

February 29, 2024

To All Concerned Parties

REIT Issuer:
KDX Realty Investment Corporation
Representative: Hiroaki Momoi, Executive Director
(Securities Code: 8972)

Asset Management Company:
Kenedix Real Estate Fund Management, Inc.
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Notice Concerning Construction of a New Building (Property Expansion) at Ashico Town Ashikaga

KDX Realty Investment Corporation (“KDXR”) announced today that Kenedix Real Estate Fund Management, Inc. (the “Asset Management Company”), the asset management company for KDXR, decided to build a new building (“the New Building”) through construction (property expansion) at Ashico Town Ashikaga (“the Property”), an existing property of KDXR.

1. Outline of the Acquisition through Construction

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| (1) Property Name: | (C2013) Ashico Town Ashikaga Restaurant Building |
| (2) Location: | Ashikaga, Tochigi |
| (3) Type of Specified Asset: | Real estate ^(Note 1) |
| (4) Usage: | Retail |
| (5) Zoning: | Industrial area |
| (6) Expected Gross Floor Area: | Approximately 201.17 m ² (planned) ^(Note 2) |
| (7) Expected Structure / No. of Floors: | Steel structure one-story building (planned) |
| (8) Expected Construction Costs: | Approximately 155 million yen
(excluding consumption tax) (planned) ^(Note 3) |
| (9) Construction Funds: | Cash on hand ^(Note 4) |
| (10) Construction Company: | Daiwa House Industry Co., Ltd. (planned) |
| (11) Schedule: | Please refer to “4. Schedule” for details |
| (12) Assumed Increase in NOI: | Approximately 14 million yen
(increase due to expansion) ^(Note 5) |
| (13) Assumed NOI Yield:
(assumed increase in NOI to construction costs) | Approximately 9.4% |
| (14) Expected Completion Date:
(planned acquisition date) | Late October 2024 (planned) |

Notes:

- KDXR will acquire the New Building as real estate and additionally entrust the building to the trustee on the same date.
- Gross Floor Area shown is the entire figure of the New Building indicated on the construction confirmation certificate. Construction plan and other matters related to the New Building construction may change and accordingly gross floor area may increase or decrease. The same shall apply hereafter.
- Expected Construction Cost is based on the construction confirmation certificate and estimated construction cost as of today (excluding consumption tax). Construction plan and other matters related to the New Building construction may change and accordingly construction cost may increase or decrease. The same shall apply hereafter.
- The settlement method and date for the construction are to be decided.
- Assumed Increase in NOI is calculated as follows: assumed operating revenue minus assumed operating expenses (excluding depreciation) of the New Building; however, special items for the first year are excluded, and maintenance expenses, taxes and dues, insurance premium, and others are included in expenses. Assumed operating revenue is calculated based on the rent under fixed-term lease reservation agreement with the scheduled tenant. Furthermore, construction costs may change as indicated in Note 3 above. Accordingly, assumed NOI may increase or decrease, and assumed increase in NOI is not guaranteed. The same shall apply hereafter.

2. Reason for Acquisition of the New Building

Through this construction, KDXR seeks to enhance profitability and grow its asset value by property expansion on the underutilized space ^(Note 1) of existing properties, which is one of KDXR's internal growth strategies. Internal growth is expected as assumed NOI yield of the New Building (assumed increase in NOI of the Property to the construction costs) is approximately 9.4% ^(Note 2), and appraisal value of the Property with the New Building valued by Daiwa Real Estate Appraisal Co., Ltd., a real estate appraiser, is 5,270 million yen ^(Note 3), which is 290 million yen higher than the appraisal value of the Property before the construction as of October 31, 2023 (4,980 million yen).

The Property consists of multiple buildings, including shopping mall building, cinema building, and road-side building, and others. With the food supermarket as a core tenant, the Property is concentrated of several well-known national chain tenants, including sporting goods stores, clothing stores, 100-yen stores (a dollar shop) and bookstores. The national chain restaurant (café formats) is planned to open a new store at the New Building. By attracting new customer to the Property, synergistic effects among other tenants are also expected.

Notes:

1. Underutilized space is floor-area ratio as determined according to the Building Standards Act multiplied by the land area minus the actual gross floor area of building to land area.
2. Assumed NOI may increase or decrease as construction costs may change. Accordingly, assumed increase in NOI is not guaranteed.
3. The appraisal value is from real estate investigation report, which has been prepared in accordance with MLIT's Guideline regarding Scope of Work and Reporting when appraisers conduct assignments under certain conditions.

