

KENEDIX

Residential NEXT Investment Corporation

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

February 4, 2019

PARTNERS IN GROWTH
KENEDIX
Real Estate Fund Management, Inc.

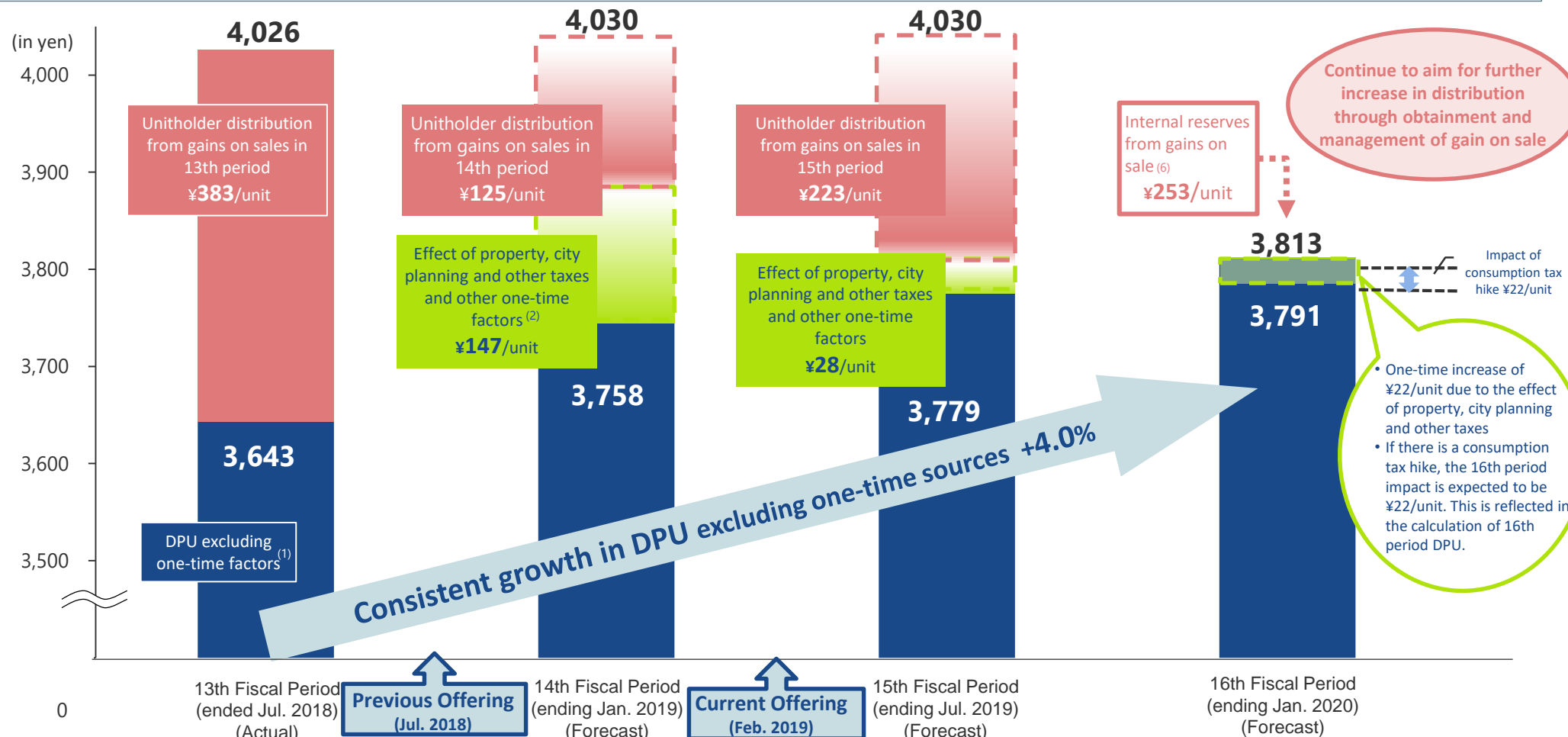
Growth of Distributions per Unit

DPU has increased because of property acquisitions funded by continuous public offerings

✓ Substantial distributions for three consecutive periods supported by gains on sales of properties, the use of internal reserves from gains on sale for distribution uniformity, and other measures for managing distributions

■ Gains on sales and additions of gains to internal reserves⁽³⁾

(in millions of yen)	13th	14th	15th	Total/ Remaining
Gain on Sale	436	203	202	842
Additions of gains to internal reserves	136	94	0	230



Note 1: "DPU excluding one-time factors" = DPU forecast – Gains from property sales used for distributions (forecast) – The effect of property, city planning and other taxes and other one-time factors). DPU for the 14th fiscal period and afterward are estimates as of the date of this presentation. KDR makes no guarantee that these funds will be distributed to unitholders, same below.

