

# KENEDIX

Residential NEXT Investment Corporation

## **Supplemental Material on the Notice Concerning Issuance of New Investment Units and Secondary Offering Announced Today**

**July 13, 2018**

PARTNERS IN GROWTH  
**KENEDIX**  
Real Estate Fund Management, Inc.

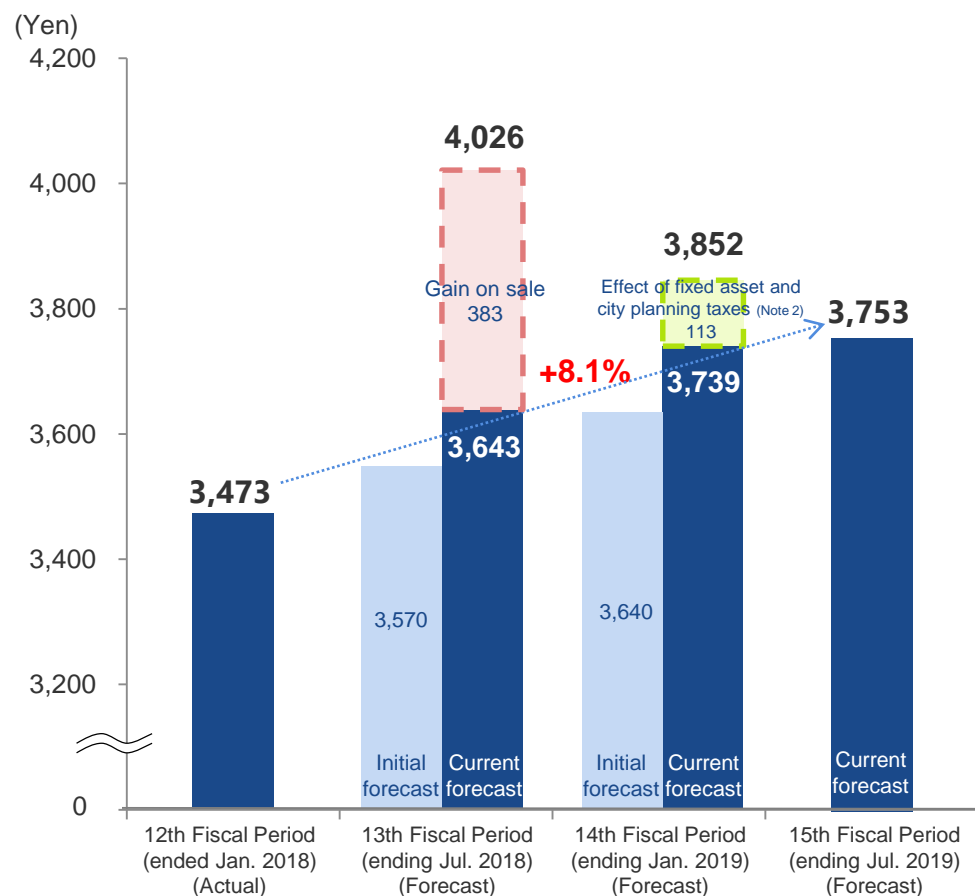
# Growth of Distributions per Unit

Distributions per unit is growing with active asset management measures such as public offerings, the merger and asset replacements

## Forecast of Distributions

- ✓ A public offering was implemented following the merger, resulting in a further increase of the asset size.
- ✓ Due to the effects of the offering and such (Note 1), **distributions calculated without considering temporary factors are expected to grow as well**
- ✓ **Distributions per unit are expected to grow by 8.1%** from the fiscal period ended January 2018 to the fiscal period ending July 2019.

