

February 4, 2019

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.  
Representative: Masahiko Tajima, President & CEO  
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## Notice Concerning Issuance of New Investment Units and Secondary Offering

Kenedix Residential Next Investment Corporation (the “Investment Corporation”) announced today that it resolved at the Board of Directors’ meeting on February 4, 2019 to issue new investment units and to conduct a secondary offering. Details are provided as follows.

### 1. Issuance of New Investment Units through Public Offering (The Public Offering)

- (1) Total number of units to be offered : 36,500 units
- (2) Issue price (offer price) : To be determined  
After taking into account demand conditions and other factors, the issue price (offer price) will be determined by multiplying the closing price (if there was no closing price on said day, then the closing price of the day immediately preceding that day) of the Investment Units in regular trading on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) on any of the days (“the Pricing Date”) from February 13, 2019 (Wednesday) to February 18, 2019 (Monday) by between 0.90 to 1.00, and taking the resulting price (rounding all fractions down to the nearest yen) as a tentative price range, at the Board of Directors’ meeting to be held on the Pricing Date.
- (3) Amount to be paid in (purchase price) : To be determined  
(The price shall be determined at the Board of Directors’ meeting to be held on the Pricing Date. The amount to be paid in (purchase price) shall be the monetary amount the Investment Corporation receives from the underwriters mentioned in 5) below, as amount to be paid in (purchase price) per investment unit.
- (4) Total amount to be paid in (purchase price) : To be determined
- (5) Offering method : Investment units shall be offered through a public offering in Japan (the “Public Offering”) and all investment units for the Public Offering shall be purchased and underwritten by SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Tokai Tokyo Securities Co., Ltd. (collectively referred to as the “Underwriters”). SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd. and Nomura Securities Co., Ltd. shall be the joint lead managers.
- (6) Details of underwriting agreement : The Underwriters shall pay the Investment Corporation the total amount to be paid in (purchase price) on the payment date stated in 9) below, and the difference between the total amount of issue price (offer price) and the total amount to be paid (purchase price) in the Offerings shall be the

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proceeds of Underwriters. The Investment Corporation shall not pay an underwriting commission to the Underwriters.

- (7) Subscription unit : More than one unit in multiples of one unit
- (8) Subscription period : Beginning on the business day immediately following the Pricing Date and ending on the second business day immediately following the Pricing Date.
- (9) Payment date : Any of the days between February 20, 2019 (Wednesday) and February 25, 2019 (Monday), which shall be five business days after the Pricing Date.
- (10) Delivery date : The business day following the Payment Date.
- (11) The issue price (offer price), the amount to be paid in (purchase price), the other items of investment units to be offered through the Public Offering required for the issuance of the new investment units shall be determined at a Board of Directors' meeting to be held in the future.
- (12) The Public Offering-related matters, among the above-mentioned provisions, shall be subject to the condition that the filing under the Financial Instruments and Exchange Act takes effect.

## 2. Secondary Offering (over-allotment)

- (1) Seller and total number of units to be sold : SMBC Nikko Securities Inc. 1,825 units  
The above number of investment units to be sold, is the number of investment units to be sold by secondary offering via over-allotment performed by SMBC Nikko Securities Inc., the lead manager of the clerical work of the Public Offering, in consideration of condition and other factors accompanying the Public Offering.  
The above number of investment units to be sold is the maximum number of investment units to be sold in the secondary offering via over-allotment, and the number may decrease or the secondary offering via over-allotment itself may not take place at all depending on the condition of demand and other factors. The number of investment units to be sold shall be determined at a Board of Directors' meeting to be held on the Pricing Date, taking into consideration the condition of demand of the Public Offering and other factors.
- (2) Selling price : To be determined  
(The price shall be determined at the Board of Directors' meeting to be held on the Pricing Date. Furthermore, the selling price shall be the same price as the issue price (offer price) for the Public Offering.)
- (3) Total amount of selling price : To be determined
- (4) Offering method : SMBC Nikko Securities Inc. shall conduct a secondary offering in Japan of the Investment Corporation's investment units, which it shall borrow from Kenedix, Inc. at a maximum of 1,825 units (the "Borrowed Investment Units") at the time of the Public Offering but separately from the Public Offering, taking into consideration the condition of demand and other factors of the Public Offering.
- (5) Subscription unit : More than one unit in multiples of one unit
- (6) Subscription period : Same as the subscription period for the Public Offering.
- (7) Delivery date : Same as the delivery date for the Public Offering.
- (8) This secondary offering via over-allotment shall be canceled upon the cancelation of the Public Offering.
- (9) The selling price and other matters necessary for the secondary offering via over-allotment shall be determined at a Board of Directors' meeting to be held in the future.
- (10) The matters above shall be subject to the condition that the filing under the Financial Instruments and Exchange Act takes effect.

