

Translation of Japanese Original

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To All Concerned Parties

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

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**Notice Concerning Revisions to Operating Forecasts and Cash Distributions Forecasts  
for the Fiscal Periods Ending January 31, 2023 and July 31, 2023**

Kenedix Residential Next Investment Corporation (“the Investment Corporation”) announced today revisions to its operating forecasts and cash distributions forecasts for the fiscal periods ending January 31, 2023 (22nd Fiscal Period: August 1, 2022 to January 31, 2023) and July 31, 2023 (23rd Fiscal Period: February 1, 2023 to July 31, 2023), as noted in “Summary of Financial Report for the Fiscal Period Ended July 31, 2022 (REIT),” dated September 13, 2022. Details are as follows.

1. Revised Forecasts for the 22nd Fiscal Period Ending January 31, 2023 (August 1, 2022 to January 31, 2023)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous Forecast (A)	9,558	4,936	4,233	4,232	4,047	4,120	0
Revised Forecast (B)	9,916	5,211	4,512	4,511	4,284	4,181	0
Net Change (B-A)	358	275	279	279	237	61	-
Change (%)	3.7	5.6	6.6	6.6	5.9	1.5	-

(Reference) For the fiscal period ending January 31, 2023:

Number of investment units issued and outstanding at the end of the fiscal period : 1,070,433 units

Weighted average number of investment units : 1,053,166 units

(Note 1) The above forecasts are calculated based on the assumptions stated in the attached “Assumptions for the Operating Forecasts and Distributions Forecasts for the Fiscal Periods Ending January 31, 2023 (22nd Fiscal Period) and July 31, 2023 (23rd Fiscal Period).” 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 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, distributions per unit (excluding distributions in excess of earnings), as well as distributions in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

(Note 2) The revised distributions per unit (excluding distributions in excess of earnings) for the fiscal period ending January 31, 2023 is not the same amount as net income per unit because distribution is calculated based on the assumption of adding 20 million yen of even reversal of the reserve for temporary difference adjustment to net income and retaining internally a portion of the expected gain on sale of KDX Residence Higashi-sakura II.

(Note 3) The above forecasts may be revised if the degree of deviation with subsequent estimates exceeds a certain level.

(Note 4) Amounts less than a unit are discarded and the changes are rounded off to the first decimal place.

Disclaimer : This document is a press release to make a public announcement of revisions to operating forecasts and cash distributions forecasts for the fiscal periods ending January 31, 2023 and July 31, 2023 and has not been prepared as a solicitation for the investment. The Investment Corporation cautions investors to ensure that they refer to the prospectus for notification of the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by the Investment Corporation before undertaking investments and investments be made at their own discretion and responsibility.

2. Revised Forecasts for the 23<sup>rd</sup> Fiscal Period Ending July 31, 2023 (February 1, 2023 to July 31, 2023)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous Forecast (A)	9,661	4,948	4,240	4,240	4,054	4,120	0
Revised Forecast (B)	9,932	5,110	4,385	4,385	4,096	4,140	0
Net Changes (B-A)	270	161	144	144	42	20	-
Change (%)	2.8	3.3	3.4	3.4	1.0	0.5	-

(Reference) For the fiscal period ending July 31, 2023:

Estimated total number of investment units issued outstanding at the end of the fiscal period : 1,070,433 units

Estimated weighted average number of investment units : 1,070,433 units

(Note 1) The above forecasts are calculated based on the assumptions stated in the attached “Assumptions for the Operating Forecasts and Distributions Forecasts for the Fiscal Periods Ending January 31, 2023 (22nd Fiscal Period) and July 31, 2023 (23rd Fiscal Period).” 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 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, distributions per unit (excluding distributions in excess of earnings), as well as distributions in excess of earnings per unit may change significantly. Therefore, these forecasts are not guaranteed.

