

September 12, 2019

To All Concerned Parties

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

Asset Management Company:
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Notice Concerning Change in Internal Rules of Asset Management Company (The Asset Management Guidelines of Residential REIT Department and the Rules of Pipeline Meeting)

Kenedix Residential Next Investment Corporation (the “Investment Corporation”) announced today that the Board of Directors of Kenedix Real Estate Fund Management, Inc. (the “Asset Management Company”), the asset management company for the Investment Corporation, has decided to change the internal rules (the rules of pipeline meeting) and that its Residential REIT Department Asset Management Committee on the date of this press release decided to change the asset management guidelines of Residential REIT Department (the “Asset Management Guidelines”) contained in the internal rules of the Asset Management Company (these changes of the internal rules are hereinafter collectively referred to as the “Changes”). The details are as follows.

1. Change of the Asset Management Guidelines

(1) Key change of the Asset Management Guidelines (the underlines indicate the changes)

(i) Change of “Policy on Building Property Portfolio”

Usage	<p>The Investment Corporation mainly invests in residential facilities, healthcare facilities and accommodations which are spaces where people live and stay. In making investments, the Investment Corporation will stringently select real estate etc. where stable demand from tenants and users and long-term stable revenue flows can be projected on the basis of an individual analysis of the attributes of a particular property, as well as regional analysis taking into account location, etc. <u>The Investment Corporation may also invest in childcare facilities.</u></p> <p style="text-align: center;">(omitted)</p> <p>The Investment Corporation may invest in lands with leasehold interests on which each building is stipulated to exist. <u>As for childcare facilities, the Investment Corporation may invest in kindergartens, certified centers for early childhood education and care of kindergarten and child day-care center (yoho-renkeigata-nintei-kodomoen), child day-care centers and any other equivalent thereto.</u></p>
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(ii) Change of “Investment Ratio for Property Categories (based on acquisition price)”

Usage			Target Investment Ratio	
Classification	Residential Facilities	Rental Housing	Rental housing	60% or more
		Rental Housing with Facility Operators	Serviced apartments, company rental housing, student dormitories and apartments, shot-term apartments, etc.	
	Healthcare Facilities	Senior Living Facilities	Private senior homes, serviced senior housing, apartments for the elderly, group homes for elderly with cognitive impairment, small multi-function facilities, daycare facilities, etc.	30% or less
		Medical Facilities	Hospitals, clinics, medical malls, nursing and health facilities, etc.	
	Accommodations		Hotels, etc.	20% or less
Others		Land with leasehold interests on which buildings are stipulated to exist <u>or</u> <u>childcare facilities, etc.</u>	10% or less	

(iii) Change of “Financial Policy”

Financing: Equity	When issuing additional investment units for the purpose of arrangements of various funds, the Investment Corporation carefully considers its ratio of interest-bearing debt to the total value of our assets, the timing of acquisition of real estate, etc., and dilution of its investment units. <u>In addition, the Investment Corporation decides acquisition of its own investment units after comprehensively considering a change in the price of the investment unit and analysis on the market environment.</u>
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(2) Reason for the Change of the Asset Management Guidelines

(i) Adding childcare facilities to investment target

The Investment Corporation makes investments in a broad range of properties, including residential facilities, healthcare facilities, and accommodations, where people live and stay. The objective is to maximize the unitholders’ value by receiving consistent rental revenues while steadily increasing the volume of invested assets. This change of the Asset Management Guidelines is to add to the three main investment categories above “childcare facilities” which include kindergartens, certified centers for early childhood education and care of kindergarten and child day-care center (*yoho-renkeigata-nintei-kodomoen*) and child day-care centers as its subordinate investment category. Such childcare facilities are also “spaces where people live and stay,” and are considered to have a high affinity with residential facilities which are essential to the portfolio of the Investment Corporation.

Because it is expected that there will be an increasing demand for childcare facilities as a part of measures for low birthrate and longevity in Japan which is facing a demographic issue, the Asset Management Company considers childcare facilities a promising asset class which could be reflected in the medium to long term real-estate value of the facilities through consistent rental revenues. The Asset Management Company also considers that investment into childcare facilities by REIT which holds assets in the long term may encourage supply of childcare facilities in the future; hence, such investment also carries social significance in meeting needs for childcare facilities above. Therefore, it is decided to make such change above in order to

create social value through investment into childcare facilities and to secure flexible investment opportunities.

- (ii) Adding provisions concerning acquisition of its own investment units
The Investment Corporation adds the provisions concerning acquisition of its own investment units as one of the means to enhance unitholders' medium to long term value in continuing the management seeking to maximize its unitholders' value with intent to establish a system for flexible management according to the future market situation and a change of the price of the investment units. Such provisions are added to the policy on equity finance in the financial policy on management of the Investment Corporation's assets by the Asset Management Company. Such addition does not mean that the Investment Corporation has made any specific decision on acquisition of its own investment units.

2. Partial Change of the Rules of Pipeline Meeting

(1) Change of the rules of pipeline meeting

The Asset Management Company is entrusted with asset management of not only the Investment Corporation, but also Kenedix Office Investment Corporation, Kenedix Retail REIT Corporation and Kenedix Private Investment Corporation. The Asset Management Company has established the rules of pipeline meeting which specify priority rights of consideration of sales information on real estate, etc. which the Asset Management Company obtains, for the purpose of adjustment of competition for opportunities of acquisition among investment corporations which entrust their asset management to the Asset Management Company. Because the change of the Asset Management Guidelines adds childcare facilities to the Investment Corporation's subordinate investment categories, the rules of pipeline meeting shall be changed to reflect the changes including creation of orders of priority rights of consideration for childcare facilities. Major changes of the rules of pipeline meeting are as follows:

- (i) Creation of priority rights of consideration for childcare facilities:
Childcare facilities

Total floor area per facility (m ²)	First priority
All	Residential REIT Department

- (ii) Creation of definition of childcare facilities, assets subject to priority rights of consideration (the underlines indicate the changes)

Before change	After change
(Newly created)	<u>“Childcare facilities” mean real estate in which kindergarten, certified centers for early childhood education and care of kindergarten and child day-care center (yoho-renkeigata-nintei-kodomoen), child day-care centers and any other equivalent thereto occupy the largest floor area among the floor area for each usage of buildings which comprise the real estate under the Building Standard Act, or assets backed by them.</u>

3. Effective Date
September 12, 2019

Reporting and notifications with regard to these matters will be conducted in accordance with the Financial Instruments and Exchange Act, the Real Estate Transaction Business Law, and other applicable laws and regulations.

*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.