

June 13, 2023

To All Concerned Parties

REIT Issuer:
Kenedix Residential Next Investment Corporation
Representative: Tetsu Kawashima, Executive Director
(Securities Code Number: 3278)

Asset Management Company:
Kenedix Real Estate Fund Management, Inc.
Representative: Hikaru Teramoto, President & CEO
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Notice Concerning Forecasts for Operating Results for the Fiscal Period Ending October 31, 2023
(from August 1, 2023 to October 31, 2023) and Payment Upon the Merger

As announced in the press release “Notice Concerning Execution of the Merger Agreement by and among Kenedix Office Investment Corporation, Kenedix Residential Next Investment Corporation and Kenedix Retail REIT Corporation” dated today, Kenedix Residential Next Investment Corporation (“KDR”) has passed a resolution at the Boards of Directors Meeting held today to execute an absorption-type merger (the “Merger”) with an effective date of November 1, 2023, whereby Kenedix Office Investment Corporation (“KDO”) is the surviving corporation and KDR and Kenedix Retail REIT Corporation (“KRR”) are the dissolving corporation, and concluded a merger agreement (the “Merger Agreement”) as of today. In the case where the Merger comes into effect, KDR’s final fiscal period is scheduled to be the three-month period from August 1, 2023, to October 31, 2023 (the “Fiscal Period Ending October 31, 2023”).

Though KDR announced the operating forecasts for the fiscal period ending January 31, 2024 (from August 1, 2023 to January 31, 2024) in its “FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JANUARY 31, 2023 (REIT)” dated March 15, 2023, given the conclusion of the Merger Agreement, KDR hereby announces the following details concerning its operating forecasts for the Fiscal Period Ending October 31, 2023, and forecast for Payment Upon the Merger in lieu of cash distributions to the unitholders of KDR for KDR’s final fiscal period if the Merger is implemented. There are no changes to the operating forecasts for the Fiscal Period ending July 31, 2023.

1. Forecasts for Operating Results for the Fiscal Period Ending October 31, 2023 (from August 1, 2023 to October 31, 2023) and Payment upon the Merger

	Operating revenue (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net income (millions of yen)	Payment upon the Merger per unit (yen)
Fiscal Period Ending October 31, 2023 (3 months)	4,975	2,446	2,083	2,083	2,070

[Reference] For the Fiscal Period Ending October 31, 2023: Estimated net income per unit (Estimated Net Income in the Period / Estimated average number of units in the Period) 1,946 yen

Payment Upon the Merger per unit differs from the net income per unit since, in the Fiscal Period Ending October 31, 2023, it is assumed that net income plus the reversal amount of the reserve for temporary difference adjustment and a part of the retained earnings brought forward from the previous period will be distributed.

(Note 1) The period covered by the forecasts of Operating Results for the fiscal period Ending October 31, 2023 and Payment Upon the Merger is the three-month period from August 1, 2023 to October 31, 2023.

(Note 2) Distributions per unit are calculated based on the number of investment units issued and outstanding totaled 1,070,433 as of today.

(Note 3) The above forecast figures are the estimated figures as of today calculated based on certain assumptions described in the attachment “Assumptions for the Forecasts for Operating Results for the Fiscal Period Ending October 31, 2023 (from

August 1, 2023 to October 31, 2023) and Payment Upon the Merger” found at the end of this document. The actual operating revenue, operating income, ordinary income, net income, and Payment Upon the Merger per unit may vary due to future acquisitions or sales of the properties, changes in the real estate market, and other factors or the issuance of new investment units. In addition, the forecast should not be construed as a guarantee of the amount of the Payment Upon the Merger.

(Note 4) After the Merger, in lieu of cash distributions (distribution of profit) to the unitholders of KDR for KDR’s final fiscal period from August 1, 2023 to October 31, 2023, the surviving corporation, KDO (the trade name will be changed to KDX Realty Investment Corporation upon the Merger. The surviving corporation following the Merger is hereinafter referred to as “New REIT”), will, within a reasonable period after the effective date of the Merger, make a Payment Upon the Merger based on the distributable amount of KDR to the unitholders of KDR (the unitholders listed or recorded on the final unitholders register of KDR as of the day immediately prior to the effective date of the Merger (excluding KDO, KDR, KRR and the unitholders of KDR who have demanded the purchase of their investment units pursuant to the provisions of Article 149-3 of the Act on Investment Trusts and Investment Corporations (hereinafter the “Allotted Unitholders”))), in an amount equivalent to the cash distributions for the above mentioned fiscal period (the payment will be the amount of distributable profit of KDR as of the day immediately prior to the effective date of the Merger divided by the number of investment units that is obtained by deducting (a) the number of investment units held by the unitholders other than the Allotted Unitholders of KDR from (b) the total number of investment units issued and outstanding of KDR, as of the day immediately prior to the effective date of the Merger (rounded down to the nearest yen).) As such, the amount of Payment Upon the Merger will vary depending on the status of the exercise of rights to demand purchase of investment units. Because the status of such exercise cannot be confirmed at present, the above forecast figures assume that the right to demand purchase of investment units is not exercised.

(Note 5) The above forecasts may be revised if there is expected to be a noticeable discrepancy with the above forecasts.

(Note 6) Amounts are rounded down to the nearest whole number.

