficiary interest (64 properties in total) owned by KRR as of March 31, 2021 and its trust beneficiary interest in four domestic properties to be acquired on April 9, 2021, April 21, 2021, and April 30, 2021 ("Properties to be Acquired", one of which is 49% quasi-co-ownership interest of Apita Terrace Yokohama Tsunashima, for which 51% quasi-co-ownership interest has been acquired by KRR as of today), totaling 67 properties, less Daikanyama Address Dixsept (30% quasi-co-ownership interest) which has been disposed of on April 1, 2021, Unicus Ina (20% quasi-co-ownership interest) to be disposed of on April 9, 2021, and Hankyu Oasis Hirakatadeguchi to be disposed of on August 10, 2021 (collectively, "Properties to be Disposed"). Earnings forecasts for the fiscal period ending March 31, 2022 are based on 65 properties (as of March 31, 2020) which consist of the 66 properties, the assumption as of September 30, 2021, less Daikanyama Address Dixsept (30% quasi-co-ownership interest) to be disposed on October 1, 2021. Please refer to "Notice Concerning Acquisition and Leasing of 4 Properties and Disposition of Property (Unicus Ina (20% quasi-co-ownership interest))" released today for acquisition of trust beneficiary interest in four domestic properties and disposition of Unicus Ina, "Notice Concerning Disposition of Property (Hankyu Oasis Hirakatadeguchi)" released on February 25, 2021 for disposition of Hankyu Oasis Hirakatadeguchi, and "Notice Concerning Disposition of Property (Daikanyama Address Dixsept)" released on November 17, 2020 for disposition of Daikanyama Address Dixsept. ➢ 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 other than the Properties to be Acquired or the disposal of owned properties including acquired properties other than the Properties to be Acquired.
Operating revenues	➢ Operating revenues from the acquired 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. ➢ Gains on sale of 451 million yen, 342 million yen and 344 million yen are assumed for the fiscal periods ending March 31, 2021, September 30, 2021 and March 31, 2022, respectively, by disposition of Daikanyama Address Dixsept, 158 million yen for the fiscal period ending September 30, 2021 by disposition of Unicus Ina (20% quasi-co-ownership interest), and 148 million yen for the fiscal period ending September 31, 2021 by disposition of Hankyu Oasis Hirakatadeguchi. ➢ Forecasts are based on the assumption that there will be no rent in arrears or non-payments by tenants. ➢ Due to the effects of the COVID-19 pandemic, negative impact of approximately 41 million yen on real estate rental revenues and expenses is assumed in the fiscal period ending September 30, 2021 as a certain risk, taking into account possible risk of further increase in the number of COVID-19 cases and declaration of another state of emergency.

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Operating expenses	➢ Property-related operating expenses other than depreciation are calculated based on historic data, for currently owned properties and Properties to be Acquired, and these expenses reflect fluctuations in costs, including leasing costs based on the leasing agreements that will be effective on the acquisition dates of the Properties to be Acquired. ➢ Depreciation expenses of 1,068 million yen, 1,134 million yen, and 1,129 million yen are assumed for the fiscal periods ending March 31, 2021, September 30, 2021, and March 31, 2022 respectively, using the straight-line depreciation method. ➢ Property-related taxes are assumed at 735 million yen, 740 million yen, and 731 million yen for the fiscal periods ending March 31, 2021, September 30, 2021, and March 31, 2022, respectively. 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 Properties to be Acquired and properties acquired after January 1, 2021, which will be imposed from their acquisition date through December 31, 2021, are not expensed in the fiscal periods ending March 31, 2021 and September 30, 2021. As the imposition of property-related taxes for fiscal period 2022 will be determined in April 2022 onward, property-related taxes on properties owned as of January 1, 2022, which will be imposed from the date through March 31, 2022, will not be expensed for the fiscal period ending March 31, 2022. ➢ 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 on issuance of new investment units and secondary offering resolved at the Board of Directors meeting held today 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 October 24, 2019, are assumed at 7 million yen, 15 million yen, and 15 million yen for the fiscal periods ending March 31, 2021, September 30, 2021, and March 31, 2022, respectively. ➢ Interest expenses and other debt-related expenses are assumed at 574 million yen, 616 million yen, and 618 million yen for the fiscal periods ending March 31, 2021, September 30, 2021, and March 31, 2022, respectively.
Borrowings and investment corporation bonds	➢ KRR assumes that it will borrow an aggregate of 7,500 million yen on April 21, 2021 and April 30, 2021, in addition to the outstanding borrowings of 104,800 million yen and the outstanding investment corporation bonds of 8,000 million yen as of today. ➢ LTV ratios at the end of fiscal periods ending March 31, 2021, September 30, 2021, and March 31, 2022 are estimated to be approximately 44.9%, 44.3%, and 44.3% (rounded off to the first decimal place), respectively. ➢ 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.

