



Supplementary Material on Acquisition

**“Notice Concerning Acquisition of
Property (Okinawa Prince Hotel
Ocean View Ginowan) ”
and Portfolio Management /
DPU Policy**

January 15, 2024

KDX KDX Realty
KENEDEX Investment Corporation

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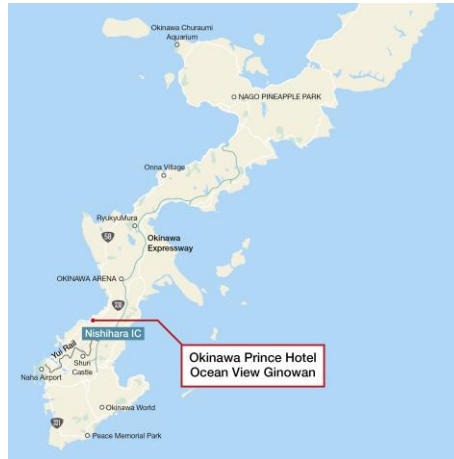
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Acquisition of Hotel with Variable Rent for Upside Potential

- Capture earnings upside by acquiring a hotel with GOP-linked rent with the expectation of further growth in hotel market
- Acquire at 11.6% discount to appraisal value under the recovery trend in the Okinawa hotel market

Okinawa Prince Hotel Ocean View Ginowan



Location	Ginowan, Okinawa
Anticipated Acquisition Price	22,000 mn yen
Appraisal Value	24,900 mn yen
Appraisal NOI	1,076 mn yen
Appraisal NOI Yield	4.9%
Completion	Jan. 2022

Rent Structure	(i) + (ii) + (iii)
	(i) Fixed rent: Not disclosed
	(ii) Variable rent: $GOP^{(1)} \times \text{fixed rate}$
	(iii) Incentive rent ⁽²⁾ : $(GOP - \text{set amount}) \times \text{fixed rate}$

- Located on the trunk road connecting Naha Airport and the northern resort area and close to the IC, ensuring convenient access to Naha City
- Newly built property with “Infinity Pools” opened all year-round which customers can feel a sense of unity with ocean
- Located within walking distance from “Okinawa Convention Center”, which can accommodate international conferences and concerts, where demand for resort MICE can be expected to increase as well as tourism demand

Note 1: “GOP” stands for “Gross Operating Profit” and is the amount calculated by the prescribed calculation method as the operating income of the hotel business at the Property. The same applies hereinafter.

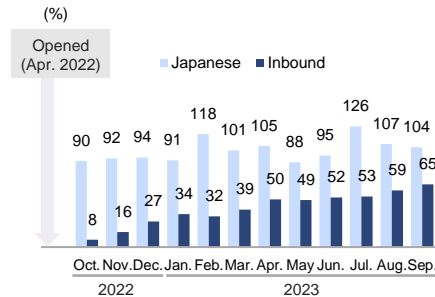
Note 2: Incentive rents will be paid only when the annual GOP reaches a set amount.

Note 3: “Appraisal NOI” above represents the assessed value from the 1st fiscal period to the 3rd fiscal period by the DCF method on the appraisal report of the Property. Therefore, there is no guarantee that it matches the actual NOI, and it may greatly differ from the actual figure. Also, the impact per unit above is forecasted based on the assumption of the increase in the NOI above and it may greatly differ from the actual figure.

Future Upside by Recovery in Inbound Tourists

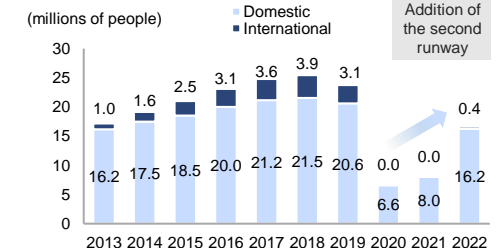
- With the addition of the newly built second runway, the number of flights and passengers at Naha Airport, particularly of international flights, is expected to increase

Total Number of Guests in Okinawa (compared to the same month in 2019)



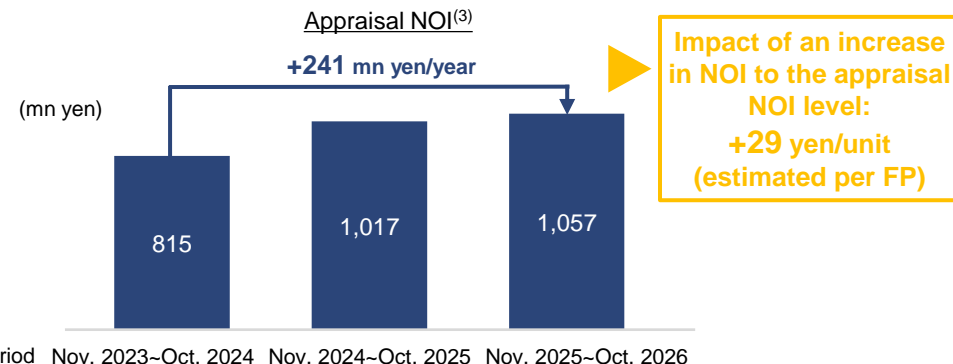
Source: MLIT “Overnight Travel Statistics”

