

December 25, 2018

To All Concerned Parties

REIT Issuer:

Kenedix Residential Next 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 Acquisition of Properties (Total of 2 residential Properties)
 and Sale of Property

Kenedix Residential Next Investment Corporation (the “Investment Corporation”) announced today that Kenedix Real Estate Fund Management, Inc. (the “Asset Management Company”), the asset management company for the Investment Corporation, has decided to acquire and sell the following properties (respectively the “Acquisition” and the “Sale”, and collectively the “Transaction”). The details are provided as follows.

1. Overview of the Transaction

(1) Overview of the Acquisition

(1) To-be acquired Assets	As follows
(2) Date of Contract	December 25, 2018
(3) Scheduled Date of Acquisition	February 1, 2019 ⁽¹⁾ (T-82 KDX Residence Kaminoge) A date up to seven business days before the sale date specified by the Investment Corporation, aiming for the last day of February ⁽¹⁾ (T-83 KDX Residence Higashi-Asakusa)
(4) Seller	Please refer to “6. Seller and Buyer’s Profile”
(5) Funds for Acquisition	Proceeds from Sale of Properties ⁽²⁾ and Cash on Hand
(6) Settlement Method	Payment in full on date of acquisition

<List of To-be Acquired Assets>

(in thousands of yen)

Property Number	Property Name ⁽³⁾	Type of Assets ⁽⁴⁾	Acquisition Price ⁽⁵⁾
T-82	KDX Residence Kaminoge	Trust beneficiary interest in real estate	1,111,000
T-83	KDX Residence Higashi-Asakusa	Trust beneficiary interest in real estate	687,730
Total			1,798,730

(Note 1) The Investment Corporation designates the date of acquisition for T-83 by the end of February, the investment corporation will announce the date of acquisition as soon as it is decided.

The trust beneficiary interest sales contract associated with the Acquisition falls under the forward commitments, etc. (refers to the postdated sales contract of the real estate, etc. signed by the Investment Corporation, under which payment and delivery shall be made at least one month after conclusion of the contract, or any other contract similar thereof.) by the Investment Corporation as specified in the Financial Services Agency “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” Regarding the detail of cancellation clause, etc., please refer to “5. Financial Impact on the Investment Corporation in the Event of Failure to Fulfill the Forward

Commitments, etc.”

- (Note 2) Regarding the details of the proceeds from sale of properties, please refer to “(2) Overview of the Sale.”
- (Note 3) The Investment Corporation has planned to change the name of the asset to be acquired in conjunction with the Acquisition, and the name of the asset to be acquired after change have been described according to seller’s intention. The same shall apply hereafter.
- (Note 4) The Invest Corporation has agreed with the seller that it will entrust the asset (T-83) to be acquired to Sumitomo Mitsui Trust Bank, Limited as trustee until the time of acquisition and that it will receive the transfer of the trust beneficiary interest of the trust. The same shall apply hereafter.
- (Note 5) “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 to-be acquired asset and is rounded down to the nearest thousand yen. The same shall apply hereafter.

(2) Overview of the Sale

(1) To-be Sold Assets	As follows
(2) Date of Contract	December 25, 2018
(3) Scheduled Date of Sale	January 24, 2019 ⁽¹⁾
(4) Buyer	Please refer to “6. Seller and Buyer’s Profile”
(5) Sales Method	Sale of the trust beneficiary interest in real estate
(6) Settlement Method	Deposit ¥79 million at Conclusion of Agreement Receipt of the balance on date of sale
(7) Use of Funds	The Investment Corporation plans to utilize the proceeds from the sale of properties for the acquisition of properties which is described in “(1) Overview of the Acquisition”

< List of To-be Sold Assets >

(in thousands of yen)

Property Number	Property Name	Sales Price ⁽¹⁾	Assumed Book Value ⁽²⁾	Difference between Sales Price and Assumed Book Value
R-14	KDX Residence Kotodai	730,574	500,358	230,215

(Note 1) “Sales Price” is the sales amount of the trust beneficiary interest (excluding sales costs, adjusted amount for property tax and city planning tax or consumption tax, etc.) indicated in the trust beneficiary interest sales contract concerning the to-be sold asset and is rounded down to the nearest thousand yen.

(Note 2) “Assumed Book Value” is the estimated figures as of January 24, 2019 and rounded down to the nearest thousand yen.

2. Reason for the Transaction

In constructing its portfolio, the Investment Corporation focuses its investment on residential properties in the Tokyo metropolitan area with its continuous population inflow and excellent balance of supply and demand. The properties to be acquired are both residential properties located in Tokyo’s 23 wards. The acquisitions are thus in line with the policy of investment focused on the Tokyo metropolitan area.

Meanwhile, the Investment Corporation aims to increase its asset size through investment in new properties while at the same time improving the quality of its portfolio. With regard to the residential properties located in other regional areas, the Investment Corporation plans to improve the quality of the portfolio by selling these properties and implementing asset replacement since the balance between rental supply and demand in some areas is deteriorating and some properties are expected to see a decrease in rental revenue going forward.

In addition, 111 out of the 113 residential properties under management of the Investment Corporation have seen appraisal value in excess of book value as of July 31, 2018, with the difference between appraisal value and book value reaching approx. ¥30.4 billion or 18.8% of the total book value of the residential portfolio. The Investment Corporation deems that in the present booming rental residential transaction market, returning to unitholders the unrealized gain on sale of some properties contributes to increase in unitholder value, and one residential property located in Osaka has already been sold during the previous period. Based on the above policy, the Sale shall be the sale of a property in other regional areas as was the case in the previous period.

Going forward, the Investment Corporation will continue to seek opportunities of property sale and capitalize on them across each fiscal period considering diversification of the portfolio and the potential profitability of properties based on the analysis of surrounding markets and characteristics proper to such

properties, as far as the bullish trend in the real estate market prevails.

