KENEDIX
Residential NEXT Investment Corporation

Translation of Japanese Original

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To All Concerned Parties

REIT Issuer:
Kenedix Residential Investment Corporation
Representative: Shin Yamamoto, Executive Director
(Securities Code Number: 3278)

Asset Management Company
Kenedix Real Estate Fund Management, Inc.
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Notice Concerning Change in Internal Rules of Asset Management Company (The Asset Management Guidelines of Residential REIT Department)

Kenedix Residential Next Investment Corporation ("the Investment Corporation") announced that the Residential REIT Department Asset Management Committee of Kenedix Real Estate Fund Management, Inc. ("the Asset Management Company"), the asset management company for the Investment Corporation, held today decided to change the asset management guidelines of Residential REIT Department ("the Asset Management Guidelines"). The change will take effect upon the approval of the partial changes to the Articles of Incorporation(Note) at the Seventh General Unitholders' Meeting of the Investment Corporation to be held on October 27, 2021 ("the General Meeting of Unitholders"). Details are as follows.

(note) Regarding the details concerning the proposal related to the change, please refer to the press release "Notice Concerning Changes to Articles of Incorporation and Appointment of Directors" announced today.

1. Reasons for the Amendment to the Asset Management Guidelines

The purpose of the amendment is to change the classification of the accommodation facilities in the portfolio construction policy of the Investment Corporation from the primary investment target to the secondary investment target.

The Investment Corporation has been classifying the residential facilities, healthcare facilities and accommodation facilities, which are the spaces where people live and stay, as its primary investment targets, and aiming to gain stable rental income and to achieve steady growth in the asset size through a wide range of investment opportunities in those three asset classes.

However, as for the accommodation facilities out of those three primary investment targets, we have initially planned to make investments in order to expand the opportunities for property acquisition and gain stable income against the background of the strong domestic demand for business and tourism, the increase in the demand for accommodation facilities due to the increase in the number of foreign travelers visiting Japan, and other circumstances, but so far we have not had any opportunities to acquire a high-quality property that contributes to the enhancement of the profitability of the Investment Corporation in the competitive market and have not been able to acquire properties continuously.

Furthermore, recently, taking into account the situation in which the operating environment of hotels and other facilities has deteriorated significantly due to the spread of the novel coronavirus disease, we have suspended to consider active investment in accommodation facilities. It is believed that the demand for accommodation will recover and the accommodation facilities will gradually regain a strong profitability as the coronavirus pandemic subsides in the future, but we still consider that those are the assets with a relatively large risk of fluctuations in profitability due to economic trends and unexpected external shocking events. On the other hand, residential facilities and healthcare facilities are maintaining their stable profitability supported by the steady actual demand

for the foundation of life even in the coronavirus pandemic.

As a result of reviewing the portfolio construction policy from the perspective of selecting the most appropriate investment targets in light of the investment policy of the Investment Corporation aiming to gain stable rental income and to achieve steady growth in the asset size, by taking into account the investment performance in accommodation facilities and the difference in risk/return characteristics between the accommodation facilities and residential/healthcare facilities as mentioned above, we have decided the amendment in order to limit the main use of the real estate constituting the main part of the real estate-related assets in which the Investment Corporation mainly invests or their underlying real estate to the residential facilities and healthcare facilities, and to classify the accommodation facilities as the secondary investment target.

From now on, the Investment Corporation will aim to achieve further stability and growth and to maximize the interests of the unitholders by constructing the portfolio focusing on two primary investment targets: residential facilities and healthcare facilities. In respect of the accommodation facilities, as the secondary investment target, we will continue to carefully select the properties that are expected to generate stable income for a long period and consider acquiring them.

2. Effective Date

October 27, 2021 (Scheduled)

The change in the Asset Management Guidelines will take effect upon the approval of the partial changes in the Articles of Incorporation by the General Meeting of Unitholders.

3. Summary of the Key Change in the Asset Management Guidelines (The underlines indicate the changes)

For each of the items listed below, summary of the key change in the Asset Management Guidelines is as follows .

(i) Usage

(Before)

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. The Investment Corporation may also invest in childcare facilities.

(After)

The Investment Corporation mainly invests in residential facilities and healthcare facilities 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. The Investment Corporation may also invest in accommodations and childcare facilities.

(ii) Investment Ratio for Property Categories (based on acquisition price)

(Before)

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, short-term apartments, etc.	
	Healthcare Facilities	Senior Living Facilities	Fee-based homes for the elderly, serviced housing for the elderly, 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, intermediate nursing homes, etc.	
	Accommodations		Hotels, etc.	20% or less
	Other		Land with leasehold interests on which buildings are stipulated to exist or childcare facilities, etc.	10% or less

(After)

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, short-term apartments, etc.	
	Healthcare Facilities	Senior Living Facilities	Fee-based homes for the elderly, serviced housing for the elderly, 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, intermediate nursing homes, etc.	
	Other		Land with leasehold interests on which buildings are stipulated to exist, accommodations or childcare facilities, etc.	10% or less

(iii) Standards for Minimum Investment Size and Maximum Investment Size

(Before)

Investment Size	Minimum Investment Size	Residential Facilities	300 million yen or more per investment property
		Healthcare Facilities	300 million yen or more per investment property
		Accommodations	500 million yen or more per investment property
		Other	100 million yen or more per investment property
	Maximum Investment Size	The ratio of acquisition price for such real estate will be no more than 20% of the total acquisition price of the entire portfolio after such real estate is acquired.	

(After)

Investment Size	Minimum Investment Size	Residential Facilities	300 million yen or more per investment property
		Healthcare Facilities	300 million yen or more per investment property
		Other	100 million yen or more per investment property
	Maximum Investment Size	The ratio of acquisition price for such real estate will be no more than 20% of the total acquisition price of the entire portfolio after such real estate is acquired.	

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/

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