

February 4, 2019

To All Concerned Parties

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

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**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**

Kenedix Residential Next Investment Corporation (the “Investment Corporation”) has revised its operating forecasts and cash distribution forecasts for the fiscal period ending July 31, 2019 (15th Fiscal period: February 1, 2019 to July 31, 2019) announced on January 18, 2019. Details are as follows.

The Investment Corporation also announces its operating forecasts and cash distribution forecasts for the fiscal period ending January 31, 2020 (16th Fiscal Period: August 1, 2019 to January 31, 2020) as follows.

1. Revised Forecasts for the 15th Fiscal Period Ending July 31, 2019

|                       | Operating revenues<br>(million yen) | Operating income<br>(million yen) | Ordinary income<br>(million yen) | Net income<br>(million yen) | Net income per unit<br>(yen) | Distribution per unit<br>(excluding distribution in excess of earnings)<br>(yen) | Distribution in excess of earnings per unit<br>(yen) |
|-----------------------|-------------------------------------|-----------------------------------|----------------------------------|-----------------------------|------------------------------|--|--|
| Previous Forecast (A) | 7,905                               | 4,149                             | 3,540                            | 3,539                       | 4,072                        | 4,030  | 0  |
| Revised Forecast (B)  | 8,072                               | 4,263                             | 3,643                            | 3,643                       | 4,033                        | 4,030  | 0  |
| Net Changes (B-A)     | 167                                 | 113                               | 103                              | 103                         | △39                          | —  | —  |
| Change (%)            | 2.1%                                | 2.7%                              | 2.9%                             | 2.9%                        | △1.0%                        | —  | —  |

(Reference) 15th fiscal period ending July 31, 2019: Expected total number of investment units issued and outstanding at the end of the fiscal period: 907,458 units.

Estimated weighted average number of units: 903,243 units

(Note 1) The Investment Corporation’s business periods every year are from February 1 to the last day of July and from August 1 to the last day of January of the following year. The same shall apply hereafter.

(Note 2) The above forecasts are calculated based on the assumptions stated in the attached “Assumptions for the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending July 31, 2019 (15th Fiscal Period: from February 1, 2019 to July 31, 2019) and the Fiscal Period Ending January 31, 2020 (16th Fiscal Period: from August 1, 2019 to January 31, 2020).” 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, the actually decided number to be issued and issue price of new investment units, or future further issuance, etc. of new investment units or other factors, it is possible that actual circumstances may differ from the assumptions and, as a result, actual operating revenues, operating income, ordinary income, net income, net income per unit, distribution

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per unit(excluding distribution in excess of earnings), as well as distribution in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

(Note 3) The revised distribution per unit for the Fiscal Period Ending July 31, 2019 is not the same amount as net income per unit because distribution is calculated based on the assumption of excluding a part of revenues associated with the market value of interest swap succeeded from Japan Senior Living Investment Corporation (JSL) in association with the absorption-type merger with JSL effective as of March 1, 2018 with the Investment Corporation as the surviving corporation and JSL as the dissolving corporation, from the reversal of Reserve for temporary difference adjustment.

(Note 4) The above forecasts may be revised in the event that discrepancies in excess of a certain amount from the forecasts are expected.

(Note 5) Amounts less than a unit are discarded and the changes are rounded off to the first decimal place.

## 2. Revised Forecasts for the 16th Fiscal Period Ending January 31, 2020

|  | Operating revenues<br>(million yen) | Operating income<br>(million yen) | Ordinary income<br>(million yen) | Net income<br>(million yen) | Net income per unit<br>(yen) | Distribution per unit<br>(excluding distribution in excess of earnings)<br>(yen) | Distribution in excess of earnings per unit<br>(yen) |
|--|-------------------------------------|-----------------------------------|----------------------------------|-----------------------------|------------------------------|--|--|
| Fiscal Period Ending<br>January 31, 2020<br>(16th Fiscal Period) | 7,926                               | 4,086                             | 3,446                            | 3,445                       | 3,796                        | 3,813  | 0  |

(Reference) 16th fiscal period ending January 31, 2020: Expected total number of investment units issued and outstanding at the end of the fiscal period: 907,458 units.

Estimated weighted average number of units: 907,458 units

(Note 1) The above forecasts are calculated based on the assumptions stated in the attached “Assumptions for the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending July 31, 2019 (15th Fiscal Period: from February 1, 2019 to July 31, 2019) and the Fiscal Period Ending January 31, 2020 (16th Fiscal Period: from August 1, 2019 to January 31, 2020).” 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 revenues, operating income, ordinary income, net income, net income per unit, distribution per unit(excluding distribution in excess of earnings), as well as distribution in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

(Note 2) The revised distribution per unit for the Fiscal Period Ending January 31, 2020 is not the same amount as net income per unit because distribution is calculated based on the assumption of excluding a part of revenues associated with the market value of interest swap succeeded from Japan Senior Living Investment Corporation (JSL) in association with the absorption-type merger with JSL effective as of March 1, 2018 with the Investment Corporation as the surviving corporation and JSL as the dissolving corporation, from the reversal of Reserve for temporary difference adjustment.

