

December 22, 2017

To All Concerned Parties

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

Asset Management Company
Kenedix Real Estate Fund Management, Inc.
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Notice Concerning the Change of Organization and Company Regulations (the Management Guideline of Residential REIT Department and Regulations of Pipeline Meeting)

Kenedix Residential Investment Corporation (“KDR”) announced today that Board of Directors of Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), the asset management company for KDR, held today has decided to change the organization in relation to Residential REIT Department (“the Organizational Change”) and change the company regulations (the Regulations of Pipeline Meeting) and the Residential REIT Department Asset Management Committee of the Asset Management Company held today has decided to change the company regulation (the Management Guideline of Residential REIT Department) (hereafter, the Organizational Change and these changes of company regulations are collectively called “the Changes”) as follows.

The Changes are subject to the absorption-type merger (the “Merger”) pursuant to the merger agreement concluded on November 10, 2017, between KDR and Japan Senior Living Investment Corporation (“JSL”), whereby KDR will be the surviving corporation and JSL will be the dissolving corporation, taking effect.

1. The Organizational Change

(1) Outline of the Organizational Change

“Healthcare Investment Management Division” is newly established in Residential REIT Department in the Asset Management Company as a unit dedicated to investment and asset management for healthcare facilities. Asset Investment Division and Asset Management Division in Residential REIT Department continue to be in charge of investment and asset management respectively for KDR’s assets excluding healthcare facilities.

(2) The Reason for the Organizational Change

KDR newly establishes Healthcare Investment Management Division as a specialized unit dedicated to investment and asset management for healthcare facilities required expertise because it plans to take on healthcare facilities JSL owns by the Merger scheduled to take effect on March 1, 2018 and invest more healthcare facilities as one of the main investment targets of KDR after the Merger. Healthcare Investment Management Division plans to acquire expertise and experience in investment and asset management of healthcare facilities by taking on staff from Investment Management Department in Japan Senior Living Partners, Inc., the asset management company for JSL, etc. and the Asset Management Company plans to strengthen its organizational structure for KDR by the Organizational Change.

(3) Appointment of the Important Employee for the Healthcare Investment Management Division Details will be communicated when finalized.

(4) Organizational Chart for the Asset Management Company after the Organizational Change Please refer to Reference Material 1.

(5) Separation of Duties for the Residential REIT Department after the Organizational Change Please refer to Reference Material 2.

(6) Effective Date

Effective date of the Merger (March 1, 2018 (scheduled))

2. Detail of the Management Guideline of Residential REIT Department (“the Management Guideline”)

(1) Policy of Changes of the Management Guideline of Residential REIT Department

As a result of the Merger, KDR will be in a position to take advantage of the characteristics of varied asset types — residential facilities, healthcare facilities and accommodation facilities — “spaces where people live and stay” to secure stable rental revenue and steady asset growth. To facilitate its conversion to a diversified REIT aiming to maximize unitholders’ profits, KDR changes the Management Guideline including its portfolio structuring policy and its individual investment standards. Major changes to the Management Guideline are as stated in 2.(2) below and policy of the major changes is as follows.

(i) Property Type

Changes such as that the principal use of properties in which KDR will primarily invest will be changed to include, in addition to residential facilities, healthcare facilities (including hospitals and other medical facilities) and accommodation facilities, etc.

(ii) Geographical Area

Changes such as that because many of those properties for uses of healthcare facilities and accommodation facilities to be newly added to KDR’s target investments are located in major provincial cities, the definition of investment areas of KDR, will be amended so that major local cities can be included, etc.

(iii) Investment Size

Changes such as that because uses of healthcare facilities are newly added to KDR’s target investments, minimum investment size of healthcare facilities is newly defined, etc.

(2) Outline of Changes of the Management Guideline of Residential REIT Department

Major changes to the Management Guideline are as follows. Please refer to KDR’s Extraordinary Report released today (Reference Material 3) as details about KDR’s investment policy after changes of the Management Guideline.