The Investment Corporation took the following points in the decision making associated with the Acquisition:

(T-82) KDX Residence Kaminoge

- The property is located an approximately a seven-minute walk from Kaminoge Station on the Tokyu Oimachi Line, approximately a 25-minute ride to from Shibuya Station. Futako Tamagawa Rise where there is a concentration of retail facilities and such is within walking distance and transportation is very convenient. As such, stable rental demand from commuters to central Tokyo is expected.
- There are places nearby where abundant nature can be enjoyed such as Kaminoge Nature Park and Todoroki Valley. The area provides comfortable living and a natural environment.

(T-83) KDX Residence Higashi-Asakusa

- The property is located approximately a 15-minute walk from Minami-Senju Station on the Tokyo Metro Hibiya Line, JR Joban Line and Metropolitan Intercity Railway Tsukuba Express, and provides excellent access to commercial and office districts.
- There are facilities convenient for living in nearby districts including daily community stores, a post office and hospital. Since living is very convenient in this area, stable rental demand is expected from a wide range of households such as of those employed nearby as well as commuters to central Tokyo.

3. Overview of the To-be Acquired Assets

(T-82) KDX Residence Kaminoge

Property name		KDX Residence Kaminoge
Type of assets		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust term		December 21, 2016 through January 31, 2029
Previous owner		Not disclosed according to seller's intention
Location (Address) ⁽¹⁾		3-2-11, Noge, Setagaya-ku, Tokyo
Land	Type of ownership	Proprietary ownership
	Site area	592.33 m ²
	Use districts	Category 1 medium-to-high-rise exclusive residential districts / Neighborhood commercial districts
	Building coverage ⁽²⁾	40% / 80%
	Floor area ratio ⁽²⁾	80% / 300%
Building	Type of ownership	Proprietary ownership
	Total floor area	1,473.47 m ²
	Construction	September 2016
	Usage	Apartment building
	Type ⁽³⁾	Studio
	Structure / Number of stories	Reinforced concrete structure with flat roof / Five-story building
	Leasable number of units	34 units
Architect		DAIWA HOUSE INDUSTRY CO., LTD.
Constructor		DAIWA HOUSE INDUSTRY CO., LTD.
Building permit agency		Kakunin Service Inc.
Probable maximum loss ⁽⁴⁾		7.75%
Acquisition price		¥1,111,000 thousand
Appraisal value ⁽⁵⁾		¥1,200,000 thousand
Appraiser		Japan Real Estate Institute
Existence of security after		No
Details of tenant		(as of October 31, 2018)
	Total number of	1

	Total rental income ⁽⁷⁾	¥4,591 thousand
	Security and guarantee	¥3,759 thousand
	Total leased units ⁽⁹⁾	33 units
	Total leased area ⁽¹⁰⁾	1,197.89 m ²
	Total leasable area ⁽¹¹⁾	1,224.87 m ²
	Occupancy ratio ⁽¹²⁾	97.8%
	Existence of security	No
	Property management	ITOCHU Urban Community Corporation
	Master lease company ⁽¹⁴⁾	ITOCHU Urban Community Corporation
	Type of master lease ⁽¹⁵⁾	Pass through structure
	Contract period ⁽¹⁶⁾	February 1, 2019 through January 31, 2020 (Schedule)
	Other special considerations	None
Characteristics of the property	<p>Noge, Setagaya Ward where the property is located is an upland created by the erosion of the Musashino Plateau by the Tama River, and it is said that the name originates from the Ainu word <i>nokke</i>, meaning ‘cliff.’ Nearby, there is the Noge Otsuka Ancient Tomb which is thought to have been built in the beginning of the fifth century and it is believed that people have lived here since long ago. Urbanization was advanced alongside Todoroki and Den-en-chofu such as with the Tamagawa Zenen Plowland Clearing Project launched at the end of the Showa Period (about 30 years ago) as well as the opening of the Tokyu Oimachi Line, and it became popular as a residential area. Today it is a high-class area known as a high-end residential district with a thriving natural environment. The property is located an approx. 7-minute walk from Kaminoge Station on the Tokyu Oimachi Line, approx. 25 minutes from Shibuya Station. Futako Tamagawa Rise which has a concentration of retail facilities and such is within walking distance and transportation is very convenient. There are also several places nearby where nature in abundance such as Kaminoge Nature Park and Todoroki Valley. The Investment Corporation believes that this property, located in a well-known, high-end residential district with a comfortable living environment as well as natural environment, will have stable rental demand from urban commuters.</p>	
<p>(Note 1) Regarding this private road, the Investment Corporation and the owner of the adjacent lot concluded a memorandum that allows the owner to pass along the road, embed and draw gas and water facilities without charge.</p> <p>(Note 2) During the period up to scheduled date of acquisition, The Investment Corporation will conclude a sublease contract (the rent guaranteed) with sublease company commencing February 1, 2019.</p>		

(Note 1) “Location” is the indication of the residential address. In case there is no indication of the residential address, it is the building address under the lot address or the building location indicated in the registration items certificate (the lot number among such if there are multiple lot addresses). The same shall apply hereafter.

(Note 2) “Building coverage ratio” and “Floor area ratio” are the designated building-to-land ratio and designated floor-area ratio provided in the city plan. The same shall apply hereafter.

(Note 3) “Type” is the classification of the principal residential unit of the building, the studio type, the small family type or family type as described below. The same shall apply hereafter.

Studio type (housing mainly for single households)	Small family type (housing mainly for married-couple households and family households with an infant)	Family type (housing mainly for family households of 3 persons or more)
The exclusively owned area per residential unit contains at least 18m ² , but less than 30m ² and at least 20 rentable units per property.	The exclusively owned area per residential unit contains at least 30m ² , but less than 60m ² and at least 15 rentable units per property.	The exclusively owned area per residential unit contains at least 60m ² per unit and at least 5 rentable units per property.

