KENEDIX
Residential NEXT Investment Corporation

Translation of Japanese Original

February 10, 2020

To All Concerned Parties

REIT Issuer:
Kenedix Residential Next Investment Corporation
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(Securities Code Number: 3278)

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Notice Concerning Revisions to Operating Forecasts for the Fiscal Period Ended January 31, 2020 and the Fiscal Period Ending July 31, 2020, and announcements of Operating Forecasts and Cash Distribution Forecasts for the Fiscal Period Ending January 2021

Kenedix Residential Next Investment Corporation (the "Investment Corporation") has revised its operating forecasts for the fiscal period ended January 31, 2020 (16th Fiscal Period: August 1, 2019 to January 31, 2020) and for the fiscal period ending July 31, 2020 (17th Fiscal Period: February 1, 2020 to July 31, 2020) announced on September 12, 2019. Details are as follows.
The Investment Corporation also announces its operating forecasts and cash distribution forecasts for the fiscal period ending January 31, 2021 (18th Fiscal Period: August 1, 2020 to January 31, 2021) as follows.

1. Revised Forecasts for the 16th Fiscal Period Ended January 31, 2020

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
Previous Forecast (A)	7,953	4,144	3,500	3,500	3,857	4,064	0
Revised Forecast (B)	8,057	4,246	3,598	3,598	3,965	4,064	0
Net Changes (B-A)	104	102	97	97	108	0	—
Change (%)	1.3%	2.5%	2.8%	2.8%	2.8%	0.0%	—

(Reference) 16th fiscal period ended January 31, 2020: Expected total number of investment units issued and outstanding at the end of the fiscal period: 907,458 units.
Estimated weighted average number of units: 907,458 units

(Note 1) The Investment Corporation's business periods every year are from February 1 to the last day of July and from August 1 to the last day of January of the following year. The same shall apply hereafter.

(Note 2) The above forecasts are calculated based on the assumptions stated in the attached "Assumptions for the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ended January 31, 2020 (16th Fiscal Period: from August 1, 2019 to January 31, 2020) , the Fiscal Period Ending July 31, 2020 (17th Fiscal Period: from February 1, 2020 to August 31, 2021) and the Fiscal Period Ending January 31, 2021 (18th Fiscal Period: from August 1, 2020 to January 31, 2021)."

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Accordingly, if going forward there are additional acquisitions or sales of properties, changes in rent income associated with lessee changes, unexpected repairs and other changes in the earnings environment, changes in interest rates, the actually decided number to be issued and issue price of new investment units, or future further issuance, etc. of new investment units or other factors, it is possible that actual circumstances may differ from the assumptions and, as a result, actual operating revenues, operating income, ordinary income, net income, net income per unit, distribution per unit(excluding distribution in excess of earnings), as well as distribution in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

（Note 3） The revised distribution per unit (excluding distribution in excess of earnings) for the Fiscal Period Ended January 31, 2020 is not the same amount as net income per unit because distribution is calculated based on the assumption of adding 20 million of even reversal of the reserve for temporary difference adjustment and reversal of a portion of the retained earnings carried forward to net income.

（Note 4） The above forecasts may be revised in the event that discrepancies in excess of a certain amount from the forecasts are expected.

（Note 5） Amounts less than a unit are discarded and the changes are rounded off to the first decimal place.

2. Revised Forecasts for the 17th Fiscal Period Ending July 31, 2020

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
Previous Forecast (A)	8,067	4,162	3,504	3,504	3,861	4,065	0
Revised Forecast (B)	8,408	4,429	3,763	3,762	3,973	4,065	0
Net Changes (B-A)	341	267	258	258	112	0	—
Change (%)	4.2%	6.4%	7.4%	7.4%	2.9%	0.0%	—

(Reference) 17th fiscal period ending July 31, 2020: Expected total number of investment units issued and outstanding at the end of the fiscal period: 953,448 units.
Estimated weighted average number of units: 946,806 units

（Note 1） The above forecasts are calculated based on the assumptions stated in the attached “Assumptions for the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ended January 31, 2020 (16th Fiscal Period: from August 1, 2019 to January 31, 2020) , the Fiscal Period Ending July 31, 2020 (17th Fiscal Period: from February 1, 2020 to August 31, 2021) and the Fiscal Period Ending January 31, 2021 (18th Fiscal Period: from August 1, 2020 to January 31, 2021).” Accordingly, if going forward there are additional acquisitions or sales of properties, changes in rent income associated with lessee changes, unexpected repairs and other changes in the earnings environment, changes in interest rates, the actually decided number to be issued and issue price of new investment units, or future further issuance, etc. of new investment units or other factors, it is possible that actual circumstances may differ from the assumptions and, as a result, actual operating revenues, operating income, ordinary income, net income, net income per unit, distribution per unit(excluding distribution in excess of earnings), as well as distribution in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

（Note 2） The above forecasts may be revised in the event that discrepancies in excess of a certain amount from the forecasts are expected.

