

November 10, 2017

To All Concerned Parties

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

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REIT Issuer:  
 Japan Senior Living Investment Corporation  
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Notice Concerning Earnings Forecasts for the Fiscal Period Ending July 31, 2018  
 and the Fiscal Period Ending January 31, 2019 After the Merger Between Kenedix Residential Investment  
 Corporation and Japan Senior Living Investment Corporation

As set forth in the “Notice of Conclusion of Merger Agreement Between Kenedix Residential Investment Corporation and Japan Senior Living Investment Corporation” released by Kenedix Residential Investment Corporation (“KDR”) and Japan Senior Living Investment Corporation (“JSL”) on this day, KDR and JSL, at their respective Board of Directors meetings held on this day, each approved the implementation of an absorption-type merger (“Merger”) on March 1, 2018, having KDR as the surviving corporation and JSL as the dissolving corporation, and executed a merger agreement. In conjunction with the foregoing, we hereby announce as set forth below regarding the earnings forecast of KDR, the corporation surviving the Merger, for the fiscal period ending July 31, 2018 (the 13<sup>th</sup> Fiscal Period: from February 1, 2018 to July 31, 2018) and January 31, 2019 (the 14<sup>th</sup> Fiscal Period: from August 1, 2018 to January 31, 2019).

	Operating revenue	Operating income	Recurring income	Net income	Net income per unit	Distributions per unit (excluding excess of earnings)	Distributions in excess of earnings per unit
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)	(yen)	(yen)
Fiscal period ending July 31, 2018	6,580	2,970	2,411	5,694	7,273	3,570	-
Fiscal period ending January 31, 2019	6,730	3,397	2,827	2,826	3,610	3,610	-



- (Note 1) KDR's fiscal periods run from February 1 to July 31 and from August 1 to January 31, and these will not change made after the Merger. When the Merger comes into effect during the fiscal period ending July 31, 2018 (on March 1, 2018), KDR will be operated as pre-Merger KDR for the first month of the fiscal period ending July 31, 2018 and as post-Merger KDR for the remaining five months of the fiscal period.
- (Note 2) The forecasted number of investment units outstanding at the end of the fiscal period ending July 31, 2018 and at the end of the fiscal period ending January 31, 2019 is 782,928 units.
- (Note 3) The earnings forecasts for the fiscal periods ending July 31, 2018 and January 31, 2019 are calculated based on the assumptions set forth in the attached "Assumptions for Earnings Forecasts for the fiscal period ending July 31, 2018 (the 13<sup>th</sup> Fiscal Period: from February 1, 2018 to July 31, 2018) and the fiscal period ending January 31, 2019 (the 14<sup>th</sup> Fiscal Period: from August 1, 2018 to January 31, 2019)". Accordingly, if going forward there are additional acquisitions or sales of properties, changes in rent income associated with lessee changes, unexpected repairs and other changes in the earnings environment, changes in interest rates or other factors, it is possible that actual circumstances may differ from the assumptions and, as a result, actual operating revenue, operating income, recurring income, net income, net income per unit, distributions per unit, as well as distributions in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.
- (Note 4) In the above forecasts, negative goodwill arising in connection with the Merger between KDR and JSL is estimated at 3,283 million yen, and such negative goodwill is expected to be booked in full as an extraordinary gain for the year ending July 31, 2018 (the 13<sup>th</sup> Fiscal Period). The amount of negative goodwill is subject to change. For details, see the "Extraordinary gain (negative goodwill gain)" section in the attachment "Assumptions for Earnings Forecasts for the fiscal period ending July 31, 2018 (the 13<sup>th</sup> Fiscal Period: from February 1, 2018 to July 31, 2018) and the fiscal period ending January 31, 2019 (the 14<sup>th</sup> Fiscal Period: from August 1, 2018 to January 31, 2019)."
- (Note 5) Revisions to the forecasts may be made if a certain degree of discrepancy from the foregoing forecasts is anticipated.
- (Note 6) Amounts less than a unit are discarded.

- \* This announcement is being distributed to the Kabuto Club; the Ministry of Land, Infrastructure, Transport and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport and Tourism Construction Specialty Publication Press Club

\*Websites:

Kenedix Residential Investment Corporation <http://www.kdr-reit.com/>  
Japan Senior Living Investment Corporation <http://www.jsl-reit.com/>

***[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.***

Assumptions for Earnings Forecasts

for the fiscal period ending July 31, 2018 (the 13<sup>th</sup> Fiscal Period: from February 1, 2018 to July 31, 2018) and the fiscal period ending January 31, 2019 (the 14<sup>th</sup> Fiscal Period: from August 1, 2018 to January 31, 2019)