(Note 4) “Probable Maximum Loss” (PML) is the figure described in the earthquake PML valuation report (level 2) prepared for each to-be-acquired asset created by Sompō Risk Management & Health Care Inc. in November 2018.

- (Note 5) “Appraisal Date” is December 1, 2018.
- (Note 6) “Total number of tenants” is described the number after the date of acquisition of the property by the Investment Corporation. In the case that there is a master lease contract entered into with a master lease company, “Total number of tenants” is indicated as “1.” The same shall apply hereafter.
- (Note 7) “Total Rent Income” is the sum of the monthly rent according to the lease agreements actually executed with the end tenants (the sum of rent and common area maintenance charges of the residents etc., provided, however, that in case the adjunct facilities fee such as car parking space usage fees are included in the lease agreements, it includes such fees) in the case that the master lease type is pass-through and is the monthly rent according to the sublease agreements with rent insurance executed with master lease company (the sum of rent and common area maintenance charges of the residents etc., provided, however, that in case the adjunct facilities fee such as car parking space usage fees are included in the lease agreements, it includes such fees) in the case that the master lease type is rent insurance. Furthermore, the figures are rounded down to the nearest thousand yen. The same shall apply hereafter.
- (Note 8) “Security and Guarantee Deposit” is the sum of the security and guarantee deposits, etc. of each end tenant based on the lease agreement executed with the each end tenant. However, in case there is a part for which returning is unnecessary due to special provision of deduction of security deposits, etc. in each lease agreement, it is the amount after the amount is deduced. In addition, the balance of the security and guarantee deposit, etc. based on the lease agreement with rent insurance executed with a master lease company is displayed in the case that the master lease type is rent insurance. However, it is the sum of pass-through security and guarantee deposits, etc. and rent insurance security and guarantee deposits, etc. in case agreement with a different master lease type has been executed. Furthermore, the figures are rounded down to the nearest thousand yen. The same shall apply hereafter.
- (Note 9) “Total Leased Units” is the number of leased residential units, where the lease agreements were actually executed with end tenants. The same shall apply hereafter.
- (Note 10) “Total Leased Area” is the leased floor area described in the lease agreements which were actually executed with end tenants. The same shall apply hereafter.
- (Note 11) “Total Leasable Area” is the floor area described in the lease agreements that is leasable at the to-be acquired asset (in case the to-be acquired asset contains more than one building, the sum of the leasable floor area of such buildings). The same shall apply hereafter.
- (Note 12) “Occupancy Ratio” is the ratio of the “Total Leased Areas” (based on the lease agreements) to the “Total Leasable Area” of the to-be acquired asset rounded to the first decimal place. The same shall apply hereafter.
- (Note 13) “Property Management Company” is the property management company scheduled to execute the property management agreement for the to-be acquired asset. The same shall apply hereafter.
- (Note 14) “Master Lease Company” is the master lease company scheduled to execute the master lease agreement for the property. The same shall apply hereafter.
- (Note 15) “Type of master lease” is described as following: “Pass through structure” in case of the conclusion of the master lease contract without rent guarantee, “Rent guarantee structure” in case of the conclusion of the master lease contract with rent guarantee, and “-” in case that the owner concludes lease contract with end-tenant directly or there’s no end-tenant. The same shall apply hereafter.
- (Note 16) If scheduled date of acquisition is changed, the date of acquisition after the change will be the commencement date of contract period. The same shall apply hereafter.

(T-83) KDX Residence Higashi-Asakusa

Property name		KDX Residence Higashi-Asakusa
Type of assets		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust term ⁽¹⁾		To be determined
Previous owner		Not disclosed according to seller’s intention
Location (Address)		1-9-8 Higashi-Asakusa, Taito-ku, Tokyo
Land	Type of ownership	Proprietary ownership
	Site area	221.23 m ²
	Use districts	Commercial districts
	Building coverage ratio	80%
	Floor area ratio	500% / 400%
Building	Type of ownership	Proprietary ownership
	Total floor area	1,175.98 m ²
	Construction	July 2008
	Usage	Apartment building
	Type	Studio

	Structure / Number of stories	Reinforced concrete structure with flat roof / Ten-story building
	Leasable number of units	36 units
Architect		Kai Architecture Institute
Constructor		JYUKYO KENSETSU Co., Ltd.
Building permit agency		Japan Constructive Inspect Association
Probable maximum loss ⁽²⁾		3.86%
Acquisition price		¥687,730 thousand
Appraisal value ⁽³⁾		¥727,000 thousand
Appraiser		Japan Real Estate Institute
Existence of security after		No
Details of tenant		(as of October 31, 2018)
	Total number of tenants	36
	Total rental income	¥3,262 thousand
	Security and guarantee	¥2,871 thousand
	Total leased units	36 units
	Total leased area	1,013.40 m ²
	Total leasable area	1,013.40 m ²
	Occupancy ratio	100.0%
Existence of security		No
Property management company		Tokyu Housing Lease Corporation (scheduled)
Master lease company		Tokyu Housing Lease Corporation (scheduled)
Type of master lease		Pass through structure
Contract period ⁽¹⁾		Undetermined
Other special considerations		None
Characteristics of the property		Asakusa has prospered as a bustling area since the Edo Period of which charms remain, and accounts for the eastern portion of Taito Ward while representing Tokyo's traditional downtown. The property is located a 15-minute walk from Minami-Sunju Station on the Tokyo Metro Hibiya Line, JR Joban Line and Metropolitan Intercity Railway Tsukuba Express, and boasts excellent access to commercial and office areas. Moreover, facilities convenient for living such as shops selling daily goods, a post office and hospital can be found in nearby districts. Due to the living convenience of the area, stable rental demand is expected from a wide range of households such as of those working nearby as well as urban commuters who live alone.
<p>(Note 1) Notices will be released for the trust term and contract period as soon as the scheduled day of acquisition of the property is determined.</p> <p>(Note 2) "Probable Maximum Loss" (PML) is the figure described in the earthquake PML valuation report (level 2) dated December 2018 prepared for the property created by Sompo Risk Management & Health Care Inc.</p> <p>(Note 3) The "Appraisal Date" is December 1, 2018.</p>		