Note 2: "The effect of property, city planning and other taxes and other one-time factors" is a benefit resulting from the delay in the recognition of these taxes as an expense to the fiscal period following the acquisition of a property. This benefit is influenced by fluctuations in asset management fees in each fiscal period caused by changes in total assets and by the purchase of Plaisant Grand Ota Tamagawa during the 14th fiscal period, same below.

Note 3: "Gains on sale" and "additions of gains to internal reserves" for the 14th,15th fiscal periods and their "Total/Remaining" figures are estimates as of the date of this presentation. Actual figures may be different.

Note 4: Figures for the 14th fiscal period are based on the assumption that there will be 869,133 investment units issued at the end of this period.

Note 5: Figures for the 15th fiscal period and afterward are based on the assumption that there will be issuance of new investment units by way of public offering (36,500 units) and third-party allotment with the secondary offering through over-allotment (1,825 units).

Note 6: Internal reserves from gains on sale for the 16th period = The estimated amount of ¥234 mln for additions of gains to internal reserves for the 16th fiscal period / Total number of investment units issued and outstanding (907,458 units) after the issuance of new investment units described in Note 5.

Outlook for the Period Ending January 2019 (14th Fiscal Period), the Period Ending July 2019 (15th Fiscal Period) and the Period Ending January 2020 (16th Fiscal Period) 1/2

Rental Income of Real Estate by Use⁽¹⁾

		Off-peak season		Peak season		Off-peak season				Major Components		
		2H 2018	1H 2019	2H 2019		2H 2019						
(in millions of yen)		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Period on Period	Period on Period			
Residential Facilities	Rent revenue –real estate	5,682	5,734	51	0.9%	5,739	5	0.1%		Decrease due to sale of 2 properties (-38) and Increase due to existing properties (+13)	-24	
	Other lease business revenue	502	530	27	5.5%	493	-36	-6.8%		Increase due to newly acquired 3 properties	+76	
	Expenses related to rent business (ex. depreciation)	1,291	1,358	66	5.2%	1,317	-40	-3.0%		Increase in temporary revenue including key money and revenue from restoration expenses	+45	
	NOI	4,894	4,906	12	0.3%	4,915	9	0.2%		Decrease in insurance payout income (due to the impact of the typhoon in the period ended January 2019)	-22	
	Depreciation	980	985	5	0.6%	992	6	0.7%		Increase due to newly acquired 3 properties	+5	
	Rental income of real estate	3,913	3,920	6	0.2%	3,923	2	0.1%		Start of recording expenses for property tax, city planning tax and other taxes on the properties acquired in the period ended January 2019	+31	
Healthcare Facilities	Rent revenue –real estate	1,403	1,601	198	14.1%	1,691	89	5.6%		Increase in leasing-related fees	+39	
	Other lease business revenue	11	3	-8	-68.4%	1	-2	-66.2%		Increase due to newly acquired 3 properties (+11) and Decrease due to sale of 2 properties (-10)	+1	
	Expenses related to rent business (ex. depreciation)	160	194	33	21.0%	198	4	2.1%		Increase due to capital expenditure associated with construction work of existing properties during the period	+7	
	NOI	1,254	1,411	156	12.5%	1,494	83	5.9%		Increase due to newly acquired 3 properties (+7) and decrease due to sale of 2 properties (-9)	-1	
	Depreciation	364	408	43	12.1%	433	24	6.1%		Decrease in temporary revenue including key money and revenue from restoration expenses	-32	
	Rental income of real estate	890	1,002	112	12.6%	1,061	58	5.8%		Decrease in repair expenses (mainly restoration expenses)	-20	
										Decrease in leasing-related fees		-14
										Full-year contribution from properties acquired in the period ended January 2019 (Ota Tamagawa)		+22
										Increase due to newly acquired 3 properties		+172
										Start of recording expenses for property, city planning and other taxes on the properties acquired in 1H 2018 and 2H 2018		+37
										Increase due to newly acquired 3 properties		+4
										Decrease in repair expenses of existing properties		-10
										Increase due to capital expenditure associated with construction work of existing properties during the period		+4
										Increase due to newly acquired 3 properties		+39
										Increase due to newly acquired 3 properties		+89
										Increase due to full-year operation of newly acquired 3 properties		+7
										Increase due to capital expenditure associated with construction work of existing properties during the period		+3
										Increase due to full-year operation of newly acquired 3 properties		+21