(Note 3) The above forecasts may be revised in the event that discrepancies in excess of a certain amount from the forecasts are expected.

(Note 4) Amounts less than a unit are discarded and the changes are rounded off to the first decimal place.

## 3. Reason for Revisions and Announcement of Operating Forecasts and Cash Distribution Forecasts

The Investment Corporation resolved at a meeting of the Board of Directors held today to issue additional investment units as well as secondary offering of investment units, and has decided to acquire properties. As a result, KDR does not anticipate any large difference, such as a difference of 5% or more between the forecast distribution per unit and the actual figure for the fiscal period ending July 31, 2019 (15th fiscal period). However, the Investment Corporation shall revise the operating forecasts and cash distribution forecasts to reflect changes in its assumptions. In addition, the Investment Corporation will newly announce the operating forecasts and cash distribution forecasts for the fiscal period ending January 31, 2020 (16th Fiscal Period).

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*[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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Assumptions for the Operating and Distribution Forecasts for the Fiscal Period Ending July 31, 2019  
(the 15th Fiscal Period: from February 1, 2019 to July 31, 2019) and  
the Fiscal Period Ending January 31, 2020 (the 16th Fiscal period: from August 1, 2019 to January 31, 2020)

| Item               | Assumptions   |
|--------------------|---|
| Calculation period | <ul style="list-style-type: none"> <li>• Fiscal Period Ending July 31, 2019 (15th Fiscal period: February 1, 2019 to July 31, 2019) (181 days)</li> <li>• Fiscal Period Ending January 31, 2020 (16th Fiscal period: August 1, 2019 to January 31, 2020) (184 days)</li> </ul>  |
| Property portfolio | <ul style="list-style-type: none"> <li>• It is assumed that real estate trust beneficiary interests that the Investment Corporation plans to newly acquire (total of 4 properties) (the “to be acquired properties”) <sup>(1)</sup> will be acquired on the scheduled each acquisition date, and that there will be no change (new property acquisition, portfolio property disposition, etc.) to the portfolio comprised of real estate and trust beneficiary interests in real estate (total of 139 properties) (the “acquired properties”), except for to be acquired properties, held by the Investment Corporation as of today, until the end of fiscal period ending January 31, 2020.</li> <li>• The planned acquisition dates for to be acquired properties described above are as follows. <ul style="list-style-type: none"> <li>February 21, 2019 KDX Residence Higashi-Asakusa</li> <li>March 1, 2019 Tsukui Sunshine Machida</li> <li>June 3, 2019 Serabi Ebisu</li> <li>June 3, 2019 Arute Ishiyagawa</li> </ul> </li> <li>• However, the actual property portfolio may change due to new property acquisition, except to be acquired of 4 properties above, or portfolio property sale, etc.</li> </ul>  |
| Operating revenues | <ul style="list-style-type: none"> <li>• Rental revenues are calculated based on information concerning the to-be acquired properties provided by the current owners and current beneficiaries of trust and information concerning the acquired properties owned by the Investment Corporation, and by taking into account market trends, property competitiveness, etc. The average occupancy ratio for the residential property portfolio (excludes land with leasehold interest) during the period is expected to be approximately 96.6% for the fiscal period ending July 31, 2019 and 96.7% for the fiscal period ending January 31, 2020. The average occupancy ratio for the Healthcare property portfolio during the period is expected to be approximately 100% for the fiscal period ending July 31, 2019 and January 31, 2020.</li> <li>• Operating revenues are based on the assumption that there will be no lessees who rent in arrears or non-payments from tenants.</li> <li>• Dividends income from silent partnerships’ equity interests is not expected for the fiscal period ending July 31, 2019 and the fiscal period ending January 31, 2020.</li> <li>• It assumed that gains on sales of ¥202 million for the fiscal period ending July 31, 2019, due to the sale of KDX Residence Shin-Osaka, announced in the press release “Notice Concerning Sale of Property (KDX Residence Shin-Osaka)” dated January 18, 2019.</li> </ul> |