(i) Property Type

KDR will invest primarily in residential, healthcare and accommodation facilities — “spaces where people live and stay” — as its target investments. In making investments, KDR will stringently select real estate etc. where stable demand from tenants and users and long-term stable revenue flows can be projected on the basis of an individual analysis of the attributes of a particular property, as well as regional analysis taking into account location, etc.

a. Residential Facilities

KDR carries out diversified investment in rental housing and rental housing with facility operators such as serviced apartments, company rental housing, student dormitories and apartments, short-term apartments, etc. taking liquidity and transaction scale in the real estate market, organization of real estate market information and diversification of tenants (single person and family, etc.) into account.

b. Healthcare Facilities

KDR carries out diversified investments in (a) Senior living facilities such as fee-based homes for the elderly, serviced housing for the elderly, apartments for the elderly, group homes for elderly with cognitive impairment, small multi-function facilities, daycare facilities, etc. and (b) Medical facilities such as hospitals, clinics, medical malls, intermediate nursing homes, etc. taking the following factors into account.

- ① Securing diversified purpose and services offered
- ② Securing diversified living costs and usage fees
- ③ Securing diversified degree of social security dependence (social security system (pension, health insurance system, nursing care insurance system and public assistance system))

c. Accommodation

KDR invests in hotels, etc. which accommodation demand of business and tourism, etc. is expected in.

d. Other

KDR could invest in land with leasehold interest on which buildings stipulated above are located (limited

proprietary right of land), etc.

• Target Portfolio Breakdown by Property Type (based on acquisition price)

Usage			Target Portfolio Breakdown
Classification	Residential Facilities	Rental Housing	Rental Housing
		Rental Housing with Facility Operators	Serviced apartments, company rental housing, student dormitories and apartments, short-term apartments, etc.
	Healthcare Facilities	Senior Living Facilities	Fee-based homes for the elderly, serviced housing for the elderly, apartments for the elderly, group homes for elderly with cognitive impairment, small multi-function facilities, daycare facilities, etc.
		Medical Facilities	Hospitals, clinics, medical malls, intermediate nursing homes, etc.
	Accommodation	Hotels, etc.	
Other	Land with leasehold interest on which buildings stipulated above are located (limited proprietary right of land), etc.		
			60% or more
			20% or less
			20% or less
			10% or less

The Investment Corporation excludes office buildings, commercial facilities, logistics and warehouse facilities, amusement centers and golf courses from its target investments. However, there may be occasions when investment in such properties is made for secondary usage in conjunction with an investment in a residential, healthcare or accommodation facility. Investment targets which would fall under a sex-related amusement special business facility prescribed in Article 2, Paragraph 5 of the Act on Control and Improvement of Amusement Business, etc. (Act. No. 122 of 1948, including subsequent amendments thereto) are excluded as target investments.

(ii) Geographical Area

KDR carries out diversified investment in real estate located in the Tokyo Metropolitan Area (the principal cities in Tokyo, Kanagawa, Saitama and Chiba Prefectures), an area with the largest economic and population concentration in Japan. KDR also diversifies its investments by investing in real estate in other regional areas (cities designated by cabinet order and other regional cities) with the objective of mitigating the risk of concentrating investments in a single region subject to changes in regional economies and real estate market, earthquakes, typhoons and other natural disasters, population dynamics and other factors. However, KDR may invest in areas other than the above if the characteristics of particular real estate suggest that stable demand from tenants and users can be projected.

• Target Portfolio Breakdown by Region (based on acquisition price)

Region		Targeted Portfolio Breakdown
Classification	Tokyo Metropolitan Area	50% or more
	Regional Areas and Other	50% or less

(iii) Investment Size

KDR carries out investments in real estate according to standards for investment size as shown in the table below, which take into account the following factors.

- a. Liquidity in the real estate market
- b. Securing diversified property size
- c. Securing diversified tenants or users
- d. Economics of the investment from the perspective of operation and management of the property

• Standards for Minimum Investment Size and Maximum Investment Size

Classification		Acquisition Price
Minimum Investment Size	Residential facilities	300 million yen or more per investment property
	Healthcare facilities	300 million yen or more per investment property
	Accommodation (Hotel, etc.)	500 million yen or more per investment property
	Other	100 million yen or more per investment property
Maximum Investment Size	The ratio of acquisition price for such real estate will be no more than 20% of the total acquisition price of the entire portfolio after such real estate is acquired.	

However, real estate may be acquired in the cases set forth below, even if the real estate targeted for investment does not meet the minimum investment size standard.