(Note 2) The revised distributions per unit (excluding distributions in excess of earnings) for the fiscal period ending July 31, 2023 is not the same amount as net income per unit because distribution is calculated based on the assumption of adding 20 million yen 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 3) The above forecasts may be revised in the event that discrepancies in excess of a certain amount from the forecasts are expected.

(Note 4) Amounts less than a unit are discarded and the changes are rounded off to the first decimal place.

3. Reason for Revisions of Operating Forecasts and Cash Distributions Forecasts

The Investment Corporation resolved at the Board of Directors Meeting held today to issue new investment units as well as secondary offering of investment units <sup>(Note 1)</sup>, and the acquisition and sale of properties <sup>(Note 2)</sup>. The operating forecasts and distributions forecasts for the fiscal periods ending January 31, 2023 (22nd Fiscal Period) and July 31, 2023 (23rd Fiscal Period), previously announced in “Summary of Financial Report for the Fiscal Period Ended July 31, 2022 (REIT),” dated September 13, 2022, has been revised due to the changes in the assumptions underlying the calculation as a result of the above and the new borrowings described under ATTACHMENT “Assumptions for the Operating Forecasts and Distributions Forecasts for the Fiscal Periods Ending January 31, 2023 (22nd Fiscal Period) and July 31, 2023 (23rd Fiscal Period).”

(Note 1) For details on the acquisition and sale of properties, please refer to the “Notice Concerning Acquisition of Properties (Total of 2 Residential Properties and 5 Healthcare Facilities) and Sale of Property (KDX Residence Higashi-sakura II)” dated today.

(Note 2) For details on the issuance of new investment units and secondary offering of investment units, please refer to the “Notice Concerning Issuance of New Investment Units and Secondary Offering” dated today.

\*Website URL of the Investment Corporation: <https://www.kdr-reit.com/en/>

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ATTACHMENT

Assumptions for the Operating Forecasts and Distributions Forecasts  
for the Fiscal Periods Ending January 31, 2023 (22nd Fiscal Period) and July 31, 2023 (23rd Fiscal Period)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>Fiscal period ending January 31, 2023 (22nd Fiscal Period: August 1, 2022 to January 31, 2023) (184 days)</li> <li>Fiscal period ending July 31, 2023 (23rd Fiscal Period: February 1, 2023 to July 31, 2023) (181 days)</li> </ul>
Property portfolio	<ul style="list-style-type: none"> <li>It is assumed that in addition to its 175 real estate and trust beneficiary interests in real estate (the “Current Properties”) held as of today, the Investment Corporation plans to newly acquire (total of 7 properties) (the “Properties to be Acquired”) on each scheduled acquisition date and sale KDX Residence Higashi-sakura II on December 20, 2022.</li> <li>The scheduled acquisition dates for the 7 properties described above are as follows.  December 13, 2022    Nichii home Hachimanyama  December 13, 2022    Life ship Oasa  December 13, 2022    Life ship Yunokawa  December 13, 2022    Life ship Fukagawa  January 13, 2023      KDX Residence Oyamadai  January 13, 2023      KDX Residence Asakusa  March 1, 2023        Sunnyslife Tachikawa</li> <li>Forecasts are based on the assumption that portfolio assets other than the above are not subject to change (such as acquisition of new properties and sale of Current Properties) until the end of fiscal period ending July 31, 2023.</li> <li>However, the actual property portfolio may change due to new property acquisition in addition to the Properties to be Acquired above, or sale of Current Properties.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Rental revenues are calculated based on information provided by the current owners and current beneficiaries of trust and information for the Properties to be Acquired, and for Current Properties, are based on the leasing agreements currently in place and other factors including expectations of market trends, property competitiveness, etc. The average occupancy ratio for the residential property portfolio is expected to be 96.3% for both fiscal periods ending January 31, 2023 and July 31, 2023. The average occupancy ratio for the healthcare and accommodation facilities portfolio is expected to be 100.0% for both fiscal periods ending January 31, 2023 and July 31, 2023.</li> <li>Operating revenues are based on the assumption that there will be no lessees who rent in arrears or non-payments from tenants.</li> <li>Gain on sale of ¥298 million is expected for the fiscal period ending January 31, 2023, due to the sale of property.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Property-related operating expenses other than depreciation are calculated based on historic data for Current Properties, and based on the information provided by the seller for Properties to be Acquired, and these expenses reflect seasonal factors fluctuations.</li> <li>Depreciation is calculated based on the straight-line method, and is assumed to be ¥1,726 million and ¥1,766 million for the fiscal periods ending January 31, 2023 and July 31, 2023, respectively.</li> <li>Property-related taxes are assumed to be ¥570 million and ¥609 million for the fiscal periods ending January 31, 2023 and July 31, 2023, respectively. 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 ¥35 million and ¥8 million for the fiscal periods ending January 31, 2023 and July 31, 2023, respectively.</li> <li>Repair expenses are assumed 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.</li> </ul>