3. Transactions with Related Parties

Not applicable

4. Schedule

Decision to construct the New Building	February 29, 2024
Construction Starts	Early May 2024 (scheduled)
Completion and Transfer of the New Building	Late October 2024 (scheduled)

5. Future outlook

There are no changes to the forecasts of fiscal period ending October 31, 2024 (May 1, 2024 to October 31, 2024) as the impact of the construction of the New Building is minimal. There is no impact to the forecasts of fiscal period ending April 30, 2024 (November 1, 2023 to April 30, 2024) as the construction of the New Building is scheduled to start in early May.

6. Summary of Real Estate Investigation Report Assuming the Property Expansion

(The numbers are in yen unless otherwise noted)

Summary of Real Estate Investigation Report		
Appraisal Value	5,270,000,000	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Date of Appraisal	January 31, 2024	
Item	Content	Basis
Income capitalization approach value (Tenant-occupied building and its site)	3,530,000,000	Calculated using DCF method, then verifying the value against the value indicated by direct-capitalization method.
Value based on direct capitalization method	3,470,000,000	Calculated by dividing the stabilized NCF by the Cap rate
(1) Gross operating revenue	498,229,607	Assessed based on occupancy rate levels deemed stable over the medium term.
Effective gross operating revenue	521,589,448	
Loss from vacancy, other	23,359,841	
(2) Operating expenses	292,675,900	Assessed based on verification of the level of maintenance expenses for similar properties based on the contract amount and past year results, other.
Maintenance expenses	65,141,000	
Utility expenses	151,699,000	Assessed based on verification of the level of utilities expenses for similar properties based on the actual amount for the previous fiscal year.
Repair expenses	8,492,436	Assessed and recorded with reference to the level of repair costs of similar properties and engineering reports.
PM fees	8,975,549	Recorded based on the plan PM service rate.
Tenant recruit expenses, etc.	2,001,768	Assessed based on the level of tenant offering costs for similar properties.
Taxes and dues	39,967,700	Assessed considering burden level and land price trend based on the actual amount in fiscal 2023.
Insurance premium	1,798,447	Assessed based on the level of non-life insurance premiums, etc. for similar properties.
Other expenses	14,600,000	Recorded based on the actuals of the previous fiscal year for sales promotion expenses, other expenses, other.
(3) Net operating income (NOI= (1)-(2))	205,553,707	
(4) Profit from security deposits	2,909,377	Assessed based on the investment yield of financial assets and the funding rate, with the investment yield of the lump sum payment set at 1.0%.
(5) Capital expenditure	20,814,928	Assessed considering separate CM fees, with reference to the level of renewal costs for similar properties and engineering reports.
(6) Net cash flow (NCF= (3)+(4)-(5))	187,648,156	
(7) Cap rate	5.4%	Calculated by adding spread to cap rates of properties which are regarded as properties with the lowest investment risk by considering the competitiveness of the property as a retail facility, terms of contracts, interviews with investors, others.
Value based on DCF method	3,560,000,000	
Discount rate	5.2%	Assessed by comparing the comparable sales data of similar properties and by adding the individuality of the property to the yield of financial assets.
Terminal cap rate	5.6%	Assessed considering the nature of net income adopted in the capitalization rate, future uncertainty, liquidity, marketability, others.
Income capitalization approach value (Leased fee interest in land)	1,740,000,000	Assessed by examining the value indicated by the income approach using the fixed-term capitalization approach (Inwood method) based on the value indicated by DCF method.
Value based on the fixed-term capitalization method (Inwood method)	1,740,000,000	
(1) Gross operating revenue	85,145,520	Current contract rent
Effective gross operating revenue	85,145,520	
Loss from vacancy, etc.	0	None
(2) Operating expenses	14,224,391	
Maintenance expenses	0	None
Utility expenses	0	None
Repair expenses	0	None
PM fees	5,262,291	Assessed based on plan PM service rates.
Tenant recruit expenses, etc.	0	None

	Taxes and dues	8,962,100	Assessed considering the level of burden and trends in land prices based on the actual amount in fiscal 2023, others
	Insurance premium	0	None
	Other expenses	0	None
(3)	Net operating income (NOI= (1)-(2))	70,921,129	
(4)	Profit from security deposits	505,280	Assessed based on the investment yield of financial assets and the funding rate, with the investment yield of the lump sum payment set at 1.0%.
(5)	Capital expenditure	0	None
(6)	Net cash flow (NCF= (3)+(4)- (5))	71,426,409	
(7)	Discount rate	5.0%	Assessed by comparing the comparable sales data of similar properties and by adding the individuality of the property to the yield of financial assets.

< Attached Materials >

Reference Material 1 Perspective Drawing of the New Building

Reference Material 2 Property Photograph and Map of the Property

KDXR's Website: <https://www.kdx-reit.com/eng/>

[Provisional Translation Only]

This document is an English translation of the original Japanese document and is provided solely for information purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Reference Material 1 Perspective Drawings of the New Building



Perspective drawings may differ from the actual building to be completed.

Reference Material 2 Property Photograph and Map of the Property