- a. In the case of a bulk acquisition of real estate, when the bulk includes real estate with acquisition prices that fall below the minimum investment size standard
- b. In the case where, as a result of the negotiation of acquisition terms for real estate that meets the investment standard, the property's acquisition price falls below the minimum investment size standard, but has an appraisal value that exceeds the minimum investment size standard
- c. In the case the facility has an important relationship to properties already owned

(3) Effective Date

Effective date of the Merger (March 1, 2018 (scheduled))

3. Detail of the Regulations of Pipeline Meeting

(1) Change of the Regulations of Pipeline Meeting

The Asset Management Company has been entrusted with the asset management of KDR, Kenedix Office Investment Corporation, Kenedix Retail REIT Corporation, Kenedix Private Investment Corporation and real estate funds other than investment corporations. The Asset Management Company has prescribed the Regulations of Pipeline Meeting on priority rights of consideration of the real estate sale information obtained by the Asset Management Company, which rule is for coordinating conflicts in acquisition opportunities among the Investment Corporations and real estate funds, etc. The Regulations of Pipeline Meeting will be changed to establish the order of priority rights of consideration regarding healthcare facilities because these will be added to KDR's investment target by the Merger. Overview of the change of the Regulations of Pipeline Meeting is as follows.

(i) Establishment of the Order of Priority Rights of Consideration regarding Healthcare Facilities

Healthcare Facilities

Total Floor Area per Investment Property (m ²)	Primary	2nd	3rd
All	Residential REIT Department	Private Fund Department	-

(ii) Changes of Definitions of Assets in Investment Targets (Updated contents are underlined.)

Before the Change	After the Change
“ <u>Rental housing and other</u> residential properties” refers to rental housing, serviced apartments, <u>elderly-care housing</u> , company rental housing, student dormitories and apartments, short-term apartments, etc. and other residential properties with facility operators where the largest amount of floor space of the building(s) composing the real estate is for residential use as categorized under the Building Standards Act, or assets with such underlying real estate.	“Residential properties” refers to rental housing, serviced apartments, company rental housing, student dormitories and apartments, short-term apartments, etc. and other residential properties with facility operators (<u>excluding healthcare properties</u>) where the largest amount of floor space of the building(s) composing the real estate is for residential use as categorized under the Building Standards Act, or assets with such underlying real estate.
“Service Properties” refers to real estate where the largest amount of floor space of the building(s) composing the real estate is for store use as categorized under the Building Standards Act and where the largest amount of floor space of the store	“Service Properties” refers to real estate where the largest amount of floor space of the building(s) composing the real estate is for store use as categorized under the Building Standards Act and where the largest amount of floor space of the store

<p>use is for stores that conduct the service business, etc. (including sports clubs, wedding halls, prep schools, child day-care centers, insurance agencies, travel agencies, massage parlors, beauty parlors, esthetic clinics and public tenants but excluding restaurants, convenience stores, amusement facilities and complex tourism facilities such as theme parks, etc.)</p>	<p>use is for stores that conduct the service business (<u>excluding medical or healthcare service</u>), etc. (including sports clubs, wedding halls, prep schools, child day-care centers, insurance agencies, travel agencies, massage parlors, beauty parlors, esthetic clinics and public tenants but excluding restaurants, convenience stores, amusement facilities and complex tourism facilities such as theme parks, etc.)</p>
<p>(New)</p>	<p><u>“Healthcare Properties” refers to real estate where the largest amount of floor space of the building(s) composing the real estate is for residential use, welfare use, medical use or healthcare related use as categorized under the Building Standards Act and where the largest amount of floor space of the these use is for senior living properties such as fee-based homes for the elderly, serviced housing for the elderly, apartments for the elderly, group homes for elderly with cognitive impairment, small multi-function facilities, daycare facilities, etc. and medical properties such as hospitals, clinics, intermediate nursing homes, etc. or assets with such underlying real estate.</u></p>

(2) Effective Date

Effective date of the Merger (March 1, 2018 (scheduled))

Attached Materials

- Reference Material (1) Organizational Chart of the Asset Management Company after the Organizational Change
- Reference Material (2) Separation of Duties for the Asset Management Company after the Organizational Change
- Reference Material (3) Extraordinary Report

