Translation of Japanese Original

October 24, 2024

To All Concerned Parties

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

Asset Management Company:
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Representative: Akihiro Asano, President & CEO
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Notice Concerning Dispositions of Properties (KDX Monzen-Nakacho Building and KDX Kitahama Building)

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 dispose of the following properties (the "Dispositions").
Each property to be disposed of is the "Property" and collectively the "2 Properties".

1. Overview of the Dispositions

Property Number	Type	Property Name	Anticipated Disposition Price (Note 1) (Millions of Yen)	Assumed Book Value (Note 2) (Millions of Yen)	Difference between Anticipated Disposition Price and Assumed Book Value (Note 3) (Millions of Yen)	Brokerage
A1019	Office Buildings	KDX Monzen-Nakacho Building	1,600	1,198	401	Yes
A2005		KDX Kitahama Building	1,660	1,940	(280)	Yes

(1) Contract Date: October 24, 2024
(2) Scheduled Disposition Date: October 31, 2024 (KDX Monzen-Nakacho Building)
March 4, 2025 (KDX Kitahama Building)
(3) Buyer : Please refer to "4. Overview of the Buyers" for details.
(4) Use of Proceeds: Cash on hand
(5) Settlement Method: Payment in full on the date of disposition

(Note 1) "Anticipated Disposition Price" is the disposition price (excluding the disposition costs, settlement of property tax and city planning tax, and consumption tax, etc.) indicated in the trust beneficiary interest sale and purchase contract or the sale and purchase contract, and is rounded down to the nearest million yen. The same shall apply hereafter.
(Note 2) "Assumed Book Value" is as of the scheduled date of disposition.
(Note 3) Figures are referential amount, calculated as a difference between anticipated disposition price and assumed book value, and different from gain or loss on sale

2. Reason for the Dispositions

While KDXR is acquiring new properties that are in line with its portfolio management policy, we are also working to improve portfolio quality through asset reshuffling by disposing properties that are expected to decline in future profitability, taking into account the current and future portfolio construction policy, real estate market trends, and the characteristics of individual properties.

The reasons for the Dispositions are as follows.

(1) KDX Monzen-Nakacho Building

The Property is 38 years old, and is a relatively small office building in our portfolio. KDXR acquired the Property with expectation of stable office demand due to its high level of transport convenience, being just 2-3 stations from the Nihonbashi, Otemachi and Marunouchi areas on the Tokyo Metro Tozai Line. However, since the Property has been carrying an unrealized loss as the appraisal value being lower than the book value for some time, and the average rent has fallen significantly comparing to the time of acquisition, we have been considering to dispose the Property. The anticipated disposition price is significantly higher than the assumed book value and the most recent appraisal value on the scheduled disposition date, and it is expected that the unrealized loss will be eliminated and gain on sale of real estate will be secured. Therefore, KDXR have decided to dispose of the Property after comprehensively considering its competitiveness as an office building and its future potential.

(2) KDX Kitahama Building

The Property is one of six office buildings that KDXR owns in Osaka City, and it has been 30 years since it was completed. The Property has been positioned as a property with relatively low profitability due to the relatively high percentage of unrealized loss (Note) in our portfolio. The anticipated disposition price of the Property is below the assumed book value on the scheduled disposition date. However, it is above the most recent appraisal value, and KDXR have decided that it is at an appropriate level as a real price that takes into account the leasing trend with tenants, the surrounding leasing market trend, and the future cash flow. Since it would be possible to offset the loss on sale of real estate with the gain on sale of KDX Monzen-Nakacho Building, KDXR decided to dispose of the Property.

(Note) Ratio of the difference between the appraisal value and the book value.

3. Overview of the 2 Properties

The table below shows the overview of each property to be disposed of (the "Individual Asset Table"). Furthermore, the terms used in the Individual Asset Table are as follows. Please refer to the Individual Asset Table together with the explanation on the terms listed below. In principle, unless otherwise specified, the status as of September 30, 2024 is indicated.