Item	Conditions Precedent
Calculation periods and effect of the Merger	<ul style="list-style-type: none"> <li>• The fiscal period ending July 31, 2018 (the 13<sup>th</sup> Fiscal Period): from February 1, 2018 to July 31, 2018 (181 days)</li> <li>• The fiscal period ending January 31, 2019 (the 14<sup>th</sup> Fiscal Period): from August 1, 2018 to January 31, 2019 (184 days)</li> <li>• The forecasts are based on the assumption that with the approval of the Merger at the KDR and JSL unitholders meetings to be held January 25, 2018 and related matters and satisfaction of other conditions precedent, the Merger will come into effect on March 1, 2018.</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>• It is assumed that in addition to the 115 properties owned directly or indirectly through trust beneficial interests by KDR as of November 10, 2017, KDR will, in conjunction with the Merger, succeed to the 14 properties owned directly or indirectly through trust beneficial interests by JSL as of November 10, 2017.</li> <li>• Other than the above, there will be no transfers of assets under management through January 31, 2019.</li> <li>• There may be changes due to acquisition of new properties or disposal of properties.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Rental and other operating revenues were calculated taking into consideration any agreement execution or termination confirmed as of November 10, 2017 as well as such factors as recent market changes and property competitiveness.</li> <li>• Operating revenues were calculated on the assumption that there are no lessees who are late or delinquent in rent payments.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Property-related expenses other than depreciation were calculated on the basis of historical data, reflecting seasonal factors and other cost change elements.</li> <li>• Depreciation was calculated using the straight-line method, and are estimated at 1,139 million yen for the fiscal period ending July 31, 2018 and at 1,184 million yen for the fiscal period ending January 31, 2019.</li> <li>• Taxes (including fixed asset taxes and city planning taxes) are estimated at 416 million yen for the fiscal period ending July 31, 2018 and at 415 million yen for the fiscal period ending January 31, 2019. With respect to repairs and maintenance, the repair plans of the asset management companies for KDR and JSL are used to calculate amounts expected to be necessary for each property, and these are recorded as expenses. However, given the possibility of expenses for repairs and maintenance arising from unforeseen factors, expenses for repairs and maintenance may change significantly from the anticipated amounts.</li> <li>• As one-time expenses arising in connection with the Merger, it is forecasted for the fiscal period ending July 31, 2018 that there will be 289 million yen in merger compensation (part of asset management compensation) and 94 million yen in merger-related expenses.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Forecasted interest and other expenses (including financing-related expenses) are 557 million yen for the fiscal period ending July 31, 2018 and 569 million yen for the fiscal period ending January 31, 2019.</li> </ul>
Extraordinary gain (negative goodwill gain)	<ul style="list-style-type: none"> <li>• The negative goodwill gain to be recorded from the Merger is estimated at 3,283 million yen, and in accordance with the Accounting Standard for Business Combinations (Corporate Accounting Standard No. 21, last amended on September 13, 2013), the amount will be recorded in full for the fiscal period ending July 31, 2018. This amount is an estimate based on the assumption of 35,109 million yen in total assets acquired of JSL, the corporation being acquired under the Accounting Standard for Business Combinations; 19,494 million yen in assumed liabilities; and 12,331 million yen in Merger acquisition costs (estimated using the closing price of 291,000 yen on October 31, 2017 for an investment unit of acquiring corporation KDR; this will be the acquisition price). The amount of negative goodwill gain as of the effective date of the Merger has not been definitively determined and may change from the above amount.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>• The outstanding interest-bearing debt at KDR is 91,130 million yen as of November 10, 2017 (borrowings: 88,130 million yen; investment corporation bonds: 3,000 million yen).</li> </ul>

	<ul style="list-style-type: none"> <li>• In addition to the foregoing, it is assumed that KDR will assume JSL's outstanding interest-bearing debt of 15,000 million yen as of today.</li> <li>• The outstanding interest-bearing debt is forecasted to be 106,130 million yen at the end of the fiscal period ending July 31, 2018 and 106,130 million yen at the end of the fiscal period ending January 31, 2019.</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>• It is assumed that, in addition to KDR's total number of outstanding investment units of 698,178 units following the two-for-one investment unit split (with February 28, 2018 as the record date for the split and March 1, 2018 as the effective date for the split), KDR will newly issue 84,750 investment units in connection with the Merger and the total will amount to 782,928 units. For further details concerning this investment unit split, please refer to the "Notice Concerning Investment Unit Split" released today by KDR.</li> <li>• The number of new investment units KDR will issue in connection with the Merger is unconfirmed at the present time and may change due to treatment of fractions and other factors.</li> <li>• In addition to the foregoing, it is assumed that there will be no additional issuance of investment units through the end of the fiscal period ending January 31, 2019.</li> </ul>
Distributions per unit	<ul style="list-style-type: none"> <li>• Distributions per unit were calculated in accordance with the policy regarding cash distributions provided in the Articles of Incorporation of the Investment Corporation, with the assumption that substantially all income (excluding negative goodwill gain) will be distributed.</li> <li>• For distributions for the fiscal period ending July 31, 2018, it is assumed that negative goodwill gain in an amount equal to the impact of the merger consideration and merger-related expenses will be applied to net income, after deducting the negative goodwill gain, of 2,410 million yen, and a total of 2,795 million yen will be distributed.</li> <li>• Distributions per unit may change significantly from changes in properties; change in rent income in connection with lessee changes and other factors; unforeseen repairs and maintenance and other changes in the management environment; changes in interest rates; the number of new investment units to be issued and their price as actually decided; further issue of new investment units going forward and various other factors.</li> <li>• With respect to the negative goodwill set forth in the assumptions for extraordinary gain, except for the portion that will be applied to distributions for the fiscal period ending July 31, 2018 for the purpose of avoiding the impact that the merger compensation and merger-related expenses will have on distributions per unit, the majority of such unapplied portion (the amount necessary for satisfying pass-through requirements) will be set aside as reserves for adjusting for one-time differences as stipulated in the rules concerning investment corporation calculations; and provided that there is a balance in the reserves, an amount constituting at least 1% of the initial amount in equal installments over 50 years (100 terms) will be reversed every term and applied to distributions. However, given that the amount of negative goodwill is unconfirmed at this point, the amount of reserves for one-time difference adjustment is also unconfirmed, and accordingly such reversals were not taken into account in calculating such forecasted distributions, except for cases of reversals for avoiding the impact that one-time expenses will have on distributions per unit.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• Distributions in excess of earnings per unit are not planned at the present time.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• It is assumed that no amendments affecting the above forecasts will be made to laws and regulations, the tax system, accounting standards, listing regulations or the rules of the Investment Trusts Association, Japan or other laws or rules.</li> <li>• It is assumed that no unforeseen material changes will occur with respect to general economic trends and real property prices and other factors.</li> </ul>

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