Number of Passengers at Naha Airport



Source: MLIT “Airport Management Status Survey Report”

Upside Potential of Internal Growth by the Growing Hotel Demand



Portfolio Management Policy

- Aim to change asset allocation with more focus on hotel and asset reshuffle focusing on office
- Expect further internal growth having more than 60% of our portfolio consists of internal growth key driver of office and residential

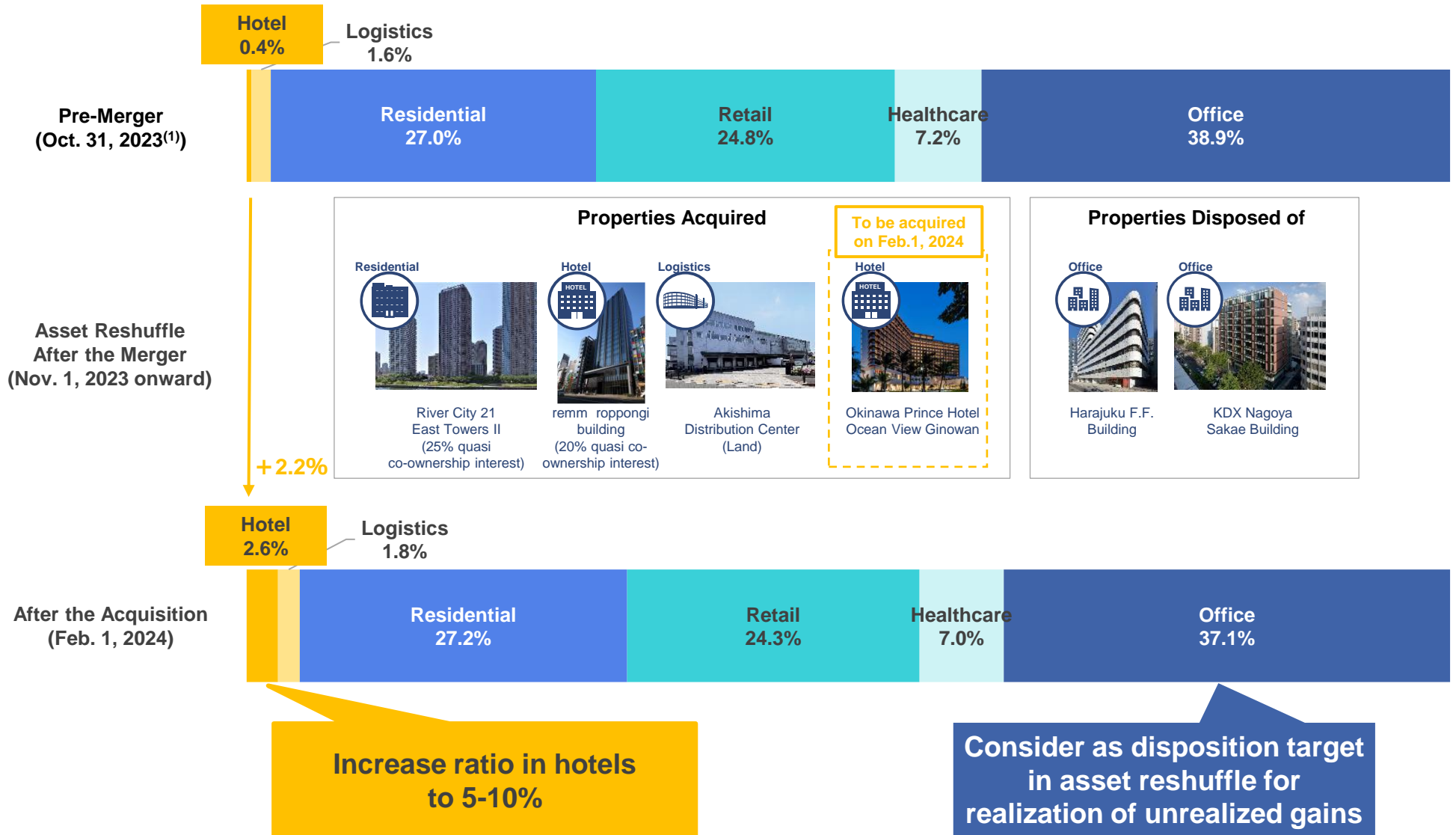
	Ratio	Market Outlook	External Growth	Internal Growth	Key Drivers for Internal Growth
		More than 60% of the portfolio			
Office	37.1%	<ul style="list-style-type: none"> ■ Maintain high occupancy rate due to attendance rate at offices of over 70%(*), unlike in Europe and the U.S. 	<ul style="list-style-type: none"> ■ Consider sales as asset reshuffle target to realize unrealized gains ■ Continue to acquire selectively 	<ul style="list-style-type: none"> ■ Continue to increase rent mainly for properties with rent gap ■ Rent increase for new contracts and persistent rent negotiations at the time of rent renewal can contribute to continuous internal growth 	<ul style="list-style-type: none"> ■ Continue to increase rent mainly for properties with rent gap ■ Rent increase for new contracts and persistent rent negotiations at the time of rent renewal can contribute to continuous internal growth
Residential	27.2%	<ul style="list-style-type: none"> ■ Maintain high occupancy rate with growing demand for rental apartments in city center due to sharp rise in condominium prices and return of people to city center. Increase in rents 	<ul style="list-style-type: none"> ■ Continue to acquire selectively under the challenging market. Specifically, slightly aged properties or forward commitments properties or properties which profitability can be improved through renovations 		