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Investment units	➢ It is assumed that in addition to the 536,177 units currently outstanding as of today, all of the new investment units planned for issuance (totaling 46,000 units at most) through the issuance of new investment units (43,800 units to be purchased and underwritten by undertaking companies in the primary offering) and the third-party allotment of investment units (up to 2,200 units), will be issued as resolved 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 new issuance of units until the end of the fiscal period ending March 31, 2022. ➢ The distributions per unit for the fiscal periods ending September 30, 2021 and March 31, 2022 have been calculated based on the forecast maximum number of investment units issued, totaling 582,177 units, at the end of the fiscal periods including the above 46,000 (at maximum) new investment units being issued.
Distributions per unit (excluding distributions in excess of earnings)	➢ Distributions per unit (excluding distributions in excess of earnings) 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, 2021, September 30, 2021 and March 31, 2022. ➢ Actual distributions per unit (excluding distributions in excess of earnings) 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, 9 yen, and 9 yen per unit in the fiscal periods ending March 31, 2021, September 30, 2021, and March 31, 2022, respectively.
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.

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[ATTACHMENT 2] Difference between estimated DPU after adjusting for special factors, etc.

	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, 2022 assuming this offering, etc. is not launched (the "estimated amounts without this offering, etc.") (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 March 31, 2022 (after this offering, etc.) (the "estimated amounts after this offering, etc.")
Operating revenues (million yen)	8,035	8,785
Operating income (million yen)	3,945	4,365
Ordinary income (million yen)	3,357	3,731
Net income (million yen)	3,356	3,730
Distributions per unit (excluding distributions in excess of earnings) (yen)	6,259	6,407
Distributions in excess of earnings per unit (yen)	10	9
Distributions per unit (including distributions in excess of earnings) (yen)	6,269	6,416
Number of investment units outstanding (units)	536,177	582,177
LTV (Note 2)	Approximately 44.9%	Approximately 44.3%

(Notes)

1. With respect to 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 amounts without this offering, etc. and the estimated amounts after this offering, etc. are also described above, in order to show the difference between estimated amounts with this offering, etc. and estimated amounts without this offering, etc. "This offering, etc." refers to the series of transactions including this offering, this third-party allocation, acquisition of Properties to be Acquired, disposition of Properties to be Disposed, and the borrowing to be executed in April 2021. pursuant to a resolution of KRR's Board of Directors meeting held today. Same shall apply hereinafter.
2. LTV is calculated as follows (the same shall apply hereinafter): LTV = (Loans payable + Outstanding investment corporation bonds)/Total assets

