

**KENEDIX**

Residential NEXT Investment Corporation

**Supplemental Material on the  
“ Acquisition and Sale” and “ Notice Concerning  
Revisions of Operating Forecasts and Cash  
Distribution Forecasts for the Fiscal Period Ending  
January 31, 2019” announced Today**



**December 25, 2018**

PARTNERS IN GROWTH  
**KENEDIX**  
Real Estate Fund Management, Inc.


# Outline of anticipated acquisition/sale of properties

## Strategically Reshuffling of Assets and Actualizing Unrealized Gains by Selling Properties

- ✓ Sale of a residential property located in Sendai City is expected to generate a gain on sale of ¥ 203 million
- ✓ 2 residential properties located in Tokyo 23 wards will be acquired with the proceeds from the sale and cash on hand

Property to be acquired		
	<b>KDX Residence Kaminoge</b> 	<b>KDX Residence Higashi-Asakusa</b> 
Type of facility	Residential (Apartmentbuilding)	Residential (Apartment building)
Location	Setagaya-ku, Tokyo	Taito-ku, Tokyo
Anticipated acquisition price	¥1,111 million (ex. tax)	¥687 million (ex. tax)
Appraisal value(1)	¥1,200 million	¥727 million
NOI yield (2)	4.5%	4.8%
NOI yield after depreciation (2)	4.0%	4.1%
Type・units	Studio・34 units	Studio・36 units
Completion date	September 2016	July 2008
Scheduled Date of Acquisition	February 1, 2019	The date will be assigned by KDR for the end of February 2019.
Both residential properties located in Tokyo 23 wards mainly for single person households KDR anticipates high and stable occupancy backed by strong rental demand in the nearby area.		



Property to be sold	
<b>KDX Residence Kotodai</b> 	
Type of facility	Residential (Apartment building)
Location	Aoba-ku, Sendai-shi, Miyagi
Anticipated sale price	¥730 million (ex. tax)
Appraisal value(1)	¥567 million
NOI yield (3)	3.6%
NOI yield after depreciation (3)	2.3%
Acquisition price(4)	520 million (ex. tax)
Completion date	October 2006
Scheduled Date of Sale	January 24, 2019
This residential property located in Aoba Ward, Sendai City whose profitability is expected to decrease going forward from extended vacancy periods is being sold. The property will be sold at a price that is 28% above the appraisal value.	

(Note 1) "Appraisal Date" for KDX Residence Kaminoge and KDX Residence Higashi-Asakusa are December 1, 2018. "Appraisal Date" for KDX Residence Kotodai is July 31, 2018.

(Note 2) The NOI cap rate for properties acquired is the net operating income (NOI) using the direct capitalization method and appraisal report values divided by the planned acquisition price (before taxes). The NOI cap rate after depreciation is the NOI using the direct capitalization method and appraisal report values minus estimated depreciation based on engineering reports prepared by Kenedix Real Estate Fund Management, Inc. divided by the planned acquisition price (before taxes).