- "Location" is the indication of the residential address. In case there is no indication of the residential address, it is the building location indicated in the register (if there are multiple buildings, the location of one of the buildings).
- "Building Coverage Ratio" and "Floor-area Ratio" are the designated building coverage ratio and designated floor-area ratio provided in the city plan (if there are more than one, both). The designated building coverage ratio may be relaxed or restricted since the property is a fireproof building in a fire zone or for other reasons and may differ from the building coverage ratio actually applied. The designated floor-area ratio may be relaxed or restricted due to the width of roads adjacent to the land or other reasons, and may differ from the actual applicable floor-area ratio.
- "Gross Floor Area" is based on the figure in the register, not including the area of the annexed building.
- "Earthquake PML" indicates the figure described in the earthquake PML valuation report (level 2) prepared by Sompo Risk Management Inc. in April 2024.
- "Master Lessee Company" is the master lease company executed or scheduled to execute the master lease agreement for the property.
- "Type of Master Lease" is described as follows; "Pass through" for those with a master lease agreement without a rent guarantee concluded or scheduled to be concluded, "Rent guarantee" for those with a master lease agreement with a rent guarantee concluded or scheduled to be concluded, "Rent variable" for those with a master lease agreement with a rent variable concluded or scheduled to be concluded, and "-" in the case that the owner has or will conclude a lease agreement directly with the end tenant, or where there is no end tenant.
- "Property Management Company" indicates the property management company that has entered into or will enter into a property management agreement.
- "Total Number of Tenants" is the number of lessees, and when the same lessee leases or will lease multiple parcels, such lessee is counted as one. In cases where the master lease company has executed or will execute a pass-through master lease agreement with the lessor, the number of end tenants is stated in brackets after the number of master lease companies.

- "Total Leasable Area" refers to the leasable floor area for a building (aggregate total of the leasable floor area of each building in the case of more than one building), excluding land (including land for one-story parking) identified in lease agreements or construction completion plans.
- "Total Leased Area" refers to the area identified in lease agreements with end tenants or sub-lease agreements.
- "Occupancy Rate during Past Five Years" is the ratio of the "Total Leased Areas" (based on the lease agreements) to the "Total Leasable Area" of the property rounded to the first decimal place. The figures shown are those disclosed by the seller for each year from the end of September 2024 to past five years.
- "Monthly Rent" indicates the amount agreed upon in the lease agreement with each tenant (including common area charges and excluding the retail facility's rent for warehouses and consumption taxes) and rounding the number down to the nearest thousand yen.
- "Security and Guarantee Deposits" is the total of the security deposit and the balance of the guarantee deposit as stipulated in the lease agreements or the sublease agreements, and the figures are rounded down to the nearest thousand yen.

(1) KDX Monzen-Nakacho Building

Property Name		KDX Monzen-Nakacho Building				
Type of Specified Asset		Real estate				
Trustee		-				
Trust Period		-				
Location		1-14-1 Botan, Koto-ku, Tokyo				
Land	Form of Ownership	Proprietary ownership				
	Land Area	580.99m^2				
	Zoning	Commercial districts				
	Building Coverage Ratio	80%				
	Floor-area Ratio	500%				
Building	Form of Ownership	Proprietary ownership				
	Gross Floor Area	2,668.91m^2				
	Completion Date	September 18, 1986				
	Usage	Office building, retail stores				
	Structure / No. of Stories	Steel encased reinforced concrete structure / 8-story building with flat roof				
Earthquake PML		6.4%				
Acquisition Price		1,400 million yen				
Appraisal	Appraisal Value	1,160 million yen				
	Base Date for Appraisal	April 30, 2024				
	Appraiser	Daiwa Real Estate Appraisal Co., Ltd.				
	Outline	Please refer to "9. Summary of Appraisal Report" below.				
Collateral		None				
Master Lessee Company		-				
Type of Master Lease		-				
Property Management Company		Kenedix Property Design, Inc.				
Details of Tenant						
	Total Number of Tenants	6				
	Total Leasable Area	2,008.74 m^2				
	Total Leased Area	2,008.74 m^2				
	Occupancy Rate during Past Five Years	2020	2021	2022	2023	2024
		100.0%	100.0%	100.0%	100.0%	100.0%
	Monthly Rent and Common Area Charge (excluding consumption tax)	6,805 thousand yen				
	Security and Guarantee Deposits	49,638 thousand yen				
Remarks	None					
Other	None					

