

March 31, 2016

To All Concerned Parties

REIT Issuer:

Kenedix Retail REIT Corporation

Representative: Akihiro Asano, Executive Director

(Securities Code: 3453)

Asset Manager:

Kenedix Real Estate Fund Management, Inc.

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Notice Concerning Revisions to Earnings and Distributions Forecasts for the Fiscal Periods Ended
March 31, 2016 and Ending September 30, 2016, and Earnings and Distributions Forecasts for the
Fiscal Period Ending March 31, 2017

Kenedix Retail REIT Corporation ("KRR") announced today revisions to its earnings forecasts for the fiscal periods ended March 31, 2016 (October 1, 2015 to March 31, 2016) and ending September 30, 2016 (April 1, 2016 to September 30, 2016) announced on November 12, 2015, as well as earnings and distributions forecasts for the fiscal period ending March 31, 2017 (October 1, 2016 to March 31, 2017) as follows:

1. Details of revisions

(1) Fiscal period ended March 31, 2016 (2nd 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)	5,522	2,769	2,343	2,342	6,592	13	6,605
Revised forecast (B)	5,533	2,812	2,415	2,411	6,787	13	6,800
Net change (B-A)	10	42	71	69	195	0	195
Change (%)	0.2%	1.6%	3.1%	3.0%	3.0%	0%	3.0%

Estimated number of investment units outstanding at the end of the fiscal period: 355,250 units

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(2) Fiscal period ending September 30, 2016 (3rd 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)	5,577	2,385	1,969	1,968	5,540	15	5,555
Revised forecast (B)	6,392	2,943	2,475	2,472	5,852	13	5,865
Net change (B-A)	814	557	506	504	312	-2	310
Change (%)	14.6%	23.4%	25.7%	25.6%	5.6%	-13.3%	5.6%

Estimated number of investment units outstanding at the end of the fiscal period: 422,450 units

Notes:

- The earnings and distributions forecasts for the fiscal periods ended March 31, 2016 and ending September 30, 2016 above are calculated based on the assumptions listed under **ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ended March 31, 2016 and Ending September 30, 2016 and March 31, 2017"**. Therefore, actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding the distributions in excess of earnings), distributions in excess of earnings per unit and distributions per unit (including the 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.
- The forecasts of distributions in excess of earnings per unit are calculated based on the assumption that KRR will distribute in excess of retained earnings to adjust for the temporary differences between the treatment of certain transactions under Japanese GAAP and Japanese tax laws in relation to Sunny Noma.
- The above forecasts may be revised if the degree of deviation with subsequent estimates exceeds a certain level.
- 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, 2017 (4th 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, 2017	6,365	2,957	2,488	2,485	5,884	13	5,897

Estimated number of investment units outstanding at the end of the fiscal period: 422,450 units

Notes:

- The earnings and distributions forecasts for the fiscal periods ending March 31, 2017 are calculated based on the assumptions listed under **ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ended March 31, 2016 and Ending September 30, 2016 and March 31, 2017"**. Therefore, actual operating revenues, operating income, ordinary income, net income, distributions per unit (excluding the distributions in excess of earnings), distributions in excess of earnings per unit and distributions per unit (including the 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.
- The forecasts of distributions in excess of earnings per unit are calculated based on the assumption that KRR will distribute in excess of retained earnings to adjust for the temporary differences between the treatment of certain transactions under Japanese GAAP and Japanese tax laws in relation to Sunny Noma.
- The above forecasts may be revised if the degree of deviation with subsequent estimate exceeds a certain level.
- The amounts are rounded down to the nearest whole number.

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3. Reasons for revisions to the forecasts

KRR revised its forecasts for operating results and distributions for the fiscal period ended March 31, 2016 announced in the press release "Financial Report for the Fiscal Period Ended September 30, 2015 (REIT)" on November 12, 2015 to reflect the changes in assumptions by acquisition of Life Nishi-Tengachaya on January 21, 2016 and current operating circumstances. For details of the assumption, please refer to *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ended March 31, 2016 and Ending September 30, 2016 and March 31, 2017"*.

In addition, KRR resolved at the Board of Directors meeting held today the issuance of new investment units (the secondary offering of investment units and the acquisition of properties ^(Note)). To reflect the above and the borrowings as described under *ATTACHMENT 1 "Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ended March 31, 2016 and Ending September 30, 2016 and March 31, 2017"* KRR has revised its earnings and distributions forecasts for the fiscal period ending September 30, 2016 announced on November 12, 2015.

KRR has also newly announced its earnings and distributions forecasts for the fiscal period ending March 31, 2017.

Note: For details of the acquisitions of properties, please refer to the press release "Notice Concerning Acquisition and Leasing of Assets (7 Properties)" released today.

