

June 3, 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.
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Notice Concerning Acquisition Settlement of Property (2 Healthcare Properties)

Kenedix Residential Next Investment Corporation (the “Investment Corporation”) announced today that it completed settlement of the acquisition of the following Healthcare properties.

(in thousands of yen)

Property number	Property name	Location (city or ward, prefecture)	Type of Assets	Acquisition Price (note)
H-23	Serabi Ebisu	Meguro-ku, Tokyo	Trust beneficiary interest in real estate	1,690,000
H-24	Arute Ishiyagawa	Kobe-shi, Hyogo	Trust beneficiary interest in real estate	1,061,000
Total				2,751,000

(Note)“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 acquired asset and is rounded down to the nearest thousand yen.

Regarding the details of the acquired properties above, please refer to the press release “Notice Concerning Acquisition of Properties (Total of 3 Healthcare Properties)” announced on February 4, 2019. In addition, the Investment Corporation have newly acquired an Appraisal Report with price point as of June 1, 2019.

Attached Materials

Reference Material : Appraisals Report Summary

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

Reference Material : Appraisals Report Summary

Property name	Serabi Ebisu	
Appraisal value	¥ 1,700,000,000	
Appraiser	JLL Morii Valuation & Advisory K.K.	
Appraisal date	June 1, 2019	
(Unit: Yen)		
Item	Content	Basis
Income capitalization approach value	1,700,000,000	Estimate combining the indicated value by DCF method and direct capitalization method
Value calculated using the direct capitalization method	1,730,000,000	Assess by using the cap rate based on standard and stable net income
(1) Gross operating revenue	Non-disclosure (Note)	
Maximum gross operating revenue	Non-disclosure (Note)	
Shortfall attributed to vacancies	Non-disclosure (Note)	
(2) Operating expenses	6,044,000	
Maintenance expenses	—	Not recorded due to lessee burden
Utility expenses	—	Not recorded due to lessee burden
Repair expenses	1,117,000	Recorded based on the leveled estimated figure in the engineering report
Property management fees	1,200,000	Amount based on conclusion that the estimated figure is appropriate while also considering fees at similar properties
Tenant recruit expenses, etc.	—	None
Taxes and dues	3,647,000	Assessed by considering the fluctuation rate based on the actual amount for the land and considering age depreciation for the building.
Damage insurance fees	80,000	Amount based on conclusion that the estimated figure is appropriate while also considering fees at similar properties
Other expenses	—	None
(3) Net operating income (NOI=(1)-(2))	71,807,000	
(4) Gain on guarantee deposit investment	—	None
(5) Capital expenditure	2,606,000	Recorded based on the leveled estimated figure in the engineering report
(6) Net cash flow (NCF=(3)+(4)-(5))	69,201,000	
(7) Capitalization rate	4.0%	Based on a discount rate that reflects volatility risk and other factors for income and capital investment
Value calculated using the discounted cash flow method	1,670,000,000	
Discount rate	3.8%	Assess comparison with the transaction cases of similar properties and investigated by taking into account the property's unique characteristics on the yields of other financial instrument
Terminal capitalization rate	4.2%	Assessed by taking into account future unpredictability of fluctuation in net income, future deterioration of buildings and sales risks in capitalization rate
Value calculated using the cost method	1,570,000,000	
Land	89.7%	
Building	10.3%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	The target real estate is located within walking distance from two stations at approximately a 10-minute walk from Meguro Station and approximately an 11-minute walk from Ebisu Station on the Yamanote Line. Mid-sized general housing and apartments where wealthy people and those with relatively high income live stand in the surrounding area, and the target real estate is located in a quiet residential area situated on a hill with excellent convenience and living environment. All single rooms in the target real estate are equipped with air conditioners as well as floor-heating facilities and furniture such as a living room table, chairs and curtains. As such, the target real estate has locational superiority in addition to a certain degree of building grade and facilities level as a private senior homes with nursing care. In light of the content of the lease agreement as well, it is acknowledged that stable lease operations can be expected. The appraiser has determined the appraisal value of the property based on the aforementioned factors.
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Property name	Arute Ishiyagawa
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Appraisal value	¥1,420,000,000
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	June 1, 2019