Note 1: All figures for "Residential Facilities" include "Others" (one property which is on land with leasehold interests).

Outlook for the Period Ending January 2019 (14th Fiscal Period), the Period Ending July 2019 (15th Fiscal Period) and the Period Ending January 2020 (16th Fiscal Period) 2/2

(in millions of yen)	2H 2018	1H 2019	Period on Period		2H 2019	Period on Period		Major Components
	Forecast	Forecast			Forecast			
Rent revenue –real estate	7,086	7,336	249	3.5%	7,431	95	1.3%	
Other lease business revenue	514	533	19	3.8%	495	-38	-7.3%	
Gains on sales of real estate	203	202	-0	-0.2%	-	-202	-100.0%	2H 2018 Gain on the sale of KDX Residence Kotodai +203 1H 2019 Gain on the sale of KDX Residence Shin-Osaka +202
Dividends received	13	-	-13	-100.0%	-	-	-	Termination of a bridge fund due to property acquisition -13
Operating revenues	7,817	8,072	255	3.3%	7,926	-146	-1.8%	Increase in asset management fees mainly due to increased assets +43
Expenses related to rent business (ex. Depreciation)	1,451	1,552	100	6.9%	1,516	-36	-2.3%	Increase in interest expenses due to new borrowings in the period ended January 2019 (¥3.0 bln), issuance of investment corporation bonds (¥2.0 bln) and new scheduled borrowings in the period ending July 2019 (¥2.9 bln) +11
Depreciation	1,344	1,394	49	3.7%	1,425	31	2.3%	Decrease in interest expenses due to refinancing and shorter operating terms of existing borrowings (184→181 days) -13
Other operating expenses	818	862	44	5.4%	897	35	4.1%	Increase in investment unit issuance costs associated with the capital increase +6
Operating expenses	3,614	3,809	194	5.4%	3,839	30	0.8%	
Ordinary income	4,202	4,263	60	1.4%	4,086	-176	-4.1%	Increase in asset management fees mainly due to increased assets +9 Increase in expensed consumption tax due to the consumption tax rate hike from 8% to 10% +23
Non-operating income	0	0	-0	-	0	-	-	
Non-operating expenses	614	619	4	0.8%	640	21	3.4%	Increase in interest expenses due to longer interest calculation period of new scheduled borrowings in the period ending July 2019 (¥2.9 bln) +7
Ordinary income	3,587	3,643	56	1.6%	3,446	-197	-5.4%	Increase in interest expenses of existing borrowings due to longer operating terms (181→184 days) +12
Net income	3,587	3,643	56	1.6%	3,445	-197	-5.4%	
RTA compensation	20	20			20			
Earnings surplus Compensation (Accumulation)	(104)	(6)			(4)			In 2H 2018, internal accumulation of part of gain on sale (¥94 mln) and compensation of succession of interest rate swap by the JSL merger (¥10 mln) In 1H 2019 and 2H 2019, internal accumulation of part of compensation of succession of interest rate swap by the JSL merger
Dividends	3,502	3,657	154	4.4%	3,460	-196	-5.4%	
Distribution per Unit^(Note)	4,030円	4,030円	-	-	3,813円	-217円	-5.4%	

Note: "Distribution per unit" is calculated based on the number of investment units issued and outstanding totaled 869,133 as of January 31, 2019 and 907,458 as of July 31, 2019 and January 31, 2020.

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