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

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[ATTACHMENT 1]

Assumptions for the Earnings and Distributions Forecasts for the Fiscal Periods Ended March 31, 2016 and Ending September 30, 2016 and March 31, 2017

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> ➤ Fiscal period ended March 31, 2016 (2nd fiscal period): October 1, 2015 – March 31, 2016 (183 days) ➤ Fiscal period ending September 30, 2016 (3rd fiscal period): April 1, 2016 – September 30, 2016 (183 days) ➤ Fiscal period ending March 31, 2017 (4th fiscal period): October 1, 2016 – March 31, 2017 (182 days)
Portfolio properties	<ul style="list-style-type: none"> ➤ KRR anticipates acquiring 7 properties as announced in its press release "Notice Concerning Acquisition and Leasing of Assets (7 Properties)" on April 20, 2016, April 21, 2016 and April 22, 2016. After the offerings, KRR is expected to own 40 properties. 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, 2017. ➤ 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	<ul style="list-style-type: none"> ➤ 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 the tenant.
Operating expenses	<ul style="list-style-type: none"> ➤ 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 563 million yen, 711 million yen, and 715 million yen are assumed for the fiscal periods ended March 31, 2016 and ending September 30, 2016 and March 31, 2017 respectively, using the straight-line depreciation method. ➤ 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 existing 32 properties as of January 1, 2016, property-related taxes are not expensed in the fiscal period ended March 31, 2016 because the amount to be expensed for such costs may not be decided until March 31, 2016. Such costs for Life Nishi-Tengachaya and the properties to be acquired are not expensed for the fiscal period ending September 30, 2016 because KRR did not own these properties as of January 1, 2016. In addition, such costs for these properties are not going to be expensed during the fiscal period ending March 31, 2017 because the amount to be expensed for such costs may not be decided until after March 31, 2017. 483 million yen of property-related taxes is expected to be expensed during the fiscal periods ending September 30, 2016 and March 31, 2017. For details, please see <i>ATTACHMENT 2 "(Reference) Adjusted Forecasts for the Fiscal Period Ending March 31, 2017"</i>. ➤ 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	<ul style="list-style-type: none"> ➤ 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 and October 2, 2015, are assumed at 58 million yen for the fiscal period ended March 31, 2016, 79 million yen for the fiscal period ending September 30, 2016 and 79 million yen for the fiscal period ending March 31, 2017. ➤ Interest expenses and other debt-related expenses are assumed at 333 million yen for the fiscal period ended March 31, 2016, 383 million yen for the fiscal period ending September 30, 2016 and 384 million yen for the fiscal period ending March 31, 2017.

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Borrowings	<ul style="list-style-type: none"> ➤ KRR assumes that it will borrow an aggregate of 13,300 million yen on April 21 and April 22, 2016, in addition to the outstanding borrowings of 57,500 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, 2016 with the proceeds from the third-party allotment of investment units (up to 3,200 units). ➤ LTV ratios are estimated at the end of fiscal period ended March 31, 2016, and ending September 30, 2016 and March 31, 2017 are estimated at approximately 42.8%, 42.6% and 42.6% respectively (rounded off to the first decimal place). ➤ LTV ratios are calculated according to the following formula: LTV ratio = (Borrowings + Corporate bonds + Tenant leasehold and security deposits – 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	<ul style="list-style-type: none"> ➤ It is assumed that in addition to the 355,250 units currently outstanding as of today, all of the new investment units planned for issuance, totaling 64,000 units, and the third-party allotment of investment units (up to 3,200 units), will be issued as planned through the public offering of new investment units (totaling 67,200 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, 2017. ➤ The distributions per unit for the above fiscal periods have been calculated based on the forecast maximum number of investment units issued, totaling 422,450 units, at the end of the fiscal periods ending September 30, 2016 and March 31, 2017 including the 67,200 new investment units being issued. The distribution per unit for the fiscal period ended March 31, 2016 has been calculated based on the 355,250 units currently outstanding as of today.
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> ➤ Distributions per unit (excluding excess of earnings per unit) are calculated in accordance with the distribution policy outlined in KRR's Articles of Incorporation. ➤ Actual distributions per unit (excluding 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	<ul style="list-style-type: none"> ➤ 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 13 yen per unit in the periods ended March 31, 2016 and ending September 30, 2016 and March 31, 2017, respectively.
Others	<ul style="list-style-type: none"> ➤ 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, 2017"

	Fiscal period ending March 31, 2017 (as of March 31, 2016)	Adjusted forecasts assuming expensed property-related taxes
Operating revenues (million yen)	6,365	6,365
Operating income (million yen)	2,957	2,890
Ordinary income (million yen)	2,488	2,421
Net income (million yen)	2,485	2,418
Distributions per unit (excluding distributions in excess of earnings) (yen)	5,884	5,725
Distributions in excess of earnings per unit (yen)	13	13
Distributions per unit (including distributions in excess of earnings per unit) (yen)	5,897	5,738
Number of investment units outstanding (units)	422,450	422,450

<Adjusted forecasts assuming expensed property-related taxes>

Changes have been made to forecast financials of the fiscal period ending March 31, 2017, based on the assumptions that:

- Annual property-related taxes for Life Nishi-Tengachaya and anticipated properties are expected to be 159 million yen. It is assumed in the calculation that 79 million yen of property-related tax would be expensed in the fiscal period ending March 31, 2017
- Asset management fees are assumed to decrease by 12 million yen in connection with the increase in operating expense

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