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Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> <li>The offering-related costs on issuance of new investment units will be amortized using the straight-line method over 36 months. The amortization of related costs are assumed to be ¥20 million for both fiscal periods ending January 31, 2023 and July 31, 2023.</li> <li>Interest expense and other debt-related expenses are assumed to be ¥674 million and ¥700 million in the fiscal periods ending January 31, 2023 and July 31, 2023, respectively.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>The balance of interest-bearing debt as of today is ¥161,620 million, and the breakdown is ¥153,920 million of borrowings and ¥7,700 million of investment corporation bonds. The balance of interest-bearing debt is assumed to be ¥164,220 million at the end of the fiscal period ending January 31, 2023, and ¥164,720 million at the end of the fiscal period ending July 31, 2023.</li> <li>It is assumed that new borrowing of ¥1,300 million, ¥1,300 million and ¥500 million will be executed in December 2022, January 2023, and March 2023 <sup>(Note)</sup>, respectively, as an acquisition fund for the Properties to be Acquired and that there will be no significant change in the interest rates. However, the actual total amount of borrowings may increase/decrease according to the issue price, etc. of the issuance of new investment units resolved at the Board of Directors Meeting held today.</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>It is assumed that, in addition to the 1,045,758 units issued and outstanding as of today, all of the new investment units planned to be issued by the issuance of new investment units through public offering (23,500 units) and by way of issuance of new investment units through third-party allotment (maximum: 1,175 units) in connection with the secondary offering by over-allotment resolved at the Board of Directors Meeting held today will be issued, and that there will be no issuance of new investment units through to the end of the fiscal period ending July 31, 2023, except for the above mentioned issuance.</li> </ul>
Distributions per unit	<ul style="list-style-type: none"> <li>Distributions per unit is calculated in accordance with the policy regarding cash distributions provided in the Articles of Incorporation of the Investment Corporation, with the assumption that substantially all income will be distributed.</li> <li>It is assumed that gain on sale of ¥298 million, which is expected to be recorded due to the sale of property, will be retained internally and the remaining amount will be distributed in the fiscal period ending January 31, 2023. Therefore, a total of ¥4,475 million in which ¥20 million of even reversal of the reserve for temporary difference adjustment is added to net income and ¥56 million equivalent to the internal retaining is deducted from net income shall be distributed in the fiscal period ending January 31, 2023.</li> <li>Regarding cash distributions, it is assumed that a total of ¥4,431 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 ending July 31, 2023. The amount to be retained or the amount of reversal of retained earnings carried forward may change in the event of an increase or decrease in net income for the fiscal period.</li> <li>Distributions 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.</li> </ul>
Distributions in Excess of earnings per unit	<ul style="list-style-type: none"> <li>Cash distributions in excess of earnings is not currently anticipated.</li> </ul>
Other	<ul style="list-style-type: none"> <li>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.</li> <li>It is assumed there will be no unexpected significant changes in general economic trends and real estate market conditions, etc.</li> </ul>

(Note) The details of debt financing scheduled in December 2022, January 2023 and March 2023, will be announced as soon as it is determined.

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