KENEDIX
Retail REIT Corporation

Translation of Japanese Original

October 6, 2022

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 Forecasts for the Fiscal Periods Ended September 30, 2022 and Ending March 31, 2023, and Forecasts for the Fiscal Period Ending September 30, 2023

Kenedix Retail REIT Corporation ("KRR") announced today revisions to its forecasts for the fiscal periods ended September 30, 2022 (April 1, 2022 to September 30, 2022) and ending March 31, 2023 (October 1, 2022 to March 31, 2023), as noted in "Summary of Financial Report for the Fiscal Period Ended March 31, 2022 (REIT)," dated May 18, 2022. KRR also announced its forecasts for the fiscal period ending September 30, 2023 (April 1, 2023 to September 30, 2023) as follows.

1. Details of revisions for the fiscal periods ended September 30, 2022 (15th fiscal period) and ending March 31, 2023 (16th fiscal period)

(1) Fiscal period ended September 30, 2022 (15th 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)	9,250	4,459	3,835	3,834	6,586	9	6,595
Revised forecast (B)	9,329	4,380	3,754	3,753	6,446	9	6,455
Net change (B-A)	79	-79	-81	-81	-140	-	-140
Change (%)	0.9	-1.8	-2.1	-2.1	-2.1	-	-2.1

(Reference) For the fiscal period ended September 30, 2022:

Number of investment units outstanding at the end of the fiscal period: 582,177 units

Expected net income per unit: 6,446 yen

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(2) Fiscal period ending March 31, 2023 (16th 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)	9,135	4,392	3,780	3,779	6,491	9	6,500
Revised forecast (B)	9,828	4,463	3,826	3,825	6,351	9	6,360
Net change (B-A)	693	71	45	45	-140	-	-140
Change (%)	7.6	1.6	1.2	1.2	-2.2	-	-2.2

(Reference) For the fiscal period ending March 31, 2023:

Expected number of investment units outstanding at the end of the fiscal period: 602,177 units

Expected net income per unit: 6,351 yen

2. Details of the forecasts for the fiscal period ending September 30, 2023 (17th 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, 2023 (17th fiscal period)	10,082	4,392	3,753	3,752	6,231	9	6,240

(Reference) Fiscal period ending September 30, 2023:

Expected number of investment units outstanding at the end of the fiscal period: 602,177 units

Expected net income per unit: 6,231 yen

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 (Note 1) and the acquisition of properties (Note 2). The forecasts for the fiscal period ending March 31, 2023, previously announced in "Summary of Financial Report for the Fiscal Period Ended March 31, 2022 (REIT)," dated May 18, 2022, has been revised due to the changes in the assumptions underlying the calculation as a result of the above and the borrowings described under ATTACHMENT 1 "Forecast Assumptions for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023".

KRR has also newly announced its forecasts for the fiscal period ending September 30, 2023, based on the above assumptions.

As for the fiscal period ended September 30, 2022, we are revising our forecasts since a certain difference is expected to be incurred when financial statements have been generally revealed in the process of closing the accounts for the fiscal period ended September 30, 2022. This is due to the expense (Note 3) as announced in the press release "Notice Concerning One-time Expense Incurred Due to Structural Issue of Property", dated August 25, 2022.

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(Notes)
1. For details of issuance of new investment units, please refer to the press release "Notice Concerning Issuance of New Investment Units" dated today.
2. For details on the acquisition of properties, please refer to the press release "Notice Concerning Acquisition of Properties and Contract of New Leases (iias Kasugai and Coop Sapporo Shunko)" dated today.
3. KRR has discovered that in one of its properties, a portion of the electricity charges was borne by different parties due to the fact that wiring of electricity meters was not consistent in accordance with the status of ownership of the property. The settlement has been made within the parties for the past electricity charges. As a result, KRR has incurred an expense of 106 million yen (before tax).

【Notes】
1. The above forecasts are calculated based on the assumptions described under ATTACHMENT 1 "Forecasts Assumptions for the Fiscal Periods Ended September 30, 2022, Ending March 31, 2023, and September 30, 2023." 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. These forecasts should not be deemed a commitment or guarantee of the above-mentioned distribution amount.
2. These forecasts may be revised if the degree of deviation with subsequent estimates exceeds a certain level
3. Amounts in yen are rounded down to the nearest whole number; amounts indicated in millions of yen are rounded down to the nearest million.