Retail	24.3%	<ul style="list-style-type: none"> ■ Recovery in sales for restaurants as well as consumer activities after COVID-19. Rent increase for new contracts and rent revision at rent renewal can be expected 	<ul style="list-style-type: none"> ■ Acquire properties with the expectation of securing relatively higher yield than other asset types ■ Consider the acquisition of properties with a high ratio of sales-linked rent 	<ul style="list-style-type: none"> ■ Improvement of sales can increase rent and pursue upside with implementation of sales- or CPI/interest-linked contracts ■ Generate income through the expansion by using underutilized space or the installation of solar panels 	
Healthcare	7.0%	<ul style="list-style-type: none"> ■ Stable occupancy and income is expectable due to mid/long-term growing demand in the aging society 	<ul style="list-style-type: none"> ■ Acquire selectively for properties operated by experienced operators due to expectation of securing relatively higher yield than other asset types ■ Consider aged properties as asset reshuffle target 	<ul style="list-style-type: none"> ■ Pursue rent increase by multiple ways such as renovations or introducing LED 	
Logistics	1.8%	<ul style="list-style-type: none"> ■ Increase in demand due to the growth potential in EC rate compared to overseas ■ Despite of temporary rise in vacancy rates caused by oversupply, supply-demand balance is expected to improve along with anticipated decrease in supply and the "2024 Problem" 	<ul style="list-style-type: none"> ■ Acquire properties in primary hubs prior to reconsidering logistics bases in taking account into the "2024 Problem⁽¹⁾" ■ Consider the acquisition of properties with relatively short-term rent contract for potential future upside 	<ul style="list-style-type: none"> ■ Aim to increase rent at rent renewal ■ Implement CPI/interest-linked contracts to counteract inflation 	
			Actively Acquire		
Hotel	2.6%	<ul style="list-style-type: none"> ■ Stable occupancy and increase in ADR are expected due to the further recovery in inbound and growth in the tourism 	<ul style="list-style-type: none"> ■ Mainly select properties with variable rent, expecting their resilience to inflation, stable occupancy rate, and ADR growth 	<ul style="list-style-type: none"> ■ Seek upside potential through variable rent 	