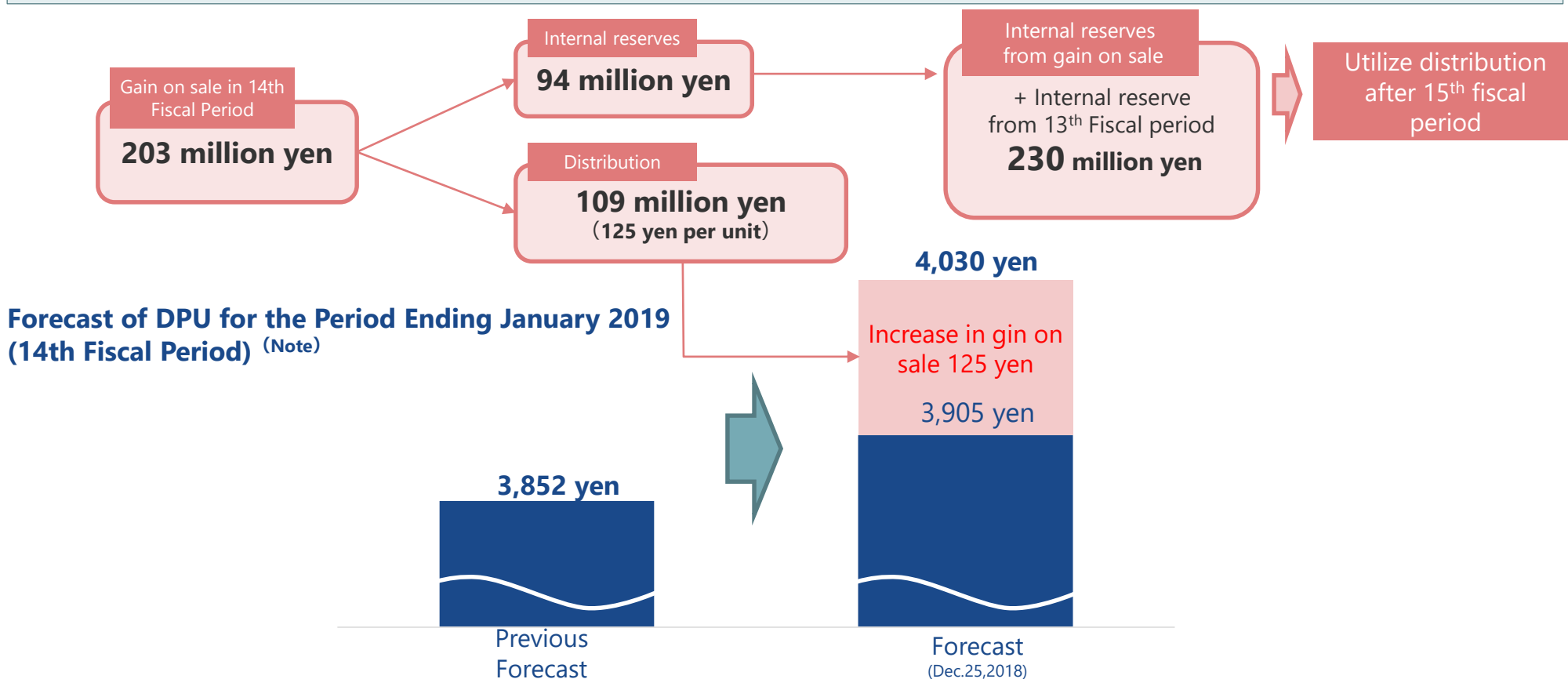
(Note 3) The NOI cap rate for properties sold is the annualized actual NOI cap rate in the 13th period (ended July 2018) and the NOI cap rate after depreciation is the annualized actual NOI cap rate before depreciation in the 13th period divided by the planned sale prices (before taxes).

(Note 4) The acquisition price (excluding tax) when KDR purchased the property on August 7, 2013 is indicated.

# Distribution of Gain on Sale and Use of Internal Reserves

## Part of the gain on sale will be internally reserved and utilized in the following fiscal periods to maintain a level distribution

- ✓ ¥109 million (¥125 per unit) of the gain will be distributed to unitholders and the remainder will be internally reserved.
- ✓ KDR will continue to consider asset replacements; internal reserves will be utilized as needed to appropriate distributions in order to maintain a level increase of distributions using capital gain in sales.



Note: The ¥94 million reserved from gain on sale is to be utilized to maintain a level increase of distributions using gain on sales in subsequent fiscal periods. The amount of retained earnings to be reversed will be determined by the Board of Director's meeting based on the level of distribution in each fiscal period, the outlook for results of operations and other factors.