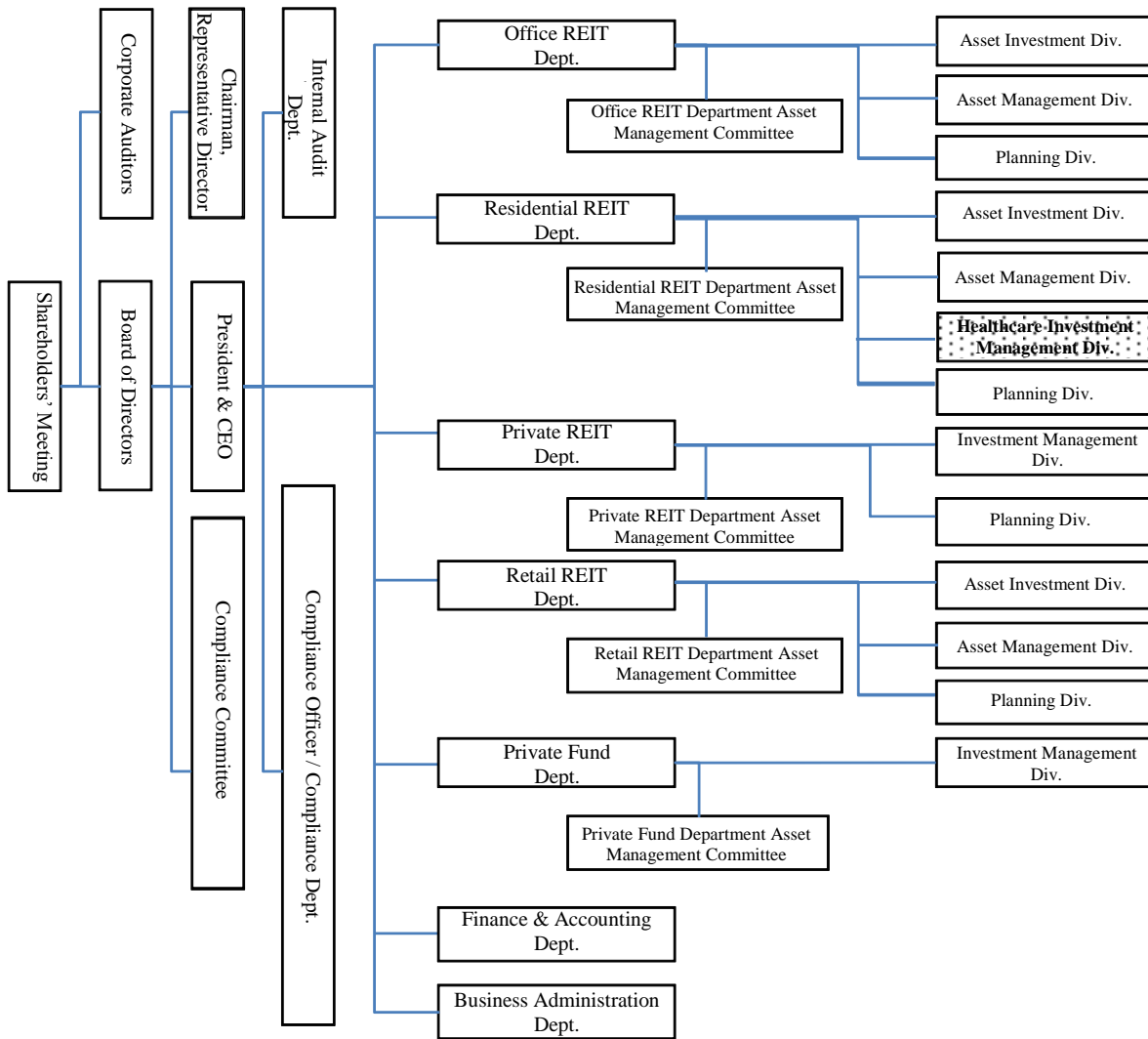
- * The original Japanese version of this material is released today to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Papers in the Construction Industry.
- * 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) Organizational Chart of the Asset Management Company after the Organizational Change



Separation of Duties for the Asset Management Company after the Organizational Change (Before)