### <Impact of the Offering and such on Forecast for Distributions per Unit (DPU)>

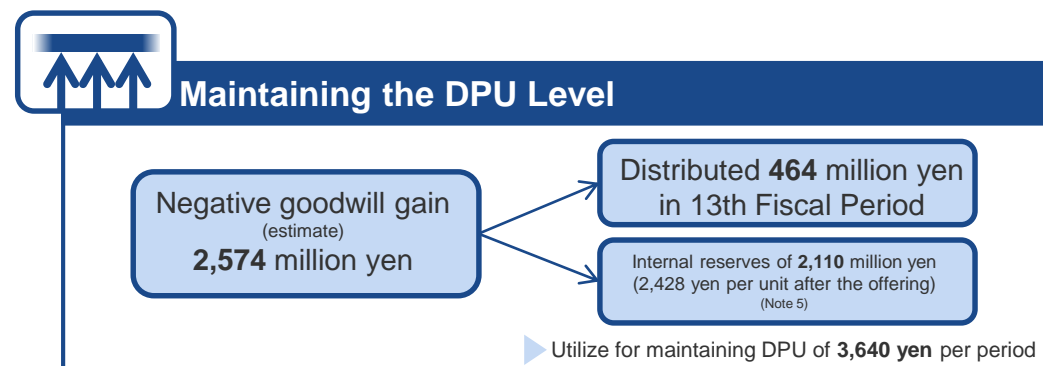
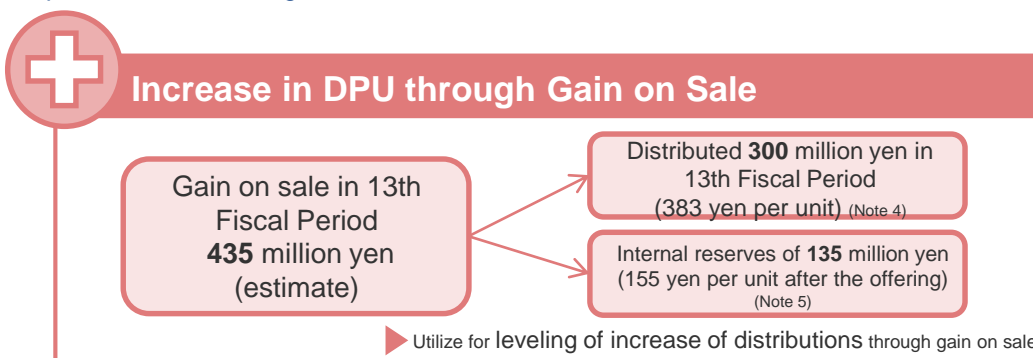


## Distribution Policy

- ✓ Continue to implement measures that contribute increasing unitholder value and aim for the growth of distributions per unit.
- ✓ Continue to deliberate the sale of properties and aim also for **additions to distributions per unit through gain on sale of properties** (Note 3).
- ✓ Internal reserves by negative goodwill obtained through the merger will be utilized for **maintaining the level of distributions per unit**.

### <Maintaining and Improving Distributions per Unit>

Aim for solid distributions through the utilization of negative goodwill, as well as an upside from return of gain on sale.



(Note 1) "The offering and such" refers to the internal growth since the 12th Fiscal Period as well as the string of activities including financial activities, the merger, asset replacements and public offerings.

(Note 2) "Effect of fixed asset and city planning taxes" is the effect arising from the fact that the expense of fixed asset tax and city planning tax is recorded from the year after the fiscal year in which a property is acquired, resulting in a delay of the period of expensing.

(Note 3) KDR has no specific plans to sell its properties for the time being.

