KENEDIX
Residential NEXT Investment Corporation

**Translation of Japanese Original**

March 2, 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 Acquisition Settlement of Property (1 Residential Properties and 2 Accommodations)

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

(in thousands of yen)

| Property number | Property name | Location (city or ward, prefecture) | Type of Assets | Acquisition Price (note) |
|---|---|---|---|---|
| T-88 | KDX Residence Kamata-minami | Ota-ku, Tokyo | Trust beneficiary interest in real estate | 1,918,300 |
| A-1 | HOTEL LiVEMAX Tokyo-Otsuka-Ekimae | Toshima-ku, Tokyo | Trust beneficiary interest in real estate | 2,390,000 |
| A-2 | HOTEL LiVEMAX Yokohamaeki-Nishiguchi | Yokohama-shi, Kanagawa | Trust beneficiary interest in real estate | 2,570,000 |
| Total | | | | 6,878,300 |

(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 and Conclusion of Lease Contracts with New Tenants (Total of 5 Residential Properties and 2 Accommodations)" announced on February 10, 2020.
The Investment Corporation has obtained an Appraisal report as of February 28, 2020 and an Engineering Report, in line with the completion of KDX Resident Kamata-minami, as shown in the attachment.

**Attached Materials**

Reference Material (1) Appraisals Report Summary
Reference Material (2) Engineering Report Summary

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

***[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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Reference Material (1)　Appraisals Report Summary

| Property Name | KDX Residence Kamata-minami |
|---|---|

| Appraisal Value | ¥2,090,000,000 |
|---|---|
| Appraiser | Japan Real Estate Institute |
| Appraisal Date | February 28, 2020 |

(Unit: Yen)

| Item | Content | Basis |
|---|---|---|
| Income Capitalization Approach Value | 2,090,000,000 | Estimated by treating equally the income capitalization approach value using the Direct Capitalization method and the value calculated using the Discounted Cash Flow method. |
| Value Calculated Using the Direct Capitalization Method | 2,120,000,000 | Assessed by using the cap rate based on medium to long-term stable net income. |
| (1) Gross Operating Revenue | 100,705,000 | |
| Maximum Gross Operating Revenue | 102,093,000 | Assessed based on a level of fair rent believed to remain stable over the medium and long term. |
| Shortfall Attributed to Vacancies | 1,388,000 | Assessed based on the level of occupancy ratio that can be maintained stably over the medium and long term. |
| (2) Operating Expenses | 14,994,000 | |
| Maintenance Expenses | 4,500,000 | Assessed by reflecting the administrative and maintenance expenses based on contract terms, the level of expenses at similar properties, and other factors. |
| Utility Expenses | 1,040,000 | Assessed by reflecting the performance of similar properties. |
| Repair Expenses | 631,000 | Assessed using expenses at similar properties, annual average repair, maintenance and renewal expenses in the engineering report, and other factors. |
| Property Management Fees | 1,553,000 | Assessed by reflecting the compensation rate based on contract terms, those at similar properties, and other factors. |
| Tenant Recruit Expenses, etc. | 436,000 | Assessed by reflecting the contract terms、the lease terms at similar properties and other factors. |
| Taxes and Dues | 6,154,000 | Assessed based on the fiscal 2019 tax base amount, etc. |
| Damage Insurance Fees | 104,000 | Recorded an amount that reflects the insurance premiums based on the insurance contract, insurance premium rate at similar properties and other factors. |
| Other Expenses | 576,000 | Recorded internet use fee, etc. as other expenses. |
| (3) Net Operating Income (NOI= (1)-(2)) | 85,711,000 | |
| (4) Gain on guarantee deposit investment | 83,000 | Assessed income from investments by using an investment return of 1.0%. |
| (5) Capital Expenditure | 1,091,000 | Assessed taking into account the level of capital expenditures at similar properties and the age of the property, assuming that an equal amount is added to a reserve in each fiscal period. |
| (6) Net Cash Flow (NCF=(3)+(4)-(5)) | 84,703,000 | |
| (7) Capitalization Rate | 4.0% | Assessed by taking into account the property's location, the characteristics of the building and other characteristics. |
| Value Calculated Using the Discounted Cash Flow Method | 2,060,000,000 | |
| Discount Rate | 3.8% | Assessed by comprehensively taking into account the Property's unique characteristics, while reflecting investment returns of similar properties in transaction. |
| Terminal Capitalization Rate | 4.2% | Assessed by comprehensively taking into account upcoming changes in investment returns, risks associated with the property to be acquired, general prediction of economic growth rate, trends in real estate prices and rental rates, and all other applicable factor, while reflecting returns associated with acquisitions of similar properties. |
| Value Calculated Using the Cost Method | 2,360,000,000 | |

| | | | |
|---|---|---|---|
| | Land | 72.9% | |
| | Building | 27.1% | |

| | |
|---|---|
| Items applied to adjustments in approaches to the value and the determination of the appraisal value | Adopted income capitalization approach value with the value calculated using the cost method used only for reference as the income capitalization approach value is more persuasive because of accurate reproductivity in the price determination process (with respect to earnings). |

※Reference (Appraisal NOI Cap Rate=NOI above described /Acquisition Price)

| Property Name | KDX Residence Kamata-minami |
|---|---|
| Appraisal NOI Cap Rate (rounded to the first decimal place) | 4.5% |

Reference Material (2) Engineering Report Summary

(Unit: Yen in thousand)

| Property Name | KDX Residence Kamata-minami |
|---|---|
| Investigation Company | DAIWA REAL ESTATE APPRAISAL CO., LTD. |
| Investigation Date | February 2020 |
| Repairs Maintenance and Renovation Expenses Expected to be Required within12 Years | 18,708 |
| Replacement Value | 601,800 |

※The above mentioned investigation company undertakes building assessments for the property as follows.

-Assessment of legal compliance with related laws

-Investigation for building construction and facilities

-Environmental investigation

-Formulation of a short-term and long-term repair and maintenance plan

-Estimates of the replacement value