Name of Department	Separation of Duties
Residential REIT Department	<p>Overall Asset Management Business (“KDR Asset Management Business”) for Kenedix Residential Investment Corporation (“KDR”)</p> <p>a. Asset Investment Division</p> <ul style="list-style-type: none"> • Items related to development and changes of the KDR asset management guidelines • Items related to the acquisition and disposal of assets concerning the KDR Asset Management Business • Items related to individual management of KDR’s investment management risks (acquisition and disposal of assets) • Research and analysis on the real estate market (related to KDR) • Other incidental items above or related items <p>b. Asset Management Division</p> <ul style="list-style-type: none"> • Items related to KDR Asset Management Business related asset management • Items related to development and changes of the KDR property management guidelines • Items related to the management of budget and performance of real estate owned by KDR, etc. • Items related to individual management of KDR investment risks (asset management) • Items related to individual management of the KDR real estate management risks (management) • Items related to construction management for the KDR real estate, etc. owned by the Investment Corporation • Items related to individual management of the KDR real estate management risks (construction work) • Other incidental items above or related items <p>c. Planning Division</p> <ul style="list-style-type: none"> • Items related to direct financing such as the issuance of investment units and investment corporation bonds, from items related to fund raising of KDR • Items related to KDR capital policy • Items related to development and changes of the KDR medium-term business plan • Items related to development and changes of the KDR annual business plan • Items related to KDR IR activities • Items related to disclosures of KDR (including semi annual report. Only support for Finance & Accounting Department for preparation of securities report and financial report) • Items related to research and analysis on the real estate investment trust market (related to KDR) • Items related to KDR’s responses to the investors (excluding items related to general unitholders meeting) • Items related to negotiations, etc. concerning jurisdiction business between regulatory authorities (related to KDR) • Items related to responses, etc. to related organizations (related to KDR) • Other incidental items above or related items

Name of Department	Separation of Duties
Residential REIT Department	<p>Overall Asset Management Business (“KDR Asset Management Business”) for Kenedix Residential <u>Next</u> Investment Corporation ^(Note) (“KDR”)</p> <p>a. Asset Investment Division</p> <p><u>The following items related to residential facilities and accommodation</u></p> <ul style="list-style-type: none"> • Items related to development and changes of the KDR asset management guidelines • Items related to the acquisition and disposal of assets concerning the KDR Asset Management Business • Items related to individual management of KDR’s investment management risks (acquisition and disposal of assets) • Research and analysis on the real estate market (related to KDR) • Other incidental items above or related items <p>b. Asset Management Division</p> <p><u>The following items related to residential facilities and accommodation</u></p> <ul style="list-style-type: none"> • Items related to KDR Asset Management Business related asset management • Items related to development and changes of the KDR property management guidelines • Items related to the management of budget and performance of real estate owned by KDR, etc. • Items related to individual management of KDR investment risks (asset management) • Items related to individual management of the KDR real estate management risks (management) • Items related to construction management for real estate, etc. owned by KDR • Items related to individual management of the KDR real estate management risks (construction work) • <u>Items related to monitoring of the operation of facilities and credit information such as financial status, etc. of operators for real estate, etc. owned by KDR (related to accommodation)</u> • Other incidental items above or related items <p>c. <u>Healthcare Investment Management Division</u></p> <p><u>The following items related to healthcare facilities</u></p> <ul style="list-style-type: none"> • <u>Items related to development and changes of the KDR asset management guidelines</u> • <u>Items related to the acquisition and disposal of assets concerning the KDR Asset Management Business</u> • <u>Items related to individual management of KDR’s investment management risks (acquisition and disposal of assets)</u> • <u>Research and analysis on the real estate market (related to KDR)</u> • <u>Research and analysis on operators</u> • <u>Items related to KDR Asset Management Business related asset management</u> • <u>Items related to development and changes of the KDR property management guidelines</u> • <u>Items related to the management of budget and performance of real estate owned by KDR, etc.</u> • <u>Items related to individual management of KDR investment risks (asset management)</u> • <u>Items related to individual management of the KDR real estate management risks (management)</u> • <u>Items related to construction management for real estate, etc. owned by KDR</u> • <u>Items related to individual management of the KDR real estate management</u>

	<p><u>risks (construction work)</u></p> <ul style="list-style-type: none"> • <u>Items related to monitoring of the operation of facilities and credit information such as financial status, etc. of operators for real estate, etc. owned by KDR</u> • <u>Other incidental items above or related items</u> <p>d. Planning Division</p> <ul style="list-style-type: none"> • Items related to direct financing such as the issuance of investment units and investment corporation bonds, from items related to fund raising of KDR • Items related to KDR capital policy • Items related to development and changes of the KDR medium-term business plan • Items related to development and changes of the KDR annual business plan • Items related to KDR IR activities • Items related to disclosures of KDR (including semi annual report. Only support for Finance & Accounting Department for preparation of securities report and financial report) • Items related to research and analysis on the real estate investment trust market (related to KDR) • Items related to KDR's responses to the investors (excluding items related to general unitholders meeting) • Items related to negotiations, etc. concerning jurisdiction business between regulatory authorities (related to KDR) • Items related to responses, etc. to related organizations (related to KDR) • Other incidental items above or related items
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(Note) The trade name of KDR will be changed to Kenedix Residential Next Investment Corporation subject to the Merger taking effect.