# Outlook for the Period Ending January 2019(14th Fiscal Period)(1/2)

## Rental Income of Real Estate by Use<sup>(1)</sup>

(in millions of yen)		2H 2018		Period on Period			
		Previous Forecast	Forecast (Dec.25,2018)				
Residential Facilities	Rent revenue –real estate	5,695	5,682	-12	-0.2%		
	Other lease business revenue	467	502	34	7.5%		Increase in key money and other one-time revenue +10 Increase in insurance revenue +23
	Expenses related to rent business (ex. depreciation)	1,291	1,291	0	0%		Increase in repair expenses for recovery from disaster, etc. +25 Decrease in leasing-related fees -13 Decrease in property management fees and property management compensations -7 Decrease in utility expenses -4
	<b>NOI</b>	<b>4,871</b>	<b>4,894</b>	<b>22</b>	<b>0.5%</b>		
	Depreciation	977	980	2	0.3%		
	<b>Rental income of real estate</b>	<b>3,894</b>	<b>3,913</b>	<b>19</b>	<b>0.5%</b>		
Healthcare Facilities	Rent revenue –real estate	1,354	1,403	48	3.6%		Increase in revenue from acquisition of Tanoshii ie Ota tamagawa (Note 2) +48
	Other lease business revenue	1	11	10	841%		Increase in insurance revenue +10
	Expenses related to rent business (ex. depreciation)	147	160	13	9.2%		Increase in repair expenses for recovery from disaster, etc. +11
	<b>NOI</b>	<b>1,208</b>	<b>1,254</b>	<b>45</b>	<b>3.8%</b>		
	Depreciation	361	364	3	0.9%		
	<b>Rental income of real estate</b>	<b>847</b>	<b>890</b>	<b>42</b>	<b>5.0%</b>		

(Note 1) The figure for residential facilities included "other( land with interest)".

(Note 2) "Tanoshii ie Ota tamagawa" will be changed its property name to "Plaisant Grand Ota tamagawa" on January 7, 2019.

# Outlook for the Period Ending January 2019(14th Fiscal Period)(2/2)

(in millions of yen)	2H 2018		Period on Period			
	Previous Forecast	Forecast (Dec.25,2018)				
Rent revenue –real estate	7,050	7,086	36	0.5%		
Other lease business revenue	468	514	45	9.7%		
Gains on sales of real estate	-	203	203	-		Gain on sale recorded due to sale of KDX Residence Kotodai +203
Dividends received	9	13	4	42.0%		
<b>Operating revenues</b>	<b>7,528</b>	<b>7,817</b>	<b>288</b>	<b>3.8%</b>		
Expenses related to rent business (ex. Depreciation)	1,438	1,451	13	0.9%		
<b>NOI</b>	<b>6,080</b>	<b>6,148</b>	<b>68</b>	<b>1.1%</b>		
Depreciation	1,338	1,344	6	0.5%		
Other operating expenses	812	818	5	0.7%		Increase in asset management fees due to higher earnings during the period +14 Decrease in specialist fees, IR-related expenses, etc. -8
<b>Operating expenses</b>	<b>3,589</b>	<b>3,614</b>	<b>25</b>	<b>0.7%</b>		
<b>Ordinary income</b>	<b>3,939</b>	<b>4,202</b>	<b>263</b>	<b>6.7%</b>		
Non-operating income	0	0	0	-		
Non-operating expenses	600	614	14	2.4%		Increase in interest expenses and financing fees due to new borrowings and issuance of investment corporation bonds +14
<b>Ordinary income</b>	<b>3,339</b>	<b>3,587</b>	<b>248</b>	<b>7.4%</b>		
<b>Net income</b>	<b>3,338</b>	<b>3,587</b>	<b>248</b>	<b>7.4%</b>		
RTA(Note) compensation (Accumulation)	20	20	-	-		
Earnings surplus Compensation (Accumulation)	(10)	(104)	(94)	-		Part of the gain on the sale of KDX Residence Kotodai (¥94 million) and amortization gain (¥10 million) through the succession of interest rate swaps at market value with the merger have been retained as retained earnings
<b>Dividends</b>	<b>3,347</b>	<b>3,502</b>	<b>154</b>	<b>4.6%</b>		
<b>Distribution per Unit</b>	<b>3,852 yen</b>	<b>4,030 yen</b>	<b>178 yen</b>	<b>4.6%</b>		

(Note) Reserve for temporary difference adjustment

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