（Note 3） Amounts less than a unit are discarded and the changes are rounded off to the first decimal place.

（Note 4） The revised distribution per unit (excluding distribution in excess of earnings) for the Fiscal Period Ending July 31, 2020 is not the same amount as net income per unit because distribution is calculated based on the assumption of adding 20 million of even reversal of the reserve for temporary difference adjustment and reversal of a portion of the retained earnings carried forward.

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3. Revised Forecasts for the 18th Fiscal Period Ending January 31, 2021

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
Fiscal Period Ending January 31, 2021 (18th Fiscal Period)	8,419	4,438	3,752	3,751	3,935	4,066	0

(Reference) 18th fiscal period ending January 31, 2021: Expected total number of investment units issued and outstanding at the end of the fiscal period: 953,448 units.
Estimated weighted average number of units: 953,448 units

(Note 1) The above forecasts are calculated based on the assumptions stated in the attached "Assumptions for the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ended January 31, 2020 (16th Fiscal Period: from August 1, 2019 to January 31, 2020) , the Fiscal Period Ending July 31, 2020 (17th Fiscal Period: from February 1, 2020 to August 31, 2021) and the Fiscal Period Ending January 31, 2021 (18th Fiscal Period: from August 1, 2020 to January 31, 2021)." Accordingly, if going forward there are additional acquisitions or sales of properties, changes in rent income associated with lessee changes, unexpected repairs and other changes in the earnings environment, changes in interest rates, the actually decided number to be issued and issue price of new investment units, or future further issuance, etc. of new investment units or other factors, it is possible that actual circumstances may differ from the assumptions and, as a result, actual operating revenues, operating income, ordinary income, net income, net income per unit, distribution per unit(excluding distribution in excess of earnings), as well as distribution in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

(Note 2) Amounts less than a unit are discarded.

(Note 3) The distribution per unit (excluding distribution in excess of earnings) for the Fiscal Period Ending January 31, 2021 is not the same amount as net income per unit because distribution is calculated based on the assumption of adding20 million of even reversal of the reserve for temporary difference adjustment and reversal of a portion of the retained earnings carried forward.

4. Reason for Revisions and Announcement of Operating Forecasts and Cash Distribution Forecasts

The Investment Corporation resolved at a meeting of the Board of Directors held today to issue additional investment units as well as secondary offering of investment units, and has decided to acquire properties. As a result, KDR revises the operating forecasts for the fiscal period ending July 31, 2020 (17th Fiscal Period) announced on September 12, 2019, reflecting changes in its assumptions, and newly announces the operating forecasts and cash distribution forecasts for the fiscal period ending January 31, 2021 (18th Fiscal Period).
In the fiscal period ended January 31, 2020 (16th Fiscal Period), KDR does not anticipate any large difference, such as a difference of 5% or more between the forecast of distribution per unit and the actual figure for the fiscal period ended January 31, 2020 (16th Fiscal Period), However, in order to compare with the operating forecasts from the fiscal period ending July 2020 (17th Fiscal Period) more accurately, the operating forecasts for the fiscal period ended January 31, 2020 (16th Fiscal Period), which was announced on September 12, 2019, will be revised in account of the effects of the acquisition and sales during the period, and the operation situation of the properties owned known to date.

*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.

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[Attachment]

Assumptions for the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ended January 31, 2020 (16th Fiscal Period: from August 1, 2019 to January 31, 2020) , the Fiscal Period Ending July 31, 2020 (17th Fiscal Period: from February 1, 2020 to August 31, 2021) and the Fiscal Period Ending January 31, 2021 (18th Fiscal Period: from August 1, 2020 to January 31, 2021).