(1) Investment Policy

(omit)

③ Portfolio Structuring Policy

(i) Property Type

KDR will invest primarily in residential, healthcare and accommodation facilities — “spaces where people live and stay” — as its target investments. In making investments, KDR will stringently select real estate etc. where stable demand from tenants and users and long-term stable revenue flows can be projected on the basis of an individual analysis of the attributes of a particular property, as well as regional analysis taking into account location, etc.

a. Residential Facilities

KDR carries out diversified investment in rental housing and rental housing with facility operators such as serviced apartments, company rental housing, student dormitories and apartments, short-term apartments, etc. taking liquidity and transaction scale in the real estate market, organization of real estate market information and diversification of tenants (single person and family, etc.) into account.

b. Healthcare Facilities

KDR carries out diversified investments in (a) Senior living facilities such as fee-based homes for the elderly, serviced housing for the elderly, apartments for the elderly, group homes for elderly with cognitive impairment, small multi-function facilities, daycare facilities, etc. and (b) Medical facilities such as hospitals, clinics, medical malls (integrally composed of multiple hospitals, clinics or drug stores, etc. in the facility, the same shall apply hereinafter), intermediate nursing homes (facilities which have obtained permission from the prefectural governor with the purpose of providing nursing, care and functional training under control of medical management, and other necessary care for medical treatment and daily activities to a Person Requiring Long-Term Care, the same shall apply hereinafter), etc. taking the following factors into account.

- ① Securing diversified purpose and services offered
- ② Securing diversified living costs and usage fees
- ③ Securing diversified degree of social security dependence (social security system (pension, health insurance system, nursing care insurance system and public assistance system))

In cases where KDR carries out investments in healthcare facilities, as a general rule, it leases the entire facility to specialize operators regardless of directly or indirectly and manages risks as follows.

- ① Monitoring of financial status and the operation of facilities of operators
- ② Reduction of the risk of dependence on operators by installation of backup operators or establishment of relations to candidate for backup operators.
- ③ Reduction of the credit risk in operators and avoidance of the risk of higher costs to capital expenditures and repairs by investment only in land.

c. Accommodation

KDR invests in hotels, etc., existing core tenants with stable lease agreements which accommodation demand of business and tourism, etc. is expected in.

d. Other

KDR could invest in land with leasehold interest on which buildings stipulated above are located (limited proprietary right of land), etc.

Target Portfolio Breakdown by Property Type (based on acquisition price) is as follows. When the total leasable area of residential facilities, healthcare facilities and accommodation is over half of entire leasable area, even though each of them is under half in the facility which has multiple usage, KDR could invest in it and considers its property type as its usage which has largest leasable area.

Usage			Target Portfolio Breakdown
Classification	<u>Residential Facilities</u>	<u>Rental Housing</u>	<u>Rental Housing</u>
		Rental Housing with Facility Operators	Serviced apartments, company rental housing, student dormitories and apartments, short-term apartments, etc.
	<u>Healthcare Facilities</u>	<u>Senior Living Facilities</u>	<u>Fee-based homes for the elderly, serviced housing for the elderly, apartments for the elderly, group homes for elderly with cognitive impairment, small multi-function facilities, daycare facilities, etc.</u>
		<u>Medical Facilities</u>	<u>Hospitals, clinics, medical malls, intermediate nursing homes, etc.</u>
	<u>Accommodation</u>		<u>Hotels, etc.</u>
<u>Other</u>		Land with leasehold interest on which buildings stipulated above are located (limited proprietary right of land), etc.	
			<u>60% or more</u>
			<u>20% or less</u>
			<u>20% or less</u>
			<u>10% or less</u>

The Investment Corporation excludes office buildings, commercial facilities, logistics and warehouse facilities, amusement centers and golf courses from its target investments. However, there may be occasions when investment in such properties is made for secondary usage in conjunction with an investment in a residential, healthcare or accommodation facility. Investment targets which would fall under a sex-related amusement special business facility prescribed in Article 2, Paragraph 5 of the Act on Control and Improvement of Amusement Business, etc. (Act. No. 122 of 1948, including subsequent amendments thereto) are excluded as target investments.