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### 3. Issuance of New Investment Units through third-party allotment (The third-party allotment)

- (1) Total number of units to be offered : 1,825 units
- (2) Amount to be paid in (purchase price) : To be determined  
(The price shall be determined at the Board of Directors' meeting to be held on the Pricing Date. Furthermore, the amount to be paid in (purchase price) shall be the same price as the amount to be paid in (purchase price) for the Public Offering.)
- (3) Total amount to be paid in (purchase price) : To be determined
- (4) Allottee : SMBC Nikko Securities Inc.
- (5) Subscription unit : More than one unit in multiples of one unit
- (6) Subscription period (subscription date) : March 8, 2019 (Friday)
- (7) Payment date : March 11, 2019 (Monday)
- (8) If there is no subscription for investment units to be offered during the subscription period (subscription date) mentioned in 6, the issuance of such investment units shall be canceled.
- (9) The amount to be paid in (purchase price) and other items required for the issuance of new investment units via third-party allotment shall be determined at a Board of Directors' meeting to be held in the future.
- (10) The issuance of new investment units through the Third-Party Allotment shall be canceled upon the cancelation of the issuance of new investment units via the Public Offering.
- (11) The matters above shall be subject to the condition that the filing under the Financial Instruments and Exchange Act takes effect.

#### <Reference>

##### 1. Details of the Secondary Offering via Over-Allotment

- (1) The secondary offering in Japan (secondary offering via over-allotment) may be conducted with SMBC Nikko Securities Inc., the lead manager of clerical work of the Public Offering, borrowing from Kenedix, Inc., the unitholder of the Investment Corporation, in a maximum amount of 1,825 units, in conjunction with the Public Offering but separate from the Public Offering, taking demand condition and other factors into consideration. The number of investment units to be sold by the secondary offering via over-allotment is the maximum number of units to be sold and, depending on the demand conditions and other factors, this number may decrease, or the secondary offering via over-allotment itself may be canceled.

In connection with the secondary offering via over-allotment, the Investment Corporation's Board of Directors resolved at the meeting held on February 4, 2019 (Monday) that the Investment Corporation will issue by third-party allotment 1,825 investment units necessary for SMBC Nikko Securities Inc. to return the Borrowed Investment Units where the payment date ("Payment Date for Third-Party Allotment") is March 11, 2019(Monday).

Furthermore, SMBC Nikko Securities Inc. may also purchase investment units on the Tokyo Stock Exchange up to the number of investment units to be sold by over-allotment ("Syndicate Cover Transactions") to return the Borrowed Investment Units. All investment units purchased by SMBC Nikko Securities Inc. through Syndicate Cover Transactions shall be used to return the Borrowed Investment Units. Such Syndicate Cover Transactions would be made during the period beginning on the date immediately following the last day of the subscription period for the Public Offering and secondary offering by over-allotment and on March 6, 2019 ("the Syndicate Cover Transaction Period"). At its discretion during the Syndicate Cover Transaction Period, SMBC Nikko Securities Inc. may not conduct any Syndicate Cover Transactions or may terminate any Syndicate Cover Transactions before the number of investment units purchased reaches the number of investment units sold by the secondary offering via over-allotment.

In addition, SMBC Nikko Securities Inc. may conduct stabilizing transactions as it conducts the Public

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Offering and secondary offering via over-allotment. The investment units purchased through such stabilizing transactions may be used, in whole or in part, to return the Borrowed Investment Units.

SMBC Nikko Securities Inc. plans to subscribe for the allotment of the new investment units by Third-Party Allotment of a number of investment units obtained by deducting the number of investment units purchased through stabilizing transactions and Syndicate Cover Transactions that are to be used to return the Borrowed Investment Units, from the number of investment units to be sold in the over-allotment. Accordingly, all or a part of the investment units to be issued by Third-Party Allotment may not be subscribed for, which may result in a decrease in the final number of investment units planned to be issued by Third-Party Allotment to that extent, or in the cancellation of the entire issuance due to forfeiture.

Whether or not the secondary offering via over-allotment will be conducted and the number of investment units sold in the event that it takes place will be determined on the Pricing Date. If the secondary offering via over-allotment does not take place, SMBC Nikko Securities Inc. will not borrow investment units from our unitholders. Consequently, SMBC Nikko Securities Inc. would not respond to allotment of the Third-Party Allotment and would not subscribe thereof, the issuance of new investment units through the Third-Party Allotment would not be conducted at all due to forfeiture. Syndicate Cover Transaction at the Tokyo Stock Exchange would not be conducted either.