Item	Assumptions
Calculation period	・ Fiscal Period Ended January 31, 2020 (16th Fiscal Period: August 1, 2019 to January 31, 2020) (184 days) ・ Fiscal Period Ending July 31, 2020 (17th Fiscal Period: February 1, 2020 to July 31, 2020) (182 days) ・ Fiscal Period Ending January 31, 2021 (18th Fiscal Period: August 1, 2020 to January 31, 2021) (184 days)
Property portfolio	・ It is assumed that real estate trust beneficiary interests that the Investment Corporation plans to newly acquire (total of 9 properties) (the "to be acquired properties") (1) will be acquired on the scheduled each acquisition date and KDX Residence Izumi Chuo which is to be sold property, will be sold by February 28, 2020 and that there will be no change (new property acquisition, portfolio property disposition, etc.) to the portfolio comprised of real estate and trust beneficiary interests in real estate (total of 144 properties) (the "acquired properties"), except for to be acquired properties and to be sold property, held by the Investment Corporation as of today, until the end of fiscal period ending January 31, 2021. ・ The scheduled acquisition dates for the 9 properties described above are as follows. February 27, 2020 KDX Residence Hatagaya February 27, 2020 KDX Residence Sendai Station East February 27, 2020 KDX Residence Gakugeidaigaku March 2, 2020 KDX Residence Kamata-minami March 2, 2020 HOTEL LiVEMAX Tokyo-Otsuka-Ekimae March 2, 2020 HOTEL LiVEMAX Yokohamaeki-Nishiguchi March 13, 2020 KDX Residence Kichijoji June 30, 2020 KDX Residence Mitaka August 3, 2020 KDX Residence Nakanobu ・ However, the actual property portfolio may change due to new property acquisition in addition to the to be acquired of 9 properties above, or another property disposition in addition to the to be sold of property, etc.

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Item	Assumptions
Operating revenues	・ Rental revenues are calculated based on information concerning the to-be acquired properties provided by the current owners and current beneficiaries of trust and information concerning the acquired properties owned by the Investment Corporation, and by taking into account market trends, property competitiveness, etc. The average occupancy ratio for the residential property portfolio (excludes land with leasehold interest) during the period is expected to be approximately 96.1% for the fiscal period ended January 31, 2020, 96.5% for the fiscal period ending July 31, 2020 and 96.7% for the fiscal period ending January 31, 2021. The average occupancy ratio for the Healthcare property portfolio and the Accommodation(Hotel) property portfolio during the period is expected to be approximately 100% for the fiscal period ended January 31, 2010, the fiscal period ending July 31, 2020 and the fiscal period ending January 31, 2021. ・ Operating revenues are based on the assumption that there will be no lessees who rent in arrears or non-payments from tenants. ・ Dividends income from silent partnerships' equity interests is not expected for the fiscal period ended January 31, the fiscal period ending 2020, July 31, 2020 and the fiscal period ending January 31, 2021. ・ It assumed that gains on sales of ¥38 million for the fiscal period ended January 31, 2020, due to the sale of Melody Heim Gotenyama, announced in the press release "Notice Concerning Sale of Property (Melody Heim Gotenyama)" dated January 20, 2020, In addition, It assumed that gains on sales of ¥83 million for the fiscal period ending July 31, 2020, due to the sale of KDX Residence Izumi Chuo, announced in the press release "Notice Concerning Sale of Property (KDX Residence Izumi Chuo)" dated January 29, 2020.
Operating expenses	・ Property-related expenses other than depreciation are calculated based on information concerning the to-be acquired properties provided by the current owners and current beneficiaries of trust and information concerning the acquired properties owned by the Investment Corporation by reflecting seasonal factors and other expense variables. ・ Depreciation is calculated based on the straight-line method, and is assumed to be ¥1,428 million in the fiscal period ended January 31, 2020, ¥1,467 million in the fiscal period ending July 31, 2020 and ¥1,480 million in the fiscal period ending January 31, 2021. ・ Taxes and public dues (property tax and city planning tax, etc.) are expected to be ¥474 million in the fiscal period ended January 31, 2020, ¥498 million in the fiscal period ending July 2020 and ¥496 million in the fiscal period ending January 31, 2021. In general, in the purchase/sale of real estate, etc., property tax and city planning tax, etc. are allocated to the current owner and purchaser on a pro rata basis at the time of acquisition settlement, however, an amount equivalent to the portion allocated to the purchaser is included in the cost of acquisition and, thus, not charged to expenses. The amount equivalent to property tax and city planning tax, etc. expected to be included in the cost of acquisition of real estate, etc. is assumed to be ¥1million in the fiscal period ended January 31, 2020, ¥35 million in the fiscal period ending July 31, 2020 and ¥0 million in the fiscal period ending January 31, 2021. ・ Repair expenses are estimated based on the amounts budgeted by the asset management company (Kenedix Real Estate Fund Management, Inc.) for each property considered essential. However, actual repair expenses may differ significantly from the forecast amounts due to unforeseen circumstances possibly causing repair expenses to arise.