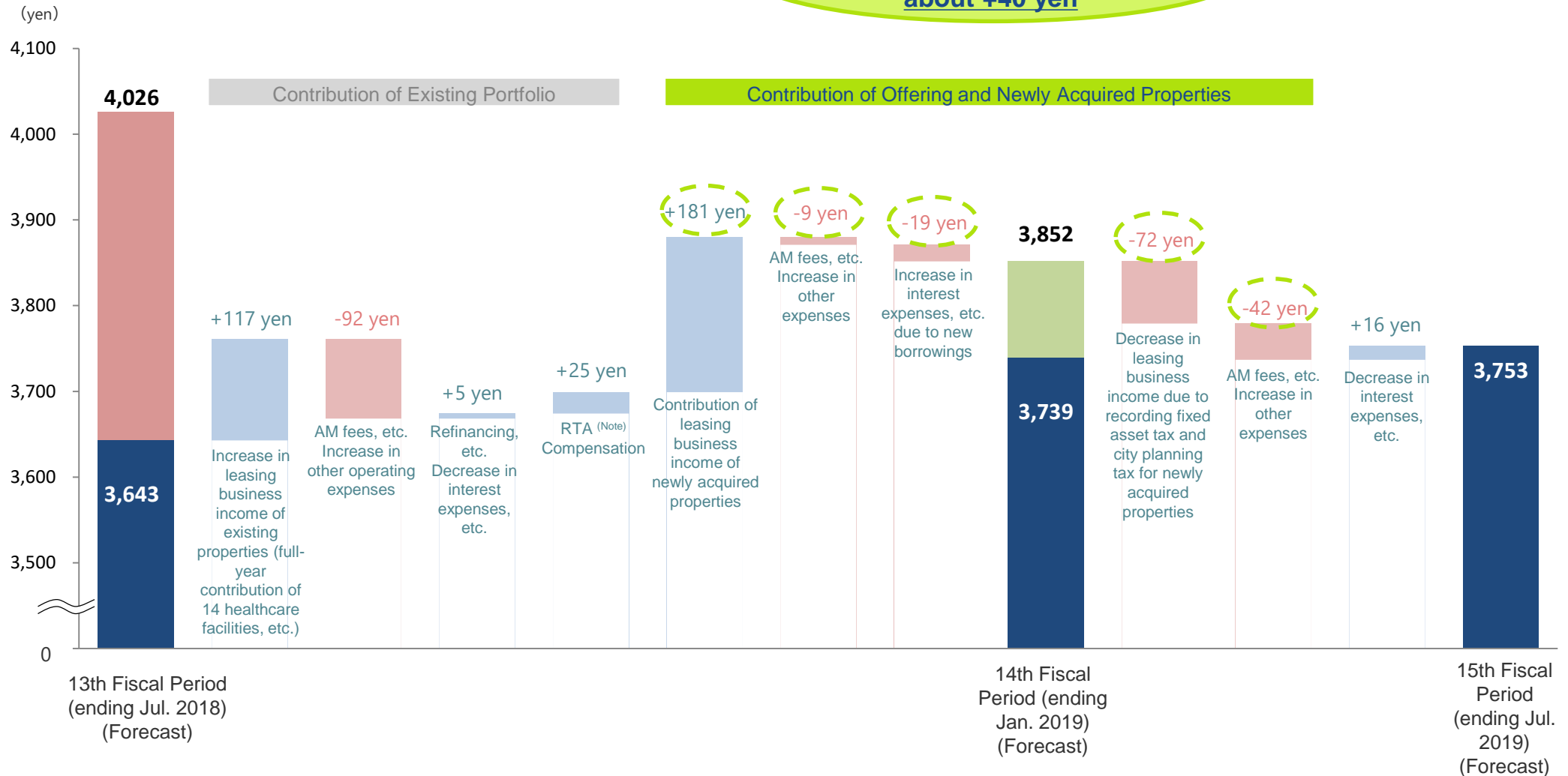
(Note 4) Calculated with the assumption of outstanding investment units of 782,928 as of the end of the 13th Fiscal Period ending July 2018.

(Note 5) Calculated with the assumption that all of the new investment units scheduled to be issued as announced today (issuance of 82,100 new investment units and issuance of a maximum of 4,105 new investment units for third-party allotment concerning secondary offering through over-allotment) will be issued.