(Unit: Yen)

Item	Content	Basis
Income capitalization approach value	1,420,000,000	Assessed by focusing on the value calculated using the discounted cash flow method and considering the value calculated using the direct capitalization method
Value calculated using the direct capitalization method	1,440,000,000	Assess by using the cap rate based on standard and stable net income
(1) Gross operating revenue	Undisclosed (Note)	
Maximum gross operating revenue	Undisclosed (Note)	
Shortfall attributed to vacancies	Undisclosed (Note)	
(2) Operating expenses	19,979,500	
Maintenance expenses	0	
Utility expenses	0	
Repair expenses	1,927,500	Assessed considering maintenance and renewal expenses in the engineering report, and other factors
Property management fees	1,200,000	Assessed in light of verifications using similar cases based on the current lease conditions
Tenant recruit expenses, etc.	0	
Taxes and dues	4,600,400	Assessed based on the fiscal 2019 tax base amount, etc.
Damage insurance fees	149,600	Assess an amount that reflects the insurance premium rate at similar properties and other factors based on ,material of Insurance Fee
Other expenses	12,102,000	Assessed by reflecting the actual income and expenditure
(3) Net operating income (NOI=(1)-(2))	82,020,050	
(4) Gain on guarantee deposit investment	-300,000	Assessed income from investments by using an investment return of 1.0%
(5) Capital expenditure	3,855,000	Assessed by taking into account the renewal expenses in the engineering report
(6) Net cash flow (NCF=(3)+(4)-(5))	77,865,500	
(7) Capitalization rate	5.4%	Assessed in comparison with returns related to transaction cases of similar properties
Value calculated using the discounted cash flow method	1,420,000,000	
Discount rate	5.1%~5.2%	Assessed by taking into account the comparison with similar transaction cases, cap rate of financial instruments, characteristics of properties and individuality of targeted properties

	Terminal capitalization rate	5.2%	Assessed by taking into account future unpredictability based on Capitalization Rate
	Value calculated using the cost method	1,210,000,000	
	Land	15.2%	
	Building	84.8%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	<p>The target real estate is approximately a 5-minute walk to the south from Ishiyagawa Station on the Hanshin Main Line and offers excellent traffic convenience. In addition, the building is a complex-type facility for the elderly operated by a medical institution that operates facilities for the elderly mainly in Kobe, and a private senior homes with nursing care (mixed with general rooms), a group home and a day service center are established within the facility. As for rooms, privacy is secured in nursing care rooms, all of which are single rooms, while a sufficient space has been secured in general rooms enabling occupancy by two people. A local community space and terrace where tenants and local people can interact have been developed on the first floor and the target real estate has a structure in which nature can be felt. A living room and dining room are established on each floor and a guest room that can be used by families and friends of tenants has also been fully equipped. The target real estate provides hospitable services by setting the ratio of the number of nursing care staff to the number of nursing care rooms at 2:1, and a dedicated staff is on duty during night time to ensure that residents can live safely for 24 hours. Therefore, the services of the target real estate are considered comparable to those of other private senior homes with nursing care in the neighborhood.</p> <p>As such, in light of the content of the lease agreement as well, it is acknowledged that stable lease operations can be expected. The appraiser has determined the appraisal value of the property based on the aforementioned factors.</p>
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(Note) In this valuation, the Asset Management Company refers to the actual figures, therefore disclosing information without the consent of the tenant will the tenant does not approve of or the said information, it would create disadvantages (e.g. as difficulty to maintain a long-term lease agreement due to undermining of the relations with the tenant) and may eventually undermine unitholder interests if such data is disclosed. Accordingly, the data remains undisclosed.