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Item	Assumptions
Non-operating expenses	・ Depreciation of expenses associated with the issuance of new investment units and secondary offering of new investment units is anticipated to be ¥16 million in the fiscal period ended January 31, 2020, ¥24 million in the fiscal period ending July 31, 2020 and ¥25 million in the fiscal period ending January 31, 2021 (expenses associated with the issuance of new investment units and secondary offering of new investment units are scheduled to be amortized over a period of 36 months using the straight-line method). ・ Interest expense, etc. (including borrowing related expenses, etc.) are expected to be ¥637 million in the fiscal period ended January 31, 2020, ¥649 million in the fiscal period ending July 2020 and ¥661 million in the fiscal period ending January 2021. The disclosed gain on market-value-based valuation of interest rate swap succeeded through the absorption-type merger with Japan Senior Living Investment Corporation (JSL) effective as of March 1, 2018 with the Investment Corporation as the surviving corporation and JSL as the dissolving corporation as indicated is offset with interest expenses. Interest expenses after offsetting is expected to be ¥626 million in the fiscal period ended January 31, 2020, ¥638 million in the fiscal period ending July 2020 and ¥656 million in the fiscal period ending January 2021.
Borrowings	・ The balance of interest-bearing debt as of today is ¥127,650 million, and items are borrowing of ¥120,650 million and investment corporation bond of ¥7,000 million. The balance of interest-bearing debt is assumed to be ¥127,650 million at the end of the fiscal period ended January 31, 2020, ¥132,750 million at the end of the fiscal period ending July 31, 2020 and ¥133,550 million at the end of the fiscal period ending January 31, 2021. ・ It is assumed that a new borrowing of ¥5,100 million will be loaned in March 2019 and ¥800 million will be loaned in August 2020 as an acquisition fund for the to be acquired properties and that there will be no significant change in the interest rates. However, the actual total amount of borrowings may increase/decrease due to the issue price, etc. of recently-offered issuance of investment units.
Investment units	・ It is assumed that, in addition to the 907,458 units issued and outstanding as of today, all of the number of investment units planned to be newly issued by the issuance of new investment units through public offering (43,800 units) and by way of issuance of new investment units through third-party allotment (maximum: 2,190 units) in connection with the secondary offering by over-allotment decided at the meeting of the Board of Directors held today will be issued (Note 3), and that there will be no issuance of new investment units through to the end of the fiscal period ending January 31, 2021, except for the above mentioned issuance.

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Item	Assumptions
Distribution per unit	・ Distribution per unit is calculated in accordance with the policy regarding cash distribution provided in the Articles of Incorporation of the Investment Corporation, with the assumption that substantially all income will be distributed. ・ Regarding cash distribution, it is assumed that a total of ¥3,687 million, a total of ¥3,875 million and a total of ¥3,876 million, in which ¥20 million of even reversal of the reserve for temporary difference adjustment and reversal of a portion of the retained earnings carried forward is added to net income, shall be distributed in the fiscal period ended January 2020, the fiscal period ending July 2020 and the fiscal period ending January 2021 respectively. Furthermore, it is assumed that all of the gains on sales of ¥38 million, which is expected to be recorded due to the sale of Melody Heim Gotenyama, will be distributed in the fiscal period ended January 2020 and all the gains on sales of ¥83 million, which is expected to be recorded due to the sale of KDX Residence Izumi Chuo will be distributed in the fiscal period ending July 2020. ・ Distribution per unit may differ significantly from the forecasts due to a variety of factors, including movement in the property portfolio, fluctuation in rental revenue due to tenant movement, etc., incurrence of unforeseen repairs and other change in the management environment, fluctuation in interest rates, the actually decided number to be issued and issue price of new investment units, or future further issuance, etc. of new investment units, etc.
Distribution in Excess of earnings per unit	・ Cash distribution in excess of earnings is not currently anticipated.
Other	・ It is assumed there will be no revision to the laws and regulations, the tax system, accounting standards, listing regulations, regulations of The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. ・ It is assumed there will be no unexpected significant changes in general economic trends and real estate market conditions, etc.

（Note1） For details on the acquisition of properties, please refer to the “Notice Concerning Acquisition of Properties (Total of 3residential Properties) ” announced on September 12, 2019 and “Notice Concerning Acquisition of Properties and Conclusion of Lease Contracts with New Tenants (Total of 5 Residential Properties and 2 Accommodations)” announced today.

（Note2） For details on the sale of properties, please refer to the “Notice Concerning Sale of Property (KDX Residence Izumi Chuo) ” announced on January 29, 2020.

（Note3） For details on issuance of new investment units, please refer to the “Notice Concerning Issuance of New Investment Units and Secondary Offering” announced today.

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