- (2) The transactions in (1) above will be conducted by SMBC Nikko Securities Inc. in consultation with Mizuho Securities Co., Ltd. and Nomura Securities Co., Ltd.

## 2. Change in the total number of investment units outstanding after the issuance of the new investment units

Total number of investment units outstanding	869,133 units
Increase in investment units following the issuance of new investment units in offering	36,500 units
Total number of investment units outstanding following the issuance of new investment units in offering	905,633 units
Increase in investment units following the issuance of new investment units in the Third-Party Allotment	1,825 units (Note)
Total number of investment units outstanding following the issuance of new investment units in the Third-Party Allotment	907,458 units (Note)

(Note) These figures are based on the assumption that the new investment units to be issued by the Third-Party Allotment are all subscribed for by SMBC Nikko Securities Inc. and issued.

## 3. Purpose and Reason for Issuance

The Investment Corporation plans to acquire new specified assets (as defined in Article 2.1 of the Act on Investment Trusts and Investment Corporations, the same applies hereinafter) to enhance stability through progressed expansion and diversification of portfolio assets, and has decided to procure funds through the issuance of new investment units after considering the fund procurement method for acquiring the new specified assets and by taking into account market trends, financial soundness and impact on the level of dividend per unit.

The Investment Corporation aims to maximize unitholder value by evolving into a REIT abreast of changes in social and economic structures through investment in “space where people live and stay” ranging from residential facilities such as rental residences to healthcare facilities such as Private senior home with nursing care and accommodation facilities such as hotels as well as by enhancing “stability” and “growth potential.”

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#### 4. Amount to be Procured, Use of Funds and Scheduled Expenditure Date

- (1) Amount to be Procured through Funding (approximate net proceeds)  
¥ 6,226,000,000 (maximum)

(Note) The aggregate of the proceeds from the Public Offering of ¥5,930,000,000 and the maximum proceeds from the issuance of new investment units through Third-Party Allotment of ¥ 296,000,000 are indicated. In addition, the above mentioned amount is an estimated amount calculated based on the closing price for regular trading of investment units on the Tokyo Stock Exchange as of January 18, 2019 (Friday).

- (2) Details on the Use of Funds to be Procured and Scheduled Expenditure Date

The proceeds from the Public Offering (¥5,930,000,000) will be allocated to a part of the funds for acquisition of the specified assets in “Notice Concerning Acquisition of Properties (Total of 3 Healthcare Properties)” announced on February 4, 2019, if any, will be kept as cash on hand and allocated to future acquisitions of specified assets. Also, the maximum proceeds from the issuance of new investment units through the Third-Party Allotment (¥296,000,000) will be as cash on hand and will be allocated to future acquisitions of specified assets.

(Note) The proceeds will be deposited into bank accounts until spending.

#### 5. Designation of party to receive allocation

Not applicable

#### 6. Future Outlook

Please refer to the press release “Notice Concerning Revisions to Operating Forecasts and Cash Distribution Forecasts for the Fiscal Period Ending July 31, 2019 and announcements to Operating Forecasts and Cash Distribution Forecasts for the Fiscal Period Ending January 2020” announced on today.

#### 7. Management Status for the Three Most Recent Fiscal Periods and Status of Equity Finance

- (1) Management Status for the Three Most Recent Fiscal Periods <sup>(Note 1)</sup>

	Fiscal period ended July 2017	Fiscal period ended January 2018	Fiscal period ended July 2018
Net income per unit <sup>(2)(3)</sup>	¥ 3,316	¥ 3,369	¥ 7,036
Distribution per unit	¥ 6,633	¥ 6,946	¥ 4,026
Actual distribution payout ratio <sup>(4)</sup>	100.0%	103.1%	58.2%
Net assets per unit <sup>(2)</sup>	¥ 118,249	¥ 118,379	¥ 126,123

(Note 1) As the financial results for the fiscal period ended January 2019 have not been determined as of the date of this document, the fiscal periods ended July 2017, January 2018 and July 2018 are indicated as comparable fiscal periods in “(1) Management Status for the Three Most Recent Fiscal Periods”.

(Note 2) The investment corporation implemented a two-for-one split of its investment units effective date on March 1, 2018 as of recorded date on February 28, 2018. The figure for net income per unit and net assets per unit is calculated assuming that the investment units were split of its investment units at the beginning of fiscal period ended July 2017.