[Reference] Previous Forecasts for the fiscal period ending January 31, 2024 announced in the “FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JANUARY 31, 2023 (REIT)” dated March 15, 2023

	Operating revenue (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net income (millions of yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous Forecast (fiscal period ending January 31, 2024)	9,948	4,952	4,234	4,233	4,140	–

2. Reasons for Announcement

KDR announced the operating forecasts for the fiscal period ending January 31, 2024 (from August 1, 2023 to January 31, 2024) in the “FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JANUARY 31, 2023 (REIT)” dated March 15, 2023. However, in connection with the execution of the Merger Agreement, in the case where the Merger comes into effect, the three-month period from August 1, 2023 to October 31, 2023 is scheduled to be KDR’s final fiscal period. As such, this notice provides the operating forecasts for the Fiscal Period Ending October 31, 2023 (from August 1, 2023 to October 31, 2023), which will be KDR’s final fiscal period, as well as the forecast for Payment Upon the Merger in lieu of cash distributions for KDR’s final fiscal period.

As for the forecasts for operating results and distributions per unit of New REIT, as the surviving corporation after the merger, please refer to the press release “Notice Concerning Operating Results and Distributions Forecasts for the Fiscal Period Ending April 30, 2024, Following the Merger of Kenedix Office Investment Corporation, Kenedix Residential Next Investment Corporation and Kenedix Retail REIT Corporation” dated today by KDO, KDR and KRR.

*Website URL of KDR: <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.

ATTACHMENT

Assumptions for the Forecasts for Operating Results for the Fiscal Period Ending October 31, 2023
(from August 1, 2023 to October 31, 2023) and Payment Upon the Merger

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> Fiscal Period Ending October 31, 2023 (from August 1, 2023 to October 31, 2023) (92 days) * Assuming that the Merger will become effective on November 1, 2023.
Asset under management	<ul style="list-style-type: none"> It is assumed that the 182 real estate and trust beneficiary interests in real estate held as of today will be held and portfolio assets are not subject to change (such as acquisition of new properties, disposition of existing properties, etc.). However, the actual property portfolio may change due to acquisition of new properties, sale of existing properties, etc.
Operating revenues	<ul style="list-style-type: none"> Operating revenues are based on the leasing agreements currently in place or termination, etc. for the assets held by KDR, taking into account recent market trends, property competitiveness, and other factors. The average occupancy rate for residential properties is expected to be 96.5% in the Fiscal Period Ending October 31, 2023. The average occupancy rate for healthcare facilities and accommodation facilities is expected to be 100.0% for the fiscal period. Forecasts are based on the assumption that there will be no rent in arrears or non-payments by tenants.
Operating expenses	<ul style="list-style-type: none"> Property-related operating expenses other than depreciation are calculated based on information on assets owned by KDR and reflect factors that may cause expenses to fluctuate, including seasonal factors. Depreciation is calculated by the straight-line method, etc., and is assumed to be 886 million yen for the Fiscal Period Ending October 31, 2023. Property-related taxes are assumed to be 304 million yen for the Fiscal Period Ending October 31, 2023. With regard to repair expenses for each property, the amount expected to be required is recorded as expenses based on the repair plan of Kenedix Real Estate Fund Management, Inc., the asset management company of KDR assumes. However, repair expenses may differ significantly from the forecasted amounts due to the possibility that additional repair expenses would be incurred due to unforeseeable factors. One-time cost relevant to the Merger is assumed to be 65 million yen. KDR plans to amend its articles of incorporation with respect to the current calculation method of Asset Management Fee II, which is based on the assumption that the fiscal period is six months, as the last fiscal period prior to the effective date of the Merger will be less than six months, and assumes that the amendment to its articles of incorporation will be approved at the general meeting of unitholders.
Non-operating expenses	<ul style="list-style-type: none"> Amortization of costs relating to the issuance and offering of new investment units are assumed to be 9 million yen for the Fiscal Period Ending October 31, 2023 (It is assumed that the costs relating to the issuance and offering of new investment units will be amortized over thirty six months using the straight-line method.). Interest expenses and other debt-related expenses are assumed to be 351 million yen in the Fiscal Period Ending October 31, 2023.
Interest-bearing debt	<ul style="list-style-type: none"> The balance of KDR's interest-bearing debt as of today is 165,920 million yen, consisting of borrowings of 158,220 million yen and investment corporation bonds of 7,700 million yen. The balance of KDR's interest-bearing debt is assumed to be 165,920 million yen at the end of the Fiscal Period Ending October 31, 2023.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> The total number of investment units issued and outstanding as of today is 1,070,433 units, and it is assumed that there will be no issuance of new investment units, etc., through to the end of the Fiscal Period Ending October 31, 2023.

Item	Assumptions
Payment Upon the per unit	<ul style="list-style-type: none"> • Payment Upon the Merger (Payment Upon the Merger per unit) will be paid in lieu of cash distributions for the final fiscal period, the Fiscal Period Ending October 31, 2023, and is calculated in accordance with the cash distribution policy set forth in the articles of incorporation of KDR. • Payment Upon the Merger per unit may vary due to various factors, including the status of exercise of rights to demand purchase as a result of the Merger, change in asset under management, fluctuation in real estate rent revenue accompanying change in tenants, etc., or the incurrence of unexpected repairs.
Other	<ul style="list-style-type: none"> • It is assumed that there will be no revision to the laws and regulations, tax systems, accounting standards, listing regulations, rules of The Investment Trusts Association, Japan, etc., that will impact the above forecast figures. • It is assumed that there will be no unforeseen serious change in general economic trends and real estate market conditions, etc.