*Source: CBRE "2023 Japan Office Occupier Survey" Oct. 2023

Note 1: "2024 Problem" refers to the labor shortage and other problems arising from the limitation of overtime work for drivers to 960 hours per year by the Acts related to Work Style Reform after Apr. 1, 2024.

Implement Change in Asset Allocation

- Increase ratio in hotels to 5-10% against the backdrop of inflation, stable occupancy and growth in ADR

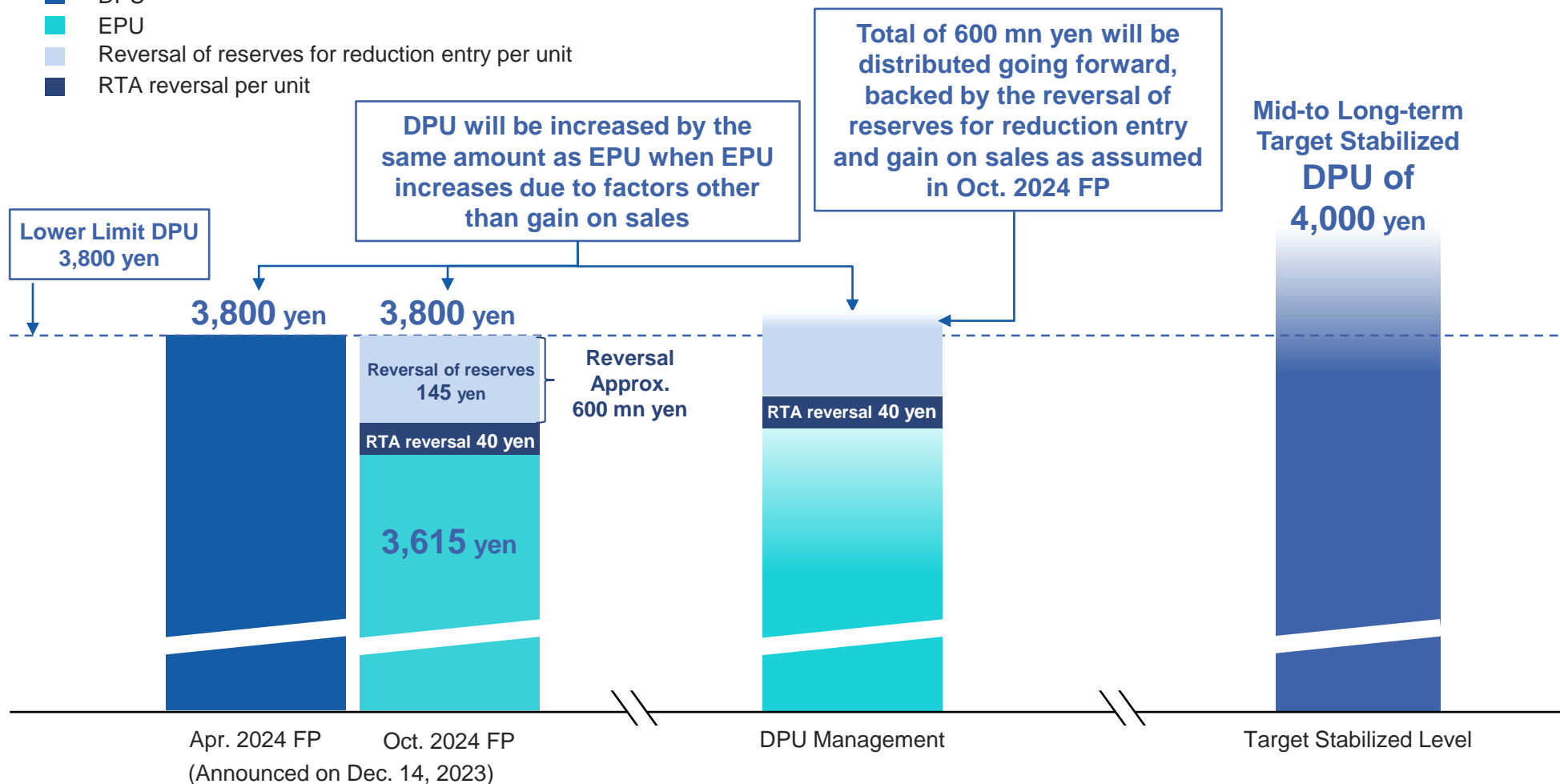


Note 1: The ratio have been calculated by adding the acceptance prices of the properties owned by Kenedix Residential Next Investment Corporation and Kenedix Retail REIT Corporation as of Oct. 31, 2023, to the total acquisition price of the properties owned by Kenedix Office Investment Corporation as of the same date.

DPU Management

- Set DPU lower limit of 3,800 yen by utilizing reserve for reduction entry and gain on sales going forward
- DPU will be increased by the same amount as EPU, when EPU increases due to factors other than gain on sales

- DPU
- EPU
- Reversal of reserves for reduction entry per unit
- RTA reversal per unit



Note 1: "RTA" stands for "Reserve for temporary difference adjustments" and means the remaining amount of gain on negative goodwill after partially being allocated to distributions in the 1st post-merger fiscal period.
 Note 2: The amounts above are based on the number of investments units issued and outstanding (4,142,897 units) as of the date of this presentation.
 Note 3: The amounts in and after the fiscal period ending Apr. 2024 (the 38th fiscal period) are the estimated amounts as of the date of this presentation, and there is no guarantee that KDXR will distribute the amounts or the distributions will be realized.
 Note 4: "Mid-to Long-term Target Stabilized DPU of 4,000 yen" is the target of KDXR as of the date of this presentation, and there is no guarantee and promise that the target will be achieved.