

September 12, 2018

To All Concerned Parties

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

Asset Management Company:  
 Kenedix Real Estate Fund Management, Inc.  
 Representative: Masahiko Tajima, President & CEO  
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**Notice Concerning the Change of Company Regulations**  
**(The Management Guidelines of Residential REIT Division)**

Kenedix Residential Next Investment Corporation (“the Investment Corporation”) has announced that the Residential REIT Department Asset Management Committee of Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), the asset management company for the Investment Corporation, held today decided to change the management guidelines of Residential REIT Department (“the Management Guidelines”) contained in its company regulations. Details are as follows.

**1. Key Change of the Management Guidelines (The underlines indicate the changes)**

Change of “Investment Ratio for Property Categories (based on acquisition price)”

(Before)

Usage			Target Investment Ratio	
Classification	Residential Facilities	Rental Housing	Rental housing	60% or more
		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.	<u>20%</u> or less
		Medical Facilities	Hospitals, clinics, medical malls, intermediate nursing homes, etc.	
	Accommodations	Hotels, etc.	20% or less	
Other	Land with leasehold interests on which buildings are stipulated to exist and others	10% or less		

(After)

Usage			Target Investment Ratio	
Classification	Residential Facilities	Rental Housing	Rental housing	60% or more
		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.	<u>30%</u> or less
		Medical Facilities	Hospitals, clinics, medical malls, intermediate nursing homes, etc.	

Usage		Target Investment Ratio
Accommodations	Hotels, etc.	20% or less
Other	Land with leasehold interests on which buildings are stipulated to exist and others	10% or less

## 2. Reason for the Change of the Management Guidelines

The Investment Corporation makes investments in a broad range of properties, including residential facilities where people live or stay, healthcare facilities, and hotels and other accommodations. The objective is to maximize the unitholders' value by receiving consistent rental revenues while steadily increasing the volume of invested assets.

Healthcare facilities were added as an investment category when the Investment Corporation merged with Japan Senior Living Investment Corporation on March 1, 2018. Healthcare facilities are a different type of asset compared with rental housing and other residential facilities. As a result, following this merger, the Asset Management Company initially established a conservative target investment ratio of 20% or less for healthcare facilities. After the merger, the Investment Corporation acquired six healthcare facilities (total acquisition price of 12.3 billion yen) and has preferential negotiation rights for three more healthcare facilities. The Asset Management Company believes there is a high probability of external growth at the Investment Corporation due to the purchase of more healthcare facilities and that healthcare facilities will be a major source of external growth. The Healthcare Investment Management Division, which was added to the Residential REIT Department of the Asset Management Company after the merger, has been successfully managing the assets received from Japan Senior Living Investment Corporation and those newly acquired. In addition, this division has taken measures, including adding more workforce, to build a stronger asset management framework in anticipation of more growth in the volume of assets under management. Healthcare facilities have increased to 19% of the investment portfolio of the Investment Corporation. If the current target investment ratio of 20% or less is not revised, the ability to purchase healthcare facilities will be limited. This could prevent the Investment Corporation from making flexible and speedy real estate investments and management, resulting in lost investment opportunities. To increase the capability to purchase healthcare facilities and take advantage of investment opportunities on a continuous basis, the Asset Management Company has decided to change the Management Guidelines by raising the healthcare facility target investment ratio from 20% or less to 30% or less.

The Asset Management Company believes that this change is consistent with the growth strategy of the Investment Corporation of aiming for sustained external growth while reflecting differences in market conditions in the three investment categories of residential facilities, healthcare facilities and accommodations. The Asset Management Company also believes that this change will contribute to more growth in unitholders' value.

After this change in the Management Guidelines, the target investment ratio for rental housing and other residential facilities will remain at least 60%. With respect to the volume of assets, the Investment Corporation plans to continue building a portfolio that is centered on residential facilities while seeking opportunities to acquire hotels and other properties in the accommodations category.

## 3. Effective Date

September 12, 2018

Reporting and notifications with regard to these matters will be conducted in accordance with the Financial Instruments and Exchange Act, the Real Estate Transaction Business Law, and other applicable laws and regulations.

\* Website URL of the Investment Corporation: <https://www.kdr-reit.com/en/>

*[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.*