

August 22, 2017

To All Concerned Parties

REIT Issuer:
 Kenedix Residential Investment Corporation
 Representative: Keisuke Sato, Executive Director
 (Securities Code Number: 3278)

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Notice Concerning Acquisition Settlement of Property (KDX Residence Toyosu)

Kenedix Residential Investment Corporation (“the Investment Corporation”) announced today that it completed settlement of the acquisition of the following property.

Acquired Property

				(in thousands of yen)
Property Number	Property Name	Location (city or ward, prefecture)	Type of Assets	Acquisition Price ⁽¹⁾
T-78	KDX Residence Toyosu	Koto-ku, Tokyo	Trust beneficiary interest in real estate	7,500,000

(Note1) “Acquisition Price” is the sales amount of the trust beneficiary interest (excluding acquisition costs, property tax, city planning tax or consumption tax, etc.) indicated in the trust beneficiary interest sales contract concerning the acquired asset and is rounded down to the nearest thousand yen.

(Note2) Regarding the details of the acquired property above, please refer to the press release “Notice Concerning Acquisition of Property (KDX Residence Toyosu)” announced on June 15, 2017.

Attached Materials

- Reference Material (1) Appraisal Report Summary
- Reference Material (2) Outline of Engineering Report
- Reference Material (3) Photos and Map of the Acquired Asset

* Website URL of the Investment Corporation: <http://www.kdr-reit.com/english/>

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Reference Material (1) Appraisal Report Summary

Property name	KDX Residence Toyosu
Appraisal value	¥7,620,000,000
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Appraisal date	July 31, 2017

(Unit: Yen)

Item	Content	Basis
Income capitalization approach value	7,620,000,000	Estimate by setting a standard value on the Value Calculated Using the Discounted Cash Flow method and verifying the value calculated using the Direct Capitalization method.
Value calculated using the direct capitalization method	7,890,000,000	Assess by using the cap rate based on mid-to long-term stable net income.
(1) Gross operating revenue	401,608,791	
Maximum gross operating revenue	417,453,609	Assess based on a level of fair rent that is believed to remain stable over the mid-to long-term.
Shortfall attributed to vacancies	15,844,818	Assess based on the premise of an occupancy ratio that can be maintained over the mid-to long-term.
(2) Operating expenses	66,320,601	
Maintenance expenses	5,721,559	Assess using the statement of maintenance expenses, the level of expenses at similar properties and other factors.
Utility expenses	4,740,720	Assess using expenses at similar properties and other factors.
Repair expenses	7,043,622	Assess using expenses at similar properties, annual average repair, maintenance and renewal expenses through 12 years in the engineering report, and other factors.
Property management fees	7,021,545	Assess by reflecting the compensation rates at similar properties and other factors.
Tenant recruit expenses, etc.	14,485,503	Assess by reflecting the rental condition at similar properties and other factors.
Taxes and dues	20,902,200	Assess using fixed asset certificate, etc. for 2017.
Damage insurance fees	381,320	Recognize an amount that reflects the insurance brochure.
Other expenses	6,024,132	Assess by reflecting the expense levels at similar properties and other factors.
(3) Net operating income (NOI=(1)-(2))	335,288,190	
(4) Gain on guarantee deposit investment	333,071	Assess income from investments by using an investment return of 1.0%.
(5) Capital expenditure	4,080,000	Assuming that an equal amount is added to a reserve in each fiscal period, assess by taking into account the level of capital expenditures at similar properties, the age of the property.
(6) Net cash flow (NCF=(3)+(4)-(5))	331,541,261	
(7) Capitalization rate	4.2%	Assess by taking into account the property's location, the characteristics of the building and other characteristics.
Value calculated using the discounted cash flow method	7,510,000,000	
Discount rate	(1-4yrs)4.4% (5-11yrs)4.3%	While reflecting investment returns of similar properties, assess by taking into account the property's unique characteristics.
Terminal capitalization rate	4.4%	While reflecting returns associated with acquisitions of similar properties, assess by taking into account upcoming changes in investment returns, risks associated with the property to be acquired, general prediction of economic growth rate, trends in real estate prices and rent rates, and all other applicable factors.
Value calculated using the cost method	7,520,000,000	
Land	67.5%	
Building	32.5%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	Use the income capitalization approach value with the value calculated using the cost method used only for reference if the decision is made that the income capitalization approach value is more persuasive because the price determination process has been accurately reproduced with respect to earnings.
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※Reference

Appraisal NOI Cap Rate (Note 1)	4.5%
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(Note 1) "Appraisal NOI cap rate" indicates the value calculated by dividing the net operating income (NOI) based on the Direct

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Capitalization Method described in the above appraisal report by the scheduled acquisition price and expressed as a percentage rounded to the first decimal place.

(Unit: Yen in thousand)

Property name	KDX Residence Toyosu
Investigation company	HI International Consulting Co., Ltd.
Investigation date	July 2017
Repairs maintenance and renovation expenses required over the next year	0
Repairs maintenance and renovation expenses expected to be required within 2-12 years	76,180
Unit-in-place	2,039,400

※The above mentioned investigation company undertakes building assessments for the property as follows.

- assessment of legal compliance with related laws
- investigation for building construction and facilities
- environmental investigation
- formulation of a short-term and long-term repair and maintenance plan
- analyses of the existence of hazardous substances and the soil environment