(ii) Geographical Area

KDR carries out diversified investment in real estate located in the Tokyo Metropolitan Area, an area with the largest economic and population concentration in Japan. KDR also diversifies its investments by investing in real estate in other regional areas with the objective of mitigating the risk of concentrating investments in a single region subject to changes in regional economies and real estate market, earthquakes, typhoons and other natural disasters, population dynamics and other factors. However, KDR may invest in areas other than the above if the characteristics of particular real estate suggest that stable demand from tenants and users can be projected.

Region			Targeted Portfolio Breakdown
Classification	Tokyo Metropolitan Area	The principal cities in Tokyo, Kanagawa, Saitama and Chiba Prefectures	50% or more
	Regional Areas	Cities designated by cabinet order and other regional cities	50% or less
	<u>Other</u>	<u>Other</u>	

(iii) Investment Size

KDR carries out investments in real estate according to standards for investment size as shown in the table below, which take into account the following factors.

- a. Liquidity in the real estate market
- b. Securing diversified property size
- c. Securing diversified tenants or users
- d. Economics of the investment from the perspective of operation and management of the property

Classification		Acquisition Price
Minimum Investment Size	<u>Residential facilities</u>	300 million yen or more per investment property
	<u>Healthcare facilities</u>	300 million yen or more per investment property
	Accommodation (Hotel, etc.)	500 million yen or more per investment property
	Other	100 million yen or more per investment property
Maximum Investment Size	The ratio of acquisition price for such real estate will be no more than 20% of the total acquisition price of the entire portfolio after such real estate is acquired.	

However, real estate may be acquired in the cases set forth below, even if the real estate targeted for investment does not meet the minimum investment size standard.

- a. In the case of a bulk acquisition of real estate, when the bulk includes real estate with acquisition prices that fall below the minimum investment size standard
- b. In the case where, as a result of the negotiation of acquisition terms for real estate that meets the investment standard, the property's acquisition price falls below the minimum investment size standard, but has an appraisal value that exceeds the minimum investment size standard
- c. In the case the facility has an important relationship to properties already owned

(omit)

(v) Environment and Geology

KDR, as a general rule, invests in real estate, etc. have no issues about use and status of management of hazardous substances pointed out in the Engineering Reports and no fear of soil contamination by research. KDR may invest in real estate, etc., in case it doesn't match these conditions, when it could match them by constructions and it is considered as low influence in surrounding environment, people and economy regarding opinions including treatment method by specialists and it contributes to further stabilization of the portfolio.

(omit)

④ Individual Investment Standards

KDR acquires real estate, etc. to secure stabilizing profit for mid- to long-term following investment standards.

Location	<u>Regarding residential facilities</u> , KDR conducts regional analysis according to characteristics such as region, size etc. and individual analysis and classifies investment location to three segments of "Distinguished Neighborhoods, or Jigurai," "Lifestyle convenience" and "Special Market Characteristics." Taking into account the above factors, KDR makes investment decisions. <u>Regarding healthcare facilities and accommodation (hotel, etc.)</u> , KDR conducts regional analysis and individual analysis and makes investment decision taking into account the scale and characteristics of market, regional economy situation and competing accommodations, etc.
Property Type	<p><u>Regarding residential facilities</u>, as a general rule, KDR targets at real estate etc. matching the following criteria. However, KDR can acquire real estate, etc. in case that <u>residential facilities</u> which are not match the following criteria are partially included when acquiring multiple real estate, etc. at once. In addition <u>residential facilities</u> which are deemed inadequate to apply the following criteria, KDR can acquire <u>residential facilities</u>, etc. which are judged to have property type, etc. matching each usage.</p> <p style="text-align: center;"><u><Property types in residential facilities></u></p> <p>(i) Single (intended primarily for single-person households)</p> <ul style="list-style-type: none"> •Footprint of equal or more than 18m² and less than 30m² and more than 20 rentable units per property <p>(ii) Small Family (intended primarily for households of couples or families with infants)</p> <ul style="list-style-type: none"> •Footprint of equal or more than 30m² and less than 60m² and more than 15 rentable units per property <p>(iii) Family (intended primarily for households of three or more families)</p> <ul style="list-style-type: none"> • Footprint of equal or more than 60m² and more than 5 rentable units per property

	Regarding healthcare facilities and accommodation, KDR doesn't classify them by property type.
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(omit)