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

This notice is the English translation of the Japanese announcement on October 6, 2022. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

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[ATTACHMENT 1]

Forecast Assumptions for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023

Item	Assumptions
Calculation period	➢ Fiscal period ended September 30, 2022 (15th fiscal period): (April 1, 2022 – September 30, 2022) (183days) ➢ Fiscal period ending March 31, 2023 (16th fiscal period): (October 1, 2022 – March 31, 2023) (182 days) ➢ Fiscal period ending September 30, 2023 (17th fiscal period): (April 1, 2023 – September 30, 2023) (183days)
Portfolio properties	➢ It is assumed that in addition to its 68 properties (the "Current Properties") held as of today, KRR is scheduled to acquire Coop Sapporo Shunko on October 7, 2022 and iias Kasugai on October 26, 2022 (the "Properties to be Acquired"), as announced in the press release "Notice Concerning Acquisition Properties and Contract of New Leases (iias Kasugai and Coop Sapporo Shunko)" dated today and KRR has 70 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 Current Properties) until the end of 17th fiscal period. ➢ The actual portfolio may change due to the acquisition of new properties other than the Properties to be Acquired or the disposal of Current Properties.
Operating revenues	➢ Operating revenues from the Current 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 that including expectations based on market trends. ➢ Forecasts are based on the assumption that there will be no rent in arrears or non-payments by tenants. ➢ Forecasts are based on the assumption that there will be no gain or loss on sale of real estate, etc.
Operating expenses	➢ Property-related operating expenses other than depreciation are calculated based on historic data, for Current 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 1,246 million yen, 1,354 million yen, and 1,376 million yen are assumed for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023, respectively, using the straight-line depreciation method. ➢ Property-related taxes are assumed at 806 million yen, 809 million yen, and 892 million yen for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023, 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. Therefore, property-related taxes on the Properties to be Acquired and properties acquired after January 1, 2022, which will be imposed from their acquisition date through December 31, 2022, are not expensed in the fiscal period ended September 30, 2022 and ending March 31, 2023. As the property-

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Item	Assumptions
	related taxes for fiscal year 2023 will be determined in April 2023 onward, property-related taxes on properties owned as of January 1, 2023, accrued from that date through March 31, 2023, will not be expensed in the fiscal period ending March 31, 2023. ➢ 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. ➢ Under "other operating expenses" for the fiscal period ended September 30, 2022, KRR has recorded an expense of 106 million yen, as announced in the press release "Notice Concerning One-time Expense Incurred Due to Structural Issue of Property" dated August 25, 2022.
Non-operating expenses	➢ The offering-related costs on issuance of new investment units 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 issuance of new investment units on October 6, 2022, are assumed at 15 million yen, 16 million yen, and 16 million yen for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023, respectively. ➢ Interest expenses and other debt-related expenses are assumed at 610 million yen, 621 million yen, and 623 million yen for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023, respectively.
Borrowings and investment corporation bonds	➢ KRR assumes that it will borrow an aggregate of 5,000 million yen on October 26, 2022, in addition to the outstanding borrowings of 114,300 million yen and the outstanding investment corporation bonds of 10,000 million yen as of today. ➢ Of the outstanding borrowings as of October 26, 2022 after the above borrowing, 8,750 million yen will come due in the fiscal period ending March 31, 2023, and 500 million yen will come due in the fiscal period ending September 30, 2023, but KRR assumes that both loans will be refinanced in their entirety. ➢ LTV ratios at the end of the fiscal periods ending September 30, 2022, March 31, 2023, and September 30, 2023 are estimated to be approximately 45.0%, 45.1%, and 45.1% (rounded 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.
Investment units	➢ It is assumed that in addition to the 582,177 units currently outstanding as of today, all of the new investment units planned for issuance (20,000 units to be purchased and underwritten by the underwriters in the public offering) are issued as resolved at the Board of Directors Meeting held today. ➢ It is assumed that, excluding the above, there are no changes in the number of investment units due to new issuance of units until the end of the fiscal period ending September 30, 2023. ➢ The distributions per unit for the fiscal periods ending March 31, 2023 and September 30, 2023 have been calculated based on the number of investment units at the end of each fiscal period, totaling 602,177 units including the above 20,000 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 the market value of swaps

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Item	Assumptions
	on the distributions per unit for the fiscal periods ended September 30, 2022, ending March 31, 2023, and September 30, 2023. ➢ 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 asset replacements, tenant replacements, etc. or unexpected repairs.
Distributions in excess of earnings per unit	➢ KRR expects to record an 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 result 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 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 9 yen, 9 yen, and 9 yen per unit in the fiscal period ended September 30, 2022, ending March 31, 2023 and September 30, 2023, 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, real estate market trends or other conditions.