4. Overview of the To-be Sold Assets (R-14) KDX Residence Kotodai

Property name		KDX Residence Kotodai
Type of assets		Trust beneficiary interest in real estate
Trustee		Mizuho Trust & Banking co., Ltd.
Trust term		October 31, 2006 through August 31, 2023
Location (Address)		1-3-25, Kamisugi, Aoba-ku, Sendai-shi, Miyagi
Land	Type of ownership	Proprietary ownership

	Site area	391.38 m ²
	Use districts	Commercial districts
	Building coverage	80%
	Floor area ratio	400%
Building	Type of ownership	Proprietary ownership
	Total floor area	1,825.63 m ²
	Construction	October 2006
	Usage	Apartment building
	Type	Small family
	Structure / Number of stories	Reinforced concrete structure with flat roof /Ten-story building
	Leasable number of units	27 units
	Probable maximum loss ⁽¹⁾	1.60%
	Date of Acquisition	July 7, 2013
	Acquisition price	¥520,000 thousand
	Appraisal value ⁽²⁾	¥567,000 thousand
	Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
	Existence of security after	No
	Details of tenant	(as of October 31, 2018)
	Total number of	1
	Total rental income	¥3,342 thousand
	Security and guarantee	¥3,317 thousand
	Total leased units	27 units
	Total leased area	1,475.73 m ²
	Total leasable area	1,475.73 m ²
	Occupancy ratio	100%
	Other special considerations	None
<p>(Note 1) “Probable Maximum Loss” (PML) is the figure described in the earthquake PML valuation report (level 2) prepared for the to-be acquired asset created by Sompo Risk Management Inc. in September 2018.</p> <p>(Note 2) The “Appraisal Date” is July 1, 2018.</p>		

5. Financial Impact on the Investment Corporation in the Event of Failure to Fulfill the Forward Commitments, etc.

The trust beneficiary interest sales contract associated with the assets (T-82 and T-83) to be acquired (“the sales contract”) fall under the forward commitments, etc. (see note) by the Investment Corporation as specified in the Financial Services Agency “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” are applicable.

According to the sales contract, if the contract is canceled for a reason for which the Investment Corporation or the seller is responsible, the party who breaches the agreement will pay a cancellation penalty equal to 5% of the transaction price of the trust beneficiary interest in real estate (excluding all consumption taxes.)

For the sale of the to-be acquired assets based on the sales contract, completion by the Investment Corporation of the procurement of funds required to acquire this asset is one premise for the establishment of the obligation of the Investment Corporation to pay the amount due. Therefore, there would be no obligation for cancellation penalty and limitation on liability for damages above in case where the Investment Corporation may be unable to procure the funds required to purchase the to-be acquired assets by the transaction date. Consequently, we believe that the acquisition of this asset is unlikely to have a significant impact on the financial condition etc. of the Investment Corporation.

In addition, for the sale of the to-be sold assets based on the sales contract, the Investment Corporation is seller and the possibility for paying the cancellation penalty is low because there is no risk concerning the procurement of the funds for the transaction. Consequently, we believe that the sale of this asset is unlikely to have a significant impact on the financial condition etc. of the Investment Corporation.

Note: Of the real estate, etc. sale contracts signed by an investment corporation, the contracts with an earlier date and with a term specifying that the settlement and transfer for the real estate, etc. is to take place at least one month after the contract is signed, as well as similar contracts.

6. Seller and Buyer's Profile

The sellers of the above acquisition (T-82) is GK and acquisition (T-83) is individual in Japan. but details are not disclosed according to seller's intention. The both sellers are not special related party of the Investment Corporation or the Asset Management Company.

The buyer of the above sale is business company in Japan, but details are not disclosed according to buyer's intention. The buyer is not special related party of the Investment Corporation or the Asset Management Company.

7. Profile of Property Buyer, etc

Because the transaction is not with related-party of the Investment Corporation and the Asset Management Company, there are no applicable matters to be disclosed.

8. Details of Brokerage

(T-82) KDX Residence Kaminoge and (T-83) Residence Higashi-Asakusa

For the above acquisition of the properties are not a Brokerage transaction.

(R-14) KDX Residence Kotodai

This sale is not a related-party transaction as defined by the Investment Trusts and Investment Corporation Act or the related-party transaction rules of the Residential REIT Division of the Asset Management Company., and the details are not disclosed according to Broker's intention.

9. Related-Party Transactions

This acquisition and sale are not a related-party transaction as defined by the Investment Trusts and Investment Corporation Act or the related-party transaction rules of the Residential REIT Division of the Asset Management Company.

10. Seismic Resistance

(T-82) KDX Residence Kaminoge

A structural calculation conformity judgment has been received from a designated structural calculation conformity assessment institution as specified in the amended Building Standards Act that became effective in June 2007.

(T-83) KDX Residence Higashi-Asakusa

The Investment Corporation has implemented a survey conducted concerning intentional falsification of the structural calculation sheets of the property and obtained survey result from DAIWA REAL ESTATE APPRAISAL CO., LTD. that the structural calculation sheets of each property is valid.

11. Forecasts

The Sale is expected to result in a gain on sale of ¥203 million for the period ending January 2019 (the 14th fiscal period from August 1, 2018 through to January 31, 2019). A portion of this gain may be added to retained earnings of ¥94 million, while the remaining balance will be distributed to unitholders.

For details of the impact on the forecast of the fiscal period ending January 2019 and the fiscal period ending July 2019 from the Transaction, please refer to the press release "Notice Concerning Revisions of Operating Forecasts and Cash Distribution Forecasts for the Fiscal Period Ending January 31, 2019" announced on today (December 25, 2018).