Tenant	<p>KDR acquires real estate, etc. taking following items as tenants into account comprehensively. In case of a tenant occupying real estate, etc. which KDR already has acquired, KDR shall consider the ratio of rental revenue from the tenant to rental revenue of entire portfolio.</p> <ul style="list-style-type: none"> (i) Credit information and payment of rent of tenants (ii) Industry sector (in case of corporation), use and contents of contract of tenants (iii) Possibility of change of tenants, etc. (iv) Management ability of facility, etc. in rental housing with facility operators and accommodation
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<u>Operator</u>	<u>KDR concerns generally following items about operators and operation in selecting operators of healthcare facilities.</u>	
	<u><Items about Operators></u>	
	<u>Contents of Research</u>	<u>Methods of Research</u>
	<ul style="list-style-type: none"> • <u>Management vision</u> • <u>Manager</u> • <u>Track record</u> • <u>Success of the business</u> • <u>Position and reputation in the industry</u> • <u>Finance</u> • <u>Management of organization</u> • <u>Compliance</u> • <u>Management of risks</u> • <u>Education of staffs and training system</u> • <u>Growth potential</u> • <u>Forecast</u> 	<p><u>Research by the Asset Management Company and investigation of disclosed information from sellers and operators and acquisition of market reports, etc.</u></p>
	<u><Items about Operation></u>	
	<u>Contents of Research</u>	<u>Methods of Research</u>
<ul style="list-style-type: none"> • <u>Rent-paying capacity</u> • <u>Ratio of moving in and using</u> • <u>Income and expenditure review</u> • <u>Degree of social security dependence</u> • <u>Rent level</u> • <u>Fee level of moving in and using</u> • <u>Operation</u> • <u>Service quality</u> • <u>Methods of business</u> • <u>Market environment</u> • <u>Status of securing staff</u> • <u>Management of risks</u> • <u>Reputation by residents, users and third-party organizations</u> • <u>Forecast</u> 	<p><u>Research by the Asset Management Company and investigation of disclosed information from sellers and operators and acquisition of market reports, etc.</u></p>	

(omit)

⑥ Policy for Management of Operation

(omit)

(ii) Monitoring Operation

The Asset Management Company monitors conditions of property management from the views of rental operation, building management and repair and renewal, etc. of the real estate owns by KDR based on “Annual Management Plan” established pursuant to above “(i) Establishment of Management Plan” in consigning property management.

The Asset Management Company holds debriefing meetings related to confirmation and countermeasure, etc. about necessary items in followings regarding usage of real estate as targeted with property management companies regularly (basically every month) or necessary, consults to carry out and maintain operation management on plans and carries out monitoring.

(omit)

Regarding healthcare facilities and accommodation, the Asset Management Company carries out monitoring regularly about operation management policy and plan, conditions of operation and credits in operators, etc. and examines necessary countermeasure based on the result of monitoring. The Asset Management Company proposes repair and renewal of building and equipment and method of operation and business and consults them to sustain operation of healthcare facilities with operators in case of any issues about operation of them. In addition to this, the Asset Management Company examines change of operators in case of no improvement about operation of facilities and important problems affects sustainability of operation such as legal violations.

⑦ Policy of Insurance

(omit)

(iii) Insurance Credit of Insurance Underwriting Company

Insurance Credit of Insurance Underwriting Company is basically over A3 by Moody’s Japan K.K. or over A- by S&P Global Ratings Japan K.K.

(omit)

⑧ Policy of Repair and Capital Expenditure

(omit)

(iii) KDR examines and carries out renewal of private area and common area considered as effective on business strategy in order to maintain and improve revenue for mid- to long-term by means of addressing changes of lifestyle of tenants and operation of operators, acquiring new demand by changes of operators and main tenants and maintaining competitiveness against facilities surrounding, etc.

(omit)

⑩ Financial Policy

(omit)

(iv) Fund Operation

a. As a general rule, surplus fund reverted to KDR in specific account of KDR and trust accounts of real estate trusts is deposited in ordinary bank account of no interest (ordinary savings subject to be fully guaranteed on deposit insurance system) and ordinary bank account, fixed deposit account and negotiable certificates of deposit’s account (hereafter, ordinary deposit account, fixed deposit account and negotiable certificates of deposit’s account are collectively called “Bank Account(s)”) of banks with over P-2 in short-term deposit rating by Moody’s Japan K.K. or over A-2 in short-term rating denominated in domestic currency by S&P Global Ratings Japan K.K. Reasonable management is carried out in using ordinary bank account and Bank Accounts other than the above.

(omit)