(Note 3) Net income per unit is calculated by dividing net income by day-weighted average number of investment units during the period.

(Note 4) The figures are rounded off to the first decimal place.

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(2) Status of the Most Recent Investment Unit Prices

i) Status for the three most recent fiscal periods

	Fiscal period ended January 2018	Fiscal period ended July 2018	Fiscal period ended January 2019
Opening price	¥ 277,900	¥ 312,000 □159,400	¥ 166,500
Highest price	¥ 329,500	316,500 □¥ 172,800	¥ 181,000
Lowest price	¥ 274,800	299,900 □¥ 148,400	¥ 160,500
Closing price	¥ 312,500	313,500 □¥ 166,000	¥ 180,100

(Note 1) Opening prices, highest prices and lowest prices are based on the daily closing price of our investment units at TSE.

(Note 2) The investment corporation implemented a two-for-one split of its investment units effective date on March 1, 2018 as of recorded date on February 28, 2018. During fiscal period ended January 2019, investment units were transacted at the price after the forfeiture of rights from February 26, 2018 with the investment unit split and □ indicates the investment unit price after the forfeiture of rights with the investment unit split.

ii) Status for the six month period

	September 2018	October	November	December	January 2019	February
Opening price	¥ 173,600	¥ 172,800	¥ 170,100	¥ 171,000	¥ 162,600	¥ 181,100
Highest price	¥ 175,300	¥ 176,300	¥ 174,300	¥ 171,400	¥ 181,000	¥ 181,100
Lowest price	¥ 168,900	¥ 168,900	¥ 167,900	¥ 160,500	¥ 162,600	¥ 181,100
Closing price	¥ 173,900	¥ 172,400	¥ 171,200	¥ 167,300	¥ 180,100	¥ 181,100

(Note 1) The investment unit price of February 2019 is the price as of February 1, 2019.

(Note 2) Opening prices, highest prices and lowest prices are based on the daily closing price of our investment units at TSE.

iii) Investment unit price one business day prior to the issuance resolution date

	February 1, 2019
Opening price	¥ 179,900
Highest price	¥ 183,300
Lowest price	¥ 179,900
Closing price	¥ 181,100

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(3) Status of Equity Finance During the Three Most Recent Fiscal Periods

(i) Public Offering

Issue date	August 1, 2018
Procured amount	¥ 12,470,333,200 (approximate net proceeds)
Purchase price	¥ 151,892 per units
Number of investment units issued and outstanding before the offering	782,928 units
Number of investment units issued through public offering	82,100 units
Total number of investment units issued and outstanding after the offering	865,028 units
Initial use of funds at the time of issuance	The amount is to be used as a part of the acquisitions, and remaining funds, if any, will be kept as cash on hand and will be allocated to future acquisitions of specified assets.
Scheduled expenditure date at the time of issuance	After August 2018
Status of expenditure to date	The entire amount of procured funds has already been allocated to initial use of funds.

(ii) Third-party Allotment

Issue date	August 29, 2018
Procured amount	¥ 623,516,660 (approximate net proceeds)
Purchase price	¥ 151,892 per units
Number of investment units issued and outstanding before the offering	865,028 units
Number of investment units issued through public offering	4,105 units
Total number of investment units issued and outstanding after the offering	869,133 units
Allottee	SMBC Nikko Securities Inc. 4,105 units
Initial use of funds at the time of issuance	The amount will be kept as cash on hand and will be allocated to future acquisitions of specified assets or repayment of borrowings.
Scheduled expenditure date at the time of issuance	After August 2018
Status of expenditure to date	The entire amount of procured funds has already been allocated to initial use of funds.

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## 8. Other (Restrictions on Sale and Additional Issue of Investment Units)

- (1) Concerning the Public Offering, it is planned to request that Kenedix, Inc., between the joint lead managers, not sell, etc. the investment units during the period from Pricing Date until 180 days after the delivery date without the prior written consent of the joint lead managers (excluding, however, loans, etc. of the investment units accompanying the secondary offering via over-allotment).

In the above case, joint lead managers is planned to hold the right to cancel the restriction in part or in whole, shorten the restriction period at its discretion.

- (2) Concerning the Public Offering, Kenedix, Inc., between the joint lead managers, agrees not to issue, etc. the investment units during the period from Pricing Date until 90 days after the delivery date without the prior written consent of the joint lead managers (excluding, however, issuance, etc. of the investment units through public offering, third-party allotment, or investment split).

In the above case, the joint lead managers are planned to hold the right to cancel the restriction in part or in whole, shorten the restriction period at its discretion.

\*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.*

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