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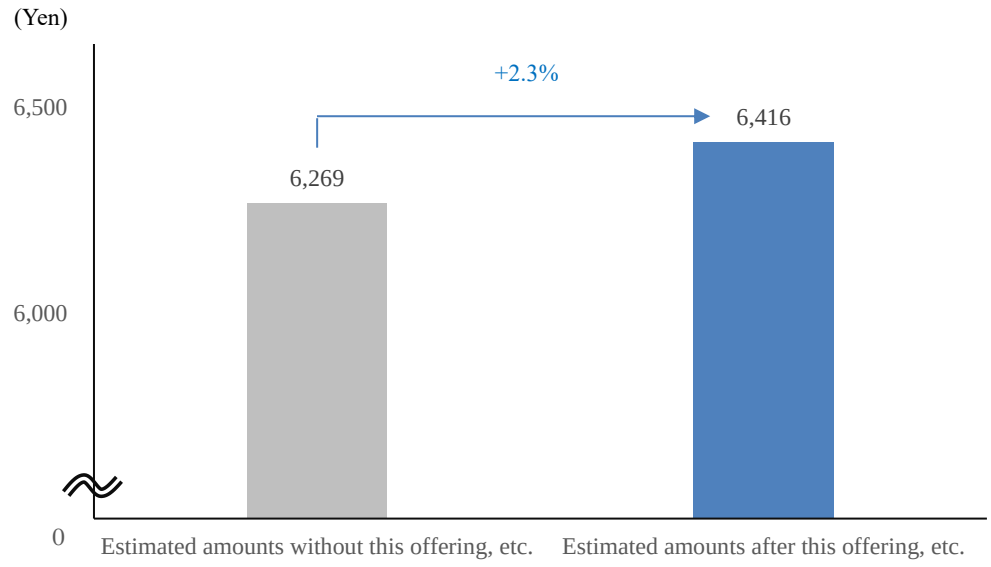
<Comparison of estimated DPU, etc. after adjusting for special factors>



LTV	approx. 44.9%	approx. 44.3%

<Assumptions for the estimated amounts without this offering, etc.>

Those are estimated in accordance with the assumptions amended as follows based on estimated earnings and distributions forecasts for the fiscal period ending March 31, 2022 which is announced as of today.

- It is assumed that Apita Terrace Yokohama Tsunashima (49% quasi-co-ownership interest), Kitera Town Chofu, and Merado Daikai are not acquired. On the other hand, the acquisition of Unicus Urawa-Misono (land) is assumed to be made by using proceeds from the disposition of Unicus Ina (20 % quasi-co-ownership interest). Given property-related taxes on Unicus Urawa-Misono (land) are expensed throughout the operation period, the expected amount of such impact would be 1 million yen.
- It is estimated that proceeds of 344 million yen from the disposition of Daikanyama Address Dixsept (30% quasi-co-ownership interest) would be deducted from operating revenues.
- Asset management fees are expected to decrease by 65 million yen due to fluctuation of profit related to the above.
- It is assumed that the number of investment units outstanding as of today is 536,177. It is assumed that the new investment units, which are planned for issuance (totaling 46,000 units at most) through the issuance of new investment units pursuant to the resolution of the Board of Directors meeting held today, will not be issued.
- It is assumed that the borrowing of 7.5 billion yen for the acquisition of the Properties to be Acquired will not be executed.
- Assumed LTV at the end of fiscal period ending March 31, 2022 is approximately 44.9%.

<Assumptions for estimated amounts after this offering, etc.>

Those are estimated in accordance with the assumptions amended as follows based on estimated earnings and distributions forecasts for the fiscal period ending March 31, 2022 which is announced as of today.

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- Given property-related taxes on Apita Terrace Yokohama Tsunashima (49% quasi-co-ownership interest), Kitera Town Chofu, Unicus Urawamisono (Land) and Merado Daikai are expensed throughout the operation period, the estimated amount of such impact would be 77 million yen.
- It is estimated that proceeds of 344 million yen from the disposition of Daikanyama Address Dixsept (30% quasi-co-ownership interest) would be deducted from operating revenues.
- Asset management fees are expected to decrease by 81 million yen due to fluctuation of profit related to the above.
- It is assumed that in addition to 536,177 units outstanding as of today, all of the new investment units planned for issuance (totaling 46,000 units at most) through the issuance of new investment units (43,800 units to be purchased and underwritten by undertaking companies in the primary offering) and the third-party allotment of investment units (up to 2,200 units), will be issued as resolved at the Board of Directors meeting held today.

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