# Outlook of DPU for the Period Ended July 2018 (13th Fiscal Period) to the Period Ending July 2019 (15th Fiscal Period)

## DPU Breakdown for the Period Ended July 2018 (13th Fiscal Period) to the Period Ending July 2019 (15th Fiscal Period)

Impact of offering on DPU is **about +40 yen**



(Note) RTA refers to the reserve for temporary difference adjustment. Kenedix Residential NEXT has a policy to allocate the amount equal to or more than an amount of the initial reserve averaged out in 50 years to the distribution each period. 2

# Outlook for the period Ending July 2018 (13th Fiscal Period), Ending January 2019(14th Fiscal Period) and Ending July 2019(15th Fiscal Period)

	1H 2018	2H 2018	Period on Period		2H 2018	Period on Period		
(in millions of yen)	Current forecast	Current forecast			Current forecast			*Impact of new property acquisitions through the offering (blue letters)
Rent revenue –real estate	6,152	7,050	897	14.6%	7,051	1	0.0%	Increase due to new (planned) acquisition of 10 properties +739 Full-year contribution of 14 existing healthcare facilities +163
Other lease business revenue	485	468	-17	-3.5%	521	52	11.2%	Increase in temporary revenue, etc. in peak season +45
Gains on sales of real estate	435	-	-435	-100.0%	-	-	-	
Dividends received	26	9	-16	-63.2%	6	-3	-34.6%	Increase in expenses due to new (planned) acquisition of properties +72
<b>Operating revenues</b>	<b>7,099</b>	<b>7,528</b>	<b>428</b>	<b>6.0%</b>	<b>7,578</b>	<b>50</b>	<b>0.7%</b>	
Expenses related to rent business (ex. Depreciation)	1,396	1,438	41	3.0%	1,543	104	7.3%	Posted expenses due to fixed asset tax and city planning tax for new (planned) acquisition of properties +62 Increase in leasing related fees, etc. in peak season +36
<b>NOI</b>	<b>5,241</b>	<b>6,080</b>	<b>839</b>	<b>16.0%</b>	<b>6,029</b>	<b>-51</b>	<b>-0.8%</b>	
Depreciation	1,144	1,338	194	17.0%	1,346	8	0.6%	Increase due to new (planned) acquisition of properties +154 Full-year results of 14 existing healthcare facilities +44
Costs related to the Merger	392	-	-392	-100.0%	-	-	-	Increase in AM fees due to increase in asset size through merger +84
Other operating expenses	735	812	77	10.5%	849	36	4.5%	
<b>Operating income</b>	<b>3,431</b>	<b>3,939</b>	<b>507</b>	<b>14.8%</b>	<b>3,839</b>	<b>-99</b>	<b>-2.5%</b>	Increase in AM fees due to increase in asset size through new acquisition of properties +28
Non-operating income	10	11	0	5.3%	11	-	-	
Non-operating expenses	607	610	3	0.5%	596	-14	-2.3%	Increase in interest expenses, etc. due to new acquisition of properties +45
<b>Ordinary income</b>	<b>2,834</b>	<b>3,339</b>	<b>505</b>	<b>17.8%</b>	<b>3,254</b>	<b>-85</b>	<b>-2.6%</b>	
Negative goodwill	2,574	-	-2,574	-100.0%	-	-	-	
<b>Net income</b>	<b>5,408</b>	<b>3,338</b>	<b>-2,069</b>	<b>-38.3%</b>	<b>3,253</b>	<b>-85</b>	<b>-2.6%</b>	
RTA <sup>(1)</sup> compensation (Accumulation)	(2,000)	20	-	-	20	-	-	
Earnings surplus Compensation (Accumulation)	(256)	(10)	-	-	(10)	-	-	Part of negative goodwill gain (110 million yen), part of the gain on sale of property (135 million yen) and gain on appraisal on the receipt at market value of an interest rate swap due to the merger (10 million yen) have been retained as retained earnings.
<b>Dividends</b>	<b>3,152</b>	<b>3,347</b>	<b>195</b>	<b>6.2%</b>	<b>3,261</b>	<b>-86</b>	<b>-2.6%</b>	
<b>Distribution per Unit</b>	<b>4,026yen</b>	<b>3,852yen</b>	<b>-174yen</b>	<b>-4.3%</b>	<b>3,753yen</b>	<b>-99yen</b>	<b>-2.6%</b>	

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