

Translation of Japanese Original

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
Contact: Shin Yamamoto, Head of Planning Division,
Residential REIT Department
TEL: +81-3-5157-6011

Notice Concerning Submission of Revised Shelf Registration Statement for the Issuance of Social Bond

Kenedix Residential Next Investment Corporation (the “Investment Corporation”) announced today that it submitted a revised shelf registration statement concerning the shelf registration statement submitted on June 28, 2018, for issuance of “Kenedix Residential Next Investment Corporation 6th Series Unsecured Investment Corporation Bonds (with *pari passu* conditions among the specified investment corporation bonds)” (social bond) (nickname: KDR Social Bond) (the “Social Bond”), which will be the first social bond of a J-REIT.

1. Overview of the Revised Shelf Registration Statement

The Investment Corporation today submitted a revised shelf registration statement including the description of the Social Bond (Note 1) (Note 2) to the Director-General of the Kanto Local Finance Bureau. The issuance period, amount and other conditions of the Social Bond are yet to be decided but the Investment Corporation plans to appoint SMBC Nikko Securities Inc. (social bond structuring agent) (Note 3), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Mizuho Securities Co., Ltd. as lead managers and consider the conditions of the issuance of the Social Bond through marketing activities.

In addition, the Investment Corporation plans to allocate the entire amount of funds procured through the Social Bond to the acquisition of assets fulfilling the eligibility criteria (described in 3 (2) below), repayment of borrowings required for such acquisition and redemption of investment corporation bonds (including refinance) based on the social finance framework (described in 3. below).

(Note 1) “Social bond” refers to bonds for which the entire amount of the procured funds is allocated only to initial partial or full investment into new or existing eligible social projects or refinancing and is compliant with the four core requirements of the social bond principles.

(Note 2) The first social bond of a J-REIT means the first social bond to be issued by a J-REIT based on the fact that there are no J-REITs issuing social bonds as of the date of this document. The Investment Corporation has not decided to issue social bonds and there is no guarantee that it will become the first J-REIT to issue social bonds.

(Note 3) “Social structuring agent” refers to a party supporting the issuance of social bonds through the establishment of the framework of social bonds and advice on receiving second-party opinion.

2. Objective and Background of the Issuance of Social Bonds

The total population of Japan has turned to a decreasing trend, and further decrease in population and progress of the declining birthrate and aging population are expected to be seen in the future against the backdrop of late marriage and nuclearization of households. Japan has already become a super-aged society and we recognize that the lack of healthcare facilities is a social issue.

The Investment Corporation aims to maximize unitholder value by investing healthcare-related facilities, which will become a social infrastructure, as one of its main investment targets as a bridge connecting the capital market and the healthcare industry as well as by conducting stable management under the basic philosophy of obtaining stable revenue and pursuing sustainable growth through a wide range of investments in “spaces where people live and stay.”

Following its merger with Japan Senior Living Investment Corporation in March 2018, the Investment

Corporation is proactively engaged in investment management of healthcare facilities as a J-REIT through acquisition of not only private senior homes but also first nursing and health facilities, and the asset scale of healthcare facilities owned by the Investment Corporation has increased from 28.9 billion yen at the time of the merger to 54.1 billion yen as of today. As a result, we recognize that the social role of the Investment Corporation and the promotion of initiatives for sustainability are becoming more important.

The Investment Corporation established the framework for the issuance of social bonds with an aim to contribute to the expansion of a new investor base and the development of the domestic social bond market by further enhancing initiatives for sustainability through the efforts made this time and providing investment opportunities to investors who are proactively conducting ESG investment.

3. Social Finance Framework

The Investment Corporation established the social finance framework in line with the “Social Bond Principles (Note 4)” to implement social finance measures including the issuance of social bonds.

(Note 4) “Social Bond Principles 2018,” hereinafter referred to as the “Social Bond Principles,” refers to the guideline for the issuance of social bonds established by the Green Bond Principles and Social Bond Principles Executive Committee, a private organization for which the International Capital Market Association (ICMA) serves as the secretariat.

(1) Use of funds procured through social finance

The Investment Corporation will allocate the funds procured through social finance to the acquisition of assets eligible for social finance (described in (2) below), repayment of borrowings required for such acquisition and redemption of investment corporation bonds (including refinance).

(2) Assets eligible for social finance

Assets eligible for social finance refer to assets fulfilling the following eligibility criteria.

Senior living facilities	<ul style="list-style-type: none"> • Private senior homes • Serviced senior housing • Apartments for the elderly • Group homes for elderly with cognitive impairment • Small multi-function facilities • Daycare facilities, etc.
Medical facilities	<ul style="list-style-type: none"> • Hospitals • Clinics • Medical malls • Nursing and health facilities, etc.

(3) Selection criteria and process of project

The requirements of assets eligible for social finance are stipulated in the Management Guidelines of Residential REIT Division prepared by Kenedix Real Estate Fund Management, Inc., the asset management company of the Investment Corporation. In addition, as for the procurement of social finance, compliance with the eligibility criteria (eligibility criteria in (2) above) of social finance will be screened in the process of decision-making for the acquisition of assets and borrowing of funds.

(4) Management of procured funds

Debt eligible for social finance is the amount calculated by multiplying the total acquisition price of the assets eligible for social finance in the portfolio of the Investment Corporation with the ratio of interest-bearing debt to total assets, and the upper limit of social finance will be set.

(5) Reporting

The Investment Corporation is scheduled to announce the status of allocation of funds procured through social finance on its website once a year. Specifically, the following items are included.

- Balance of social finance
- Amount of allocated funds
- Balance of unallocated funds (if any)
- Total acquisition price of assets eligible for social finance

In addition, the Investment Corporation is scheduled to announce the following output indicator and outcome indicator on its website as the Key Performance Indicators (KPIs) in impact reporting.

<Output indicator>

- Overview of building and lease
- Status of tenants and overview of facility (number of rooms, capacity, number of tenants, occupancy rate, etc.)
- Status of profit/loss of owned real estate (details of expenses in real estate leasing business, NOI)
- Overview of operator
- Real estate appraisal value as of the end of the fiscal period

Such indicators will not be disclosed in cases when approval from the operator cannot be obtained.

<Outcome indicator>

- Asset scale of J-REITs and the percentage of healthcare facilities
- Change in the amount invested in healthcare facilities by KDR
- Overview of unitholder benefits (promotion of understanding and use of healthcare facilities through unitholder benefits)

4. Evaluation by External Organization

The Investment Corporation received “Social 1(F),” the highest rating in “JCR Social Finance Framework Assessment,” from Japan Credit Rating Agency, Ltd. (JCR) with regard to the eligibility of social finance framework (Note 5). For details of “JCR Social Finance Framework Assessment,” please refer to the following website.

JCR Social Finance Assessment: <https://www.jcr.co.jp/en/greenfinance/social/>

(Note 5) “Eligibility of social finance framework” refers to the compliance with the four requirements in the social bond principles (use of procured funds, evaluation and selection process of project, management of procured funds and reporting).

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