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| Item                   | Assumptions   |
|------------------------|---|
| Operating expenses     | <ul style="list-style-type: none"> <li>• Property-related expenses other than depreciation are calculated based on information concerning the to-be acquired properties provided by the current owners and current beneficiaries of trust and information concerning the acquired properties owned by the Investment Corporation by reflecting seasonal factors and other expense variables.</li> <li>• Depreciation is calculated based on the straight-line method, and is assumed to be ¥1,394 million in the fiscal period ending July 31, 2019 and ¥1,425 million in the fiscal period ending January 31, 2020.</li> <li>• Taxes and public dues (property tax and city planning tax, etc.) are expected to be ¥477 million in the fiscal period ending July 31, 2019 and ¥476 million in the fiscal period ending January 2020.<br/>In general, in the purchase/sale of real estate, etc., property tax and city planning tax, etc. are allocated to the current owner and purchaser on a pro rata basis at the time of acquisition settlement, however, an amount equivalent to the portion allocated to the purchaser is included in the cost of acquisition and, thus, not charged to expenses. The amount equivalent to property tax and city planning tax, etc. expected to be included in the cost of acquisition of real estate, etc. is assumed to be ¥34 million in the fiscal period ending July 31, 2019.</li> <li>• Repair expenses are estimated based on the amounts budgeted by the asset management company for each property considered essential. Actual repair expenses may, however, differ significantly from the forecast amounts due to unforeseen circumstances possibly causing repair expenses to arise.</li> </ul> |
| Non-operating expenses | <ul style="list-style-type: none"> <li>• Depreciation of expenses associated with the issuance of new investment units and secondary offering of new investment units is anticipated to be ¥15 million in the fiscal period ending July 31, 2019 and ¥16 million in the fiscal period ending January 31, 2020 (expenses associated with the issuance of new investment units and secondary offering of new investment units are scheduled to be amortized over a period of 36 months using the straight-line method).</li> <li>• Interest expense, etc. (including borrowing related expenses, etc.) are expected to be ¥611 million in the fiscal period ending July 31, 2019 and ¥631 million in the fiscal period ending January 2020.</li> <li>• The disclosed gain on market-value-based valuation of interest rate swap succeeded through the Merger as indicated is offset with interest expenses. Interest expenses, etc. after offsetting is expected to be ¥601 million in the fiscal period ending July 2019 and ¥620 million in the fiscal period ending January 2020.</li> </ul>   |
| Borrowings             | <ul style="list-style-type: none"> <li>• The balance of interest-bearing debt as of today is ¥123,250 million, and items are borrowing of ¥118,250 million and investment corporation bond of ¥5,000 million. The balance of interest-bearing debt is assumed to be ¥126,150 million at the end of the fiscal period ending July 31, 2019 and ¥126,150 million at the end of the fiscal period ending January 31, 2020.</li> <li>• It is assumed that a new borrowing of ¥2,900 million will be loaned in June 2019 as an acquisition fund for the to be acquired properties and that there will be no significant change in the interest rates.<br/>However, the actual total amount of borrowings may increase/decrease due to the issue price, etc. of recently-offered issuance of investment units.</li> </ul>   |
| Investment units       | <ul style="list-style-type: none"> <li>• It is assumed that, in addition to the 869,133 units issued and outstanding as of today, all of the number of investment units planned to be newly issued by the issuance of new investment units through public offering (36,500 units) and by way of issuance of new investment units through third-party allotment (maximum: 1,825 units) in connection with the secondary offering by over-allotment decided at the meeting of the Board of Directors held today will be issued <sup>(Note 2)</sup>, and that there will be no issuance of new investment units through to the end of the fiscal period ending January 31, 2020, except for the above mentioned issuance.</li> </ul>   |

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| Item  | Assumptions  |
|---|--|
| Distribution per unit                       | <ul style="list-style-type: none"> <li>• Distribution per unit is calculated in accordance with the policy regarding cash distribution provided in the Articles of Incorporation of the Investment Corporation, with the assumption that substantially all income (excluding compensation of succession of interest rate swap by JSL) will be distributed.</li> <li>• Regarding cash distribution, it is assumed that a total of ¥3,657 million and a total of ¥3,460 million, in which part of gain on the market-value-based valuation of interest rate swap is deducted from net income and ¥20 million of the even reversal of the reserve for temporary difference adjustment is added, shall be distributed in the fiscal period ending July 2019 and the fiscal period ending January 2020, respectively. Furthermore, it is assumed that all of the gains on sales of ¥202 million, which is expected to be recorded due to the sale of KDX Residence Shin-Osaka, will be distributed in the fiscal period ending July 2019.</li> <li>• Distribution per unit may differ significantly from the forecasts due to a variety of factors, including movement in the property portfolio, fluctuation in rental revenue due to tenant movement, etc., incurrence of unforeseen repairs and other change in the management environment, fluctuation in interest rates, the actually decided number to be issued and issue price of new investment units, or future further issuance, etc. of new investment units, etc.</li> </ul> |
| Distribution in Excess of earnings per unit | <ul style="list-style-type: none"> <li>• Cash distribution in excess of earnings is not currently anticipated.</li> </ul>  |
| Other                                       | <ul style="list-style-type: none"> <li>• It is assumed that the tax rate of consumption tax is to be 10% from October 1, 2019.</li> <li>• It is assumed there will be no revision to the laws and regulations, the tax system, accounting standards, listing regulations, regulations of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above.</li> <li>• It is assumed there will be no unexpected significant changes in general economic trends and real estate market conditions, etc.</li> </ul>  |

(Note 1) For details on the property acquisition, please refer to the “Notice Concerning Acquisition of Properties (Total of 2 residential Properties) and Sale of Property)” announced on December 25, 2018 and “Notice Concerning Acquisition of Properties (Total of 3 Healthcare Properties)” announced today.

(Note 2) For details on issuance of new investment units, please refer to the “Notice Concerning Issuance of New Investment Units and Secondary Offering” announced today.

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