(2) KDX Kitahama Building

Property Name		KDX Kitahama Building				
Type of Specified Asset		Trust beneficiary interest in real estate				
Trustee		Mizuho Trust & Banking Co., Ltd.				
Trust Period		August 31, 2006 through August 1, 2025				
Location		2-1-14 Hiranomachi, Chuo-ku, Osaka, Osaka				
Land	Form of Ownership	Proprietary ownership and leasehold (Note 1) (Note 2)				
	Land Area	751.92m^2 (Note 1) (Note 2)				
	Zoning	Commercial district				
	Building Coverage Ratio	80%				
	Floor-area Ratio	800%				
Building	Form of Ownership	Proprietary ownership				
	Gross Floor Area	4,652.96m^2				
	Completion Date	July 8, 1994				
	Usage	Office building, warehouse, parking area				
	Structure / No. of Stories	Steel structure / 10-story building with flat roof				
Earthquake PML		2.3%				
Acquisition Price		2,220 million yen				
Appraisal	Appraisal Value	1,640 million yen				
	Base Date for Appraisal	April 30, 2024				
	Appraiser	Japan Real Estate Institute				
	Outline	Please refer to “9. Summary of Appraisal Report” below.				
Collateral		None				
Master Lessee Company		KDXR				
Type of Master Lease		Pass through				
Property Management Company		Kenedix Property Design, Inc.				
Details of Tenant						
	Total Number of Tenants	14				
	Total Leasable Area	4,015.20 m^2				
	Total Leased Area	4,015.20 m^2				
	Occupancy Rate during Past Five Years	2020	2021	2022	2023	2024
		100.0%	90.6%	100.0%	100.0%	100.0%
	Monthly Rent and Common Area Charge (excluding consumption tax)	11,607 thousand yen				
	Security and Guarantee Deposits	109,678 thousand yen				
Remarks	None					
Other	(Note 1) The figure represents the total land area. The status of rights of the land are as follows. 210.17m^2: Owned by the trustee 541.75m^2: Leased by the trustee (Stated in the land lease contract) (Note 2) The land applicable to leasehold are as follows. Leasehold term: July 26, 2006 to July 25, 2038 Rent, rent revisions and security and guarantee deposits are not disclosed as the lessor's consent has not been obtained.					

4. Overview of the Buyers

Each buyers of the 2 Properties are domestic business companies, and the name of the buyers and other information are not disclosed, as the buyers’ consent has not been obtained. There is no special capital, personnel, or business relationship between KDXR or the Asset Management Company and the buyers. Furthermore, the buyers are not a special related parties under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended) (“the Investment Trust Law”), or the Related-Party Transaction Rules of the Listed REIT Department of the Asset Management Company.

5. Brokerage

Each brokers of the 2 Properties are not special related parties under the Investment Trusts Law, or the Related-Party Transaction Rules of the Listed REIT Department of the Asset Management Company.

6. Related-Party Transactions

The dispositions of the 2 Properties are not a related-party transaction.

7. Schedule of the Dispositions

Disposition Decision Date / Contract Date	October 24, 2024
Payment Date / Disposition Date KDX Monzen-Nakacho Building KDX Kitahama Building	 October 31, 2024 (scheduled) March 4, 2025 (scheduled) (Note)

(Note) The Disposition of KDX Kitahama Building falls under the forward commitments, etc. by the investment corporation as specified in the Financial Services Agency "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.". If KDXR violates any of the provisions of the purchase and sale agreement and the agreement is canceled for the reason that purposes of the agreement cannot be fulfilled due to such violation, KDXR shall pay an amount equivalent to a predetermined rate of the purchase price less consumption tax as a penalty fee. Such penalty fee is set at 10 %.

8. Outlook

The difference between the anticipated disposition price and assumed book value is 120 million yen. However, the impact of the Dispositions on the financial results for the fiscal periods ending October 31, 2024 (from May 1, 2024 to October 31, 2024) and April 30, 2025 (from November 1, 2024 to April 30, 2025) is minimal. Therefore, the forecasts of financial results for the fiscal periods remains unchanged.

9. Summary of Appraisal Report

Property Name	KDX Monzen-Nakacho Building

Appraisal Value	1,160,000,000 yen
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of Appraisal	April 30, 2024

Unit: Yen

Item	Breakdown	Basis
Income Capitalization Approach Value	1,160,000,000	Estimate