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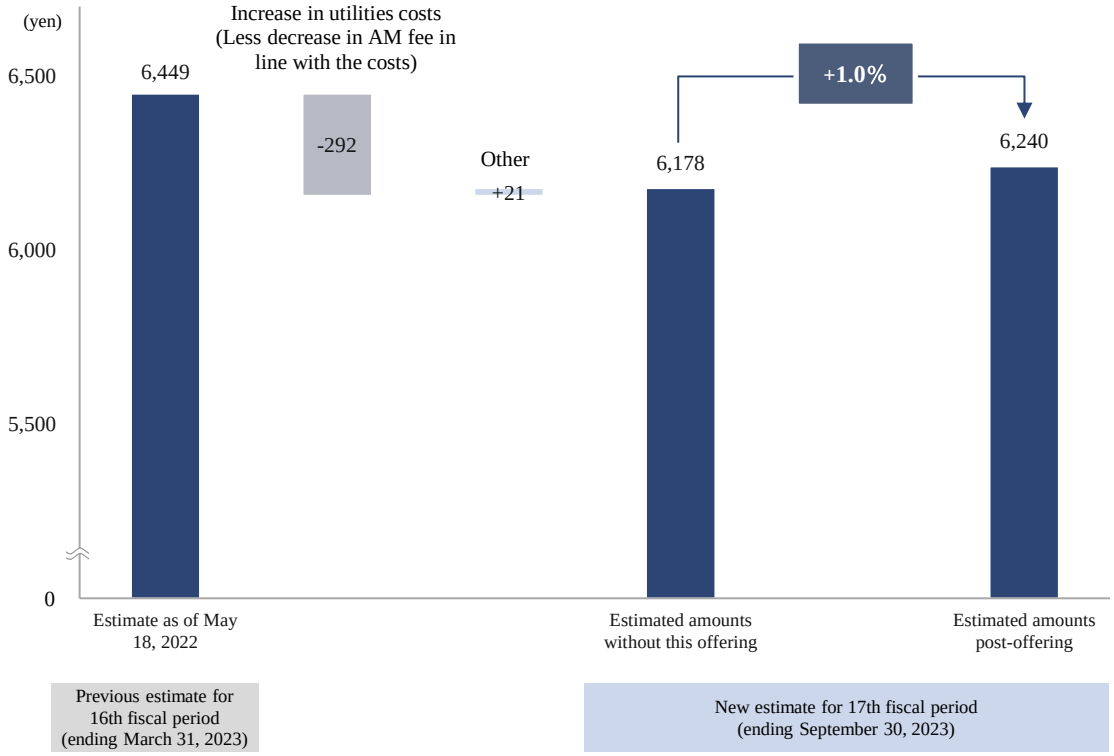
[ATTACHMENT 2] Comparison of estimated DPU, etc. after adjusting for special factors



LTV	c. 45.0%	c. 45.0%	c. 45.1%

(Notes)

1. "Estimated amounts without this offering" refers to the estimated distributions and LTV that the earnings excluding temporary special factors based on the assumption that property-related taxes are expensed in the fiscal period ending September 30, 2023 assuming this offering is not launched
2. "Estimated amounts post-offering" refers to the estimated distributions and LTV excluding temporary special factors, based on the assumption that property-related taxes are expensed in the fiscal period ending September 30, 2023 (post-offering)
3. The above estimated amounts based on the assumption that property-related taxes will be expensed, and estimated distributions and LTV excluding temporary special factors, are presented in a way that makes it easy to understand the changes in the case of with this offering and without it. "This offering" refers to a series of initiatives including investment unit issuance in this offering, the acquisition of the Properties to be acquired and the borrowing scheduled to take place on October 26, 2022, as resolved at the Board of Directors Meeting held today. The same hereinafter
4. "LTV" refers to the figures calculated as follows. The same hereinafter
   LTV = (loan balance + investment corporation bond balance) / total assets
5. KRR estimated earnings and distributions based on the assumption that property-related taxes are expensed, and excluding one-time special factors. The figures announced then are provided here to show the changes from the previous announcement of estimated earnings and distributions (as of May 18, 2022).

<Assumptions for estimates as of May 18, 2022>

We have calculated earnings and distributions forecasts for the period ending March 31, 2023 (as of May 18, 2022), based on the following changes in assumptions.

- It is estimated that if property-related taxes on the properties acquired since January 1, 2022 are expensed throughout the operation period, the amount of such impact would be 36 million yen.

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<Assumptions for the estimated amounts without this offering >

Those are estimated in accordance with the assumptions amended as follows based on estimated earnings and distributions forecasts for the fiscal period ending September 30, 2023, which is announced as of today.

- It is assumed that iias Kasugai and Coop Sapporo Shunko are not acquired.
- It is assumed that the number of investment units currently outstanding is 582,177, and that the planned new investment units (20,000 units) resolved at today's Board of Directors Meeting are not issued.
- It is assumed that the borrowing of 5,000 million yen, arranged in relation to acquisition of the Properties to be Acquired, will not be executed.
- Assumed LTV at the end of fiscal period ending September 30, 2023 is c. 45.0%

<Assumptions for the estimated amounts post-offering >

Those are estimated in accordance with the assumptions based on estimated earnings and distributions forecasts for the fiscal period ending September 30, 2023, which is announced as of today.

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