12. Appraisals Report Summary

Property Name	KDX Residence Kaminoge
Appraisal Value	¥1,200,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	December 1, 2018

Item	Content	Basis
Income Capitalization Approach Value	1,200,000,000	Estimated by treating equally the income capitalization approach value using the Direct Capitalization method and the value calculated using the Discounted Cash Flow method.
Value Calculated Using the Direct Capitalization Method	1,210,000,000	Assessed by using the cap rate based on medium to long-term stable net income.
(1) Gross Operating Revenue	61,042,000	
Maiximu Gross Operating Revenue	63,578,000	Assessed based on a level of fair rent believed to remain stable over the medium and long term.
Shortfall Attributed to Vacancies	2,536,000	Assessed based on the level of occupancy ratio that can be maintained stably over the medium and long term.
(2) Operating Expenses	10,622,000	
Maintenance Expenses	2,268,000	Assessed by reflecting the administrative and maintenance expenses based on contract terms, the level of expenses at similar properties, and other factors.
Utility Expenses	360,000	Assessed by reflecting the performance of similar properties and past performance.
Repair Expenses	755,000	Assessed using expenses in prior years, expenses at similar properties, annual average repair, maintenance and renewal expenses in the engineering report, and other factors.
Property Management Fees	873,000	Assessed by reflecting the compensation rate based on contract terms, those at similar properties, and other factors.
Tenant Recruit Expenses, etc.	2,524,000	Assessed by reflecting the contract terms、 the lease terms at similar properties and other factors.
Taxes and Dues	3,471,000	Assessed based on the fiscal 2018 tax base amount, etc.
Damage Insurance Fees	56,000	Recorded an amount that reflects the insurance premiums based on the insurance contract, insurance premium rate at similar properties and other factors.
Other Expenses	315,000	Recorded internet use fee, etc. as other expenses.
(3) Net Operating Income (NOI=(1)-(2))	50,420,000	
(4) Gain on guarantee deposit investment	45,000	Assessed income from investments by using an investment return of 1.0%.
(5) Capital Expenditure	725,000	Assessed taking into account the level of capital expenditures at similar properties and the age of the property, assuming that an equal amount is added to a reserve in each fiscal period.
(6) Net Cash Flow (NCF=(3)+(4)-(5))	49,740,000	
(7) Capitalization Rate	4.1%	Assessed by taking into account the property's location, the characteristics of the building and other characteristics.
Value Calculated Using the Discounted Cash Flow Method	1,180,000,000	
Discount Rate	3.8%	Assessed by comprehensively taking into account the Property's unique characteristics, while reflecting investment returns of similar properties in transaction.
Terminal Capitalization Rate	4.2%	Assessed by comprehensively 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 rental rates, and all other applicable factor, while reflecting returns associated with acquisitions of similar properties.
Value Calculated Using the Cost Method	1,450,000,000	
Land	81.3%	
Building	18.7%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	Adopted income capitalization approach value with the value calculated using the cost method used only for reference as the income capitalization approach value is more persuasive because of accurate reproductivity in the price determination process (with respect to earnings).
※Reference (Appraisal NOI Cap Rate=NOI above described /Acquisition Price)	
Property Name	KDX Residence Kaminoge
Appraisal NOI Cap Rate (rounded to the first decimal place)	4.5%

Property name	KDX Residence Higashi-Asakusa
Appraisal value	¥727,000,000
Appraiser	Japan Real Estate Institute
Appraisal date	December 1, 2018

(Unit: Yen)

Item	Content	Basis
Income Capitalization Approach Value	727,000,000	Estimated by treating equally the value calculated using the Direct Capitalization method and the value calculated using the Discounted Cash Flow method.
Value Calculated Using the Direct Capitalization Method	740,000,000	Assessed by using the cap rate based on medium- to long-term stable net income.
(1) Gross Operating Revenue	41,531,000	
Maiximu Gross Operating Revenue	42,815,000	Assessed based on a level of fair rent believed to remain stable over the medium and long term.
Shortfall Attributed to Vacancies	1,284,000	Assessed based on the level of occupancy ratio that can be maintained stably over the medium and long term.
(2) Operating Expenses	8,770,000	
Maintenance Expenses	2,228,000	Assessed by reflecting the administrative and maintenance expenses based on contract terms, the level of expenses at similar properties, and other factors.
Utility Expenses	565,000	Assessed by reflecting the performance of similar properties and past performance.
Repair Expenses	1,166,000	Assessed using expenses in prior years, expenses at similar properties, annual average repair, maintenance and renewal expenses in the engineering report, and other factors.
Property Management Fees	792,000	Assessed by reflecting the compensation rate based on contract terms, compensation rates at similar properties, and other factors.
Tenant Recruit Expenses, etc.	1,556,000	Assessed by reflecting the contract terms, the contract terms at similar properties and other factors.
Taxes and Dues	2,328,000	Assessed based on the fiscal 2018 tax base amount, etc.
Damage Insurance Fees	49,000	Recorded an amount that reflects the insurance premiums based on the insurance contract, insurance premium rate at similar properties and other factors.
Other Expenses	86,000	Recorded CATV use fee, etc. as other expenses.
(3) Net Operating Income (NOI= (1)-(2))	32,761,000	
(4) Gain on guarantee deposit investment	31,000	Assessed income from investments by using an investment return of 1.0%.
(5) Capital Expenditure	1,730,000	Assessed taking into account the level of capital expenditures at similar properties and the age of the property, assuming that an equal amount is added to a reserve in each fiscal period.
(6) Net Cash Flow (NCF=(3)+(4)-(5))	31,062,000	
(7) Capitalization Rate	4.2%	Assessed by taking into account the property's location, the characteristics of the building and other characteristics.
Value Calculated Using the Discounted Cash Flow Method	714,000,000	
Discount Rate	4.0%	Assessed by comprehensively taking into account the Property's unique characteristics, while reflecting investment returns of similar properties in transaction.
Terminal Capitalization Rate	4.4%	Assessed by comprehensively 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 rental rates, and all other applicable factor, while reflecting returns associated with acquisitions of similar properties.
Value Calculated Using the Cost Method	710,000,000	
Land	77.7%	
Building	22.3%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	Adopted income capitalization approach value with the value calculated using the cost method used only for reference as the income capitalization approach value is more persuasive because of accurate reproductivity in the price determination process (with respect to earnings).
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※Reference (Appraisal NOI Cap Rate=NOI above described /Acquisition Price)

Property Name	KDX Residence Higashi-Asakusa
Appraisal NOI Cap Rate (rounded to the first decimal place)	4.8%

Property name	KDX Residence Kotodai
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Appraisal value	¥ 567,000,000
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	July 31,2018

(Unit: Yen)

Item	Content	Basis
Income capitalization approach value	567,000,000	Estimated by setting a standard value on the income value calculated using the discounted cash flow method and verifying it with the income value calculated using the direct capitalization method
Value calculated using the direct capitalization method	575,000,000	Assessed by using the cap rate based on medium to long-term stable net income.
(1) Gross operating revenue	40,436,861	
Maximum gross operating revenue	43,228,877	Assessed based on a level of fair rent believed to remain stable over the medium and long term.
Shortfall attributed to vacancies	2,792,016	Assessed based on the level of occupancy ratio that can be maintained stably over the medium and long term.
(2) Operating expenses	9,851,413	
Maintenance expenses	1,130,400	Assessed by reflecting the contract fee of similar properties.
Utility expenses	1,178,496	Assessed by reflecting the performance of similar properties and past performance.
Repair expenses	1,675,068	Assessed based on the annual average repair, maintenance and renewal expenses in the engineering reports, expenses at similar properties and other factors Also, assessed and recorded tenant replacement cost by reflecting the replacement rate and vacancy rate
Property management fees	1,186,449	Assessed upon consideration of current contract amount as well as the fee levels at similar properties
Tenant recruit expenses, etc.	1,368,560	Average annual amount that was determined based on the anticipated tenant turnover period
Taxes and dues	3,117,100	Assessed based on the fiscal 2018 tax base amount, etc.
Damage insurance fees	74,340	Recorded an amount that reflects the insurance premium rate at similar properties and other factors.
Other expenses	121,000	Assessed by reflecting the fee level of similar properties and other factors.
(3) Net operating income (NOI=(1)-(2))	30,585,448	
(4) Gain on guarantee deposit investment	28,837	Assessed income from investments by using an investment return of 1.0%.
(5) Capital expenditure	1,882,800	Recorded based on the average annual amount of renewal expenses in the engineering report by reflecting the fee level of similar expenses by assuming capital expenditure.
(6) Net cash flow (NCF=(3)+(4)-(5))	28,731,485	
(7) Capitalization rate	5.0%	Assessed by taking into account the property's location, the characteristics of the building and other characteristics.
Value calculated using the discounted cash flow method	564,000,000	

	Discount rate	4.8%	Assessed by comprehensively taking into account the Property's unique characteristics, while reflecting investment returns of similar properties in transaction.
	Terminal capitalization rate	5.2%	Assessed by comprehensively taking into account upcoming changes in investment returns, risks of the property as an investment target, general prediction of economic growth rate, trends in real estate prices and rent rates, and all other applicable factors, while reflecting the transaction yields at similar properties
	Value calculated using the cost method	445,000,000	
	Land	48.5%	
	Building	51.5%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	Adopted income capitalization approach value with the value calculated using the cost method used only for reference as the income capitalization approach value is more persuasive because of accurate reproductivity in the price determination process (with respect to earnings).
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Attached Materials

- Reference Material (1) Outline of Engineering Reports
- Reference Material (2) Exterior Photos and Map of To-be Acquired Assets
- Reference Material (3) List of Property Portfolio (as of March 1, 2018)

* 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) Outline of Engineering Reports

(Unit: Yen in thousand)

Property Name	KDX Residence Kaminoge
Investigation Company	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Investigation Date	December 2018
Repairs Maintenance and Renovation Expenses Required over the Next Year	0
Repairs Maintenance and Renovation Expenses Expected to be Required within 2-12 Years	12,422
Unit-in-Place	328,000

Property Name	KDX Residence Higashi-Asakusa
Investigation Company	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Investigation Date	December 2018
Repairs Maintenance and Renovation Expenses Required over the Next Year	0
Repairs Maintenance and Renovation Expenses Expected to be Required within 2-12 Years	2,635
Unit-in-Place	287,300

※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
- Estimates of the replacement cost

T-82 KDX Residence Kaminoge



KENEDIX

Residential NEXT Investment Corporation

T-83 KDX Residence Higashi-Asakusa



Reference Material (3) List of Property Portfolio (as of March 1, 2018)

Area/ Property type	Property Name	(Anticipated) Acquisition Price(Thousands of yen) ⁽¹⁾	Ratio ⁽²⁾	Acquisition Date (Scheduled)
Residence/ Tokyo Metropolitan Area	KDX Daikanyama Residence	4,700,000	2.1	May 1, 2012
	KDX Odemma Residence	1,775,000	0.8	May 1, 2012
	KDX Iwamoto-cho Residence	822,000	0.4	May 1, 2012
	KDX Bunkyo Sengoku Residence	1,488,000	0.7	May 1, 2012
	KDX Azumabashi Residence	650,000	0.3	May 1, 2012
	KDX Shimura Sakaue Residence	2,830,000	1.3	May 1, 2012
	Cosmo Heim Motosumiyoshi (land with leasehold interest)	1,750,000	0.8	April 26, 2012
	KDX Musashi Nakahara Residence	637,000	0.3	May 1, 2012
	KDX Chiba Chuo Residence	1,480,000	0.7	May 1, 2012
	KDX Kawaguchi Saiwai-cho Residence	1,150,000	0.5	May 1, 2012
	KDX Residence Shirokane I	3,000,000	1.3	August 7, 2013
	KDX Residence Shirokane II	2,800,000	1.2	August 7, 2013
	KDX Residence Minami-aoyama	2,230,000	1.0	August 7, 2013
	KDX Residence Minami-azabu	2,080,000	0.9	August 7, 2013
	KDX Residence Shiba Koen	1,781,000	0.8	August 7, 2013
	KDX Residence Azabu East	1,560,000	0.7	August 7, 2013
	KDX Residence Takanawa	770,000	0.3	August 7, 2013
	KDX Residence Nishihara	1,450,000	0.6	August 7, 2013
	KDX Residence Daikanyama II	730,000	0.3	August 7, 2013
	KDX Residence Sendagaya	650,000	0.3	August 7, 2013
	KDX Residence Nihombashi Suitengu	3,240,000	1.4	August 7, 2013
	KDX Residence Nihombashi Hakozaki	1,147,000	0.5	August 7, 2013
	KDX Residence Higashi-shinjuku	3,270,000	1.5	August 7, 2013
	KDX Residence Yotsuya	2,260,000	1.0	August 7, 2013
	KDX Residence Nishi-shinjuku	1,000,000	0.4	August 7, 2013
	KDX Residence Kagurazaka	720,000	0.3	August 7, 2013
	KDX Residence Futako Tamagawa	1,250,000	0.6	August 7, 2013
	KDX Residence Komazawa Koen	920,000	0.4	August 7, 2013
	KDX Residence Misyuku	760,000	0.3	August 7, 2013
	KDX Residence Yoga	700,000	0.3	August 7, 2013
	KDX Residence Shimouma	600,000	0.3	August 7, 2013
	Raffine Minami-magome	1,250,000	0.6	August 7, 2013
KDX Residence Yukigaya Otsuka	1,050,000	0.5	August 7, 2013	
KDX Residence Denen Chofu	1,000,000	0.4	August 7, 2013	
KDX Residence Tamagawa	776,000	0.3	August 7, 2013	
KDX Residence Monzennakacho	773,000	0.3	August 7, 2013	

Residence/ Tokyo Metropolitan Area	KDX Residence Okachimachi	850,000	0.4	August 7, 2013
	KDX Residence Moto-asakusa	800,000	0.4	August 7, 2013
	KDX Residence Itabashi Honcho	620,000	0.3	August 7, 2013
	KDX Residence Azusawa	550,000	0.2	August 7, 2013
	KDX Residence Tobu Nerima	420,000	0.2	August 7, 2013
	KDX Residence Yokohama Kannai	800,000	0.4	August 7, 2013
	KDX Residence Miyamaedaira	999,000	0.4	August 7, 2013
	KDX Residence Machida	1,800,000	0.8	August 7, 2013
	KDX Residence Kinshicho	1,350,000	0.6	March 28, 2014
	KDX Residence Nihombashi Hamacho	996,000	0.4	August 7, 2014
	KDX Residence Nihombashi Ningyocho	530,000	0.2	August 7, 2014
	KDX Residence Jiyugaoka	1,268,000	0.6	August 7, 2014
	KDX Residence Togoshi	3,745,000	1.7	August 7, 2014
	KDX Residence Shinagawa Seaside	2,593,000	1.2	August 7, 2014
	KDX Residence Ojima	1,857,000	0.8	August 7, 2014
	KDX Residence Oyama	2,679,000	1.2	August 7, 2014
	KDX Residence Hanzomon	4,832,000	2.2	February 5, 2015
	B-Site Akihabara	850,000	0.4	February 5, 2015
	KDX Residence Kagurazaka Dori	1,360,000	0.6	February 5, 2015
	KDX Residence Sendagi	2,200,000	1.0	February 5, 2015
	KDX Residence Seijo	1,400,000	0.6	February 5, 2015
	KDX Residence Akihabara	1,250,000	0.6	February 5, 2015
	KDX Residence Iriya	1,062,000	0.5	February 5, 2015
	KDX Residence Tachikawa	3,026,200	1.4	February 5, 2015
	KDX Residence Tsurumi	1,050,000	0.5	February 5, 2015
	KDX Residence Morishita Chitose	1,100,000	0.5	June 1, 2015
	KDX Residence Akasaka	1,150,000	0.5	September 30, 2015
	KDX Residence Kanda	700,000	0.3	September 30, 2015
	KDX Residence Ebisu	2,845,000	1.3	October 30, 2015
	KDX Residence Nishi-magome	1,130,000	0.5	August 30, 2016
	KDX Residence Nishi-azabu	1,224,000	0.5	August 1, 2016
	KDX Residence Azabu Sendaizaka	792,300	0.4	August 1, 2016
	KDX Residence Waseda Tsurumaki	561,000	0.3	August 1, 2016
	KDX Residence Bunkyo Yushima	695,000	0.3	August 1, 2016
KDX Residence Kamishakujii	648,000	0.3	August 1, 2016	
KDX Residence Shin-otsuka	764,000	0.3	November 1, 2016	
KDX Residence Sakurajosui	894,000	0.4	November 1, 2016	
KDX Residence Ryogoku	842,000	0.4	November 1, 2016	
KDX Residence Toyosu	7,500,000	3.3	August 22, 2017	
KDX Residence Asagaya	1,930,000	0.9	August 2, 2018	

	KDX Residence Hiyoshi	2,635,300	1.2	August 2, 2018
	KDX Residence Kamikitazawa	1,360,000	0.6	February 1, 2019
	KDX Residence Kaminoge	1,111,000	0.5	February 1, 2019
	KDX Residence Higashi-Asakusa	687,730	0.3	To be determined ⁽³⁾
	80 properties subtotal	122,505,530	54.7	
Residence/ Other Regional Areas	KDX JozenjiDori Residence	1,015,000	0.5	May 1, 2012
	KDX Izumi Residence	1,120,000	0.5	May 1, 2012
	KDX Chihaya Residence	1,080,000	0.5	May 1, 2012
	KDX Sakaisuji Hommachi Residence	2,910,000	1.3	May 1, 2012
	KDX Takarazuka Residence	1,510,000	0.7	May 1, 2012
	KDX Shimizu Residence	1,680,000	0.7	May 1, 2012
	KDX Residence Odori Koen	765,000	0.3	August 7, 2013
	KDX Residence Kikusui Yojo	830,000	0.4	August 7, 2013
	KDX Residence Toyohira Koen	445,000	0.2	August 7, 2013
	KDX Residence Ichiban-cho	530,000	0.2	August 7, 2013
	KDX Residence Kotodai	-	-	August 7, 2013
	KDX Residence Izumi Chuo	480,000	0.2	August 7, 2013
	KDX Residence Higashi-sakura I	2,350,000	1.0	August 7, 2013
	KDX Residence Higashi-sakura II	900,000	0.4	August 7, 2013
	KDX Residence Jingumae	840,000	0.4	August 7, 2013
	KDX Residence Nishi-oji	813,000	0.4	August 7, 2013
	KDX Residence Saiin	440,000	0.2	August 7, 2013
	KDX Residence Namba	1,410,000	0.6	August 7, 2013
	KDX Residence Namba-minami	1,350,000	0.6	August 7, 2013
	KDX Residence Shin-osaka	510,000	0.2	August 7, 2013
	KDX Residence Ibaraki I・II	1,275,000	0.6	August 7, 2013
	KDX Residence Toyonaka-minami	740,000	0.3	August 7, 2013
	KDX Residence Moriguchi	551,000	0.2	August 7, 2013
	KDX Residence Sannomiya	1,080,000	0.5	August 7, 2013
	Ashiya Royal Homes	1,360,000	0.6	August 7, 2013
	KDX Residence Funairi Saiwai-cho	588,000	0.3	August 7, 2013
	KDX Residence Tenjin-higashi II	680,000	0.3	August 7, 2013
	KDX Residence Nishi Koen	763,000	0.3	August 7, 2013
	KDX Residence Hirao Josui-machi	760,000	0.3	August 7, 2013
	Melody Heim Gotenyama	400,000	0.2	August 7, 2014
	Leopalace Flat Shin-sakae	3,500,000	1.6	November 28, 2014
	KDX Residence Konan Yamate	973,000	0.4	November 14, 2014
KDX Residence Hommachibashi	3,201,000	1.4	December 18, 2014	
KDX Residence Minami-kusatsu	1,974,666	0.9	February 5, 2015	
KDX Residence Ohori Harbor View Tower	4,606,296	2.1	February 5, 2015	

	KDX Residence Minami-sanjo	915,000	0.4	October 27, 2015
	Serenite Kita-kyuhoji	1,290,740	0.6	October 27, 2015
	Serenite Nishinomiya Hommachi	617,048	0.3	December 1, 2016
	KDX Residence Nishijin	1,600,000	0.7	August 1, 2017
	Serenite Kobe Motomachi	2,390,000	1.1	August 2, 2018
	KDX Residence Shukugawa Hills	6,884,800	3.1	August 2, 2018
	40 properties subtotal	57,127,551	25.5	
	Residential 120 properties total	179,633,081	80.2	
Healthcare Facility	Irise Kamata/Yuseien	1,120,000	0.5	March 1, 2018
	Nichii Home Nakano-Minamidai	1,780,000	0.8	March 1, 2018
	Joy Stage Hachioji	3,690,000	1.6	March 1, 2018
	Yuimaru Hijirigaoka	1,120,000	0.5	March 1, 2018
	Nichii Home Tama Plaza	2,940,000	1.3	March 1, 2018
	Ten	2,630,000	1.2	March 1, 2018
	Irise Nishioka	858,000	0.4	March 1, 2018
	Izarie Eniwa Building	1,660,000	0.7	March 1, 2018
	Sawayaka Sakura Nibankan	989,000	0.4	March 1, 2018
	Activa Biwa	6,560,000	2.9	March 1, 2018
	Sompo Care LAVIERE Kobe Tarumi	2,110,000	0.9	March 1, 2018
	Granda Mondo Yakujin	1,190,000	0.5	March 1, 2018
	Excellent Nishinomiya	971,000	0.4	March 1, 2018
	Gran Hills Ogawarako	1,380,000	0.6	March 1, 2018
	Excellent Kitano	737,000	0.3	July 6, 2018
	Anesis Teradacho	3,490,000	1.6	August 2, 2018
	Rococo-riha	2,100,000	0.9	August 2, 2018
	Orage Suma	2,810,000	1.3	August 2, 2018
	Canadian Hill	1,830,000	0.8	August 2, 2018
	Anesis Hyogo	1,420,000	0.6	August 2, 2018
	Plaisant Grand Ota tamagawa ⁽⁴⁾	3,057,630	1.4	September 28, 2018
	Healthcare 21 properties subtotal	44,442,630	19.8	
	141 properties total	224,075,711	100.0	

(Note 1) Any fraction of the acquisition price less than one thousand yen is rounded down, and the ratios are rounded off to the first decimal place.

(Note 2) Above list of property portfolio included the figure for "Cosmo Heim Motosumiyoshi (land with leasehold interest)"

(Note 3) The Investment Corporation will assign the scheduled date of acquisition of "KDX Residence Higashi-Asakusa" by aiming the end of February 2019, The Investment Corporation will inform separately as soon as it is decided.

(Note 4) "Tanoshii ie Ota tamagawa" will be changed its property name to "Plaisant Grand Ota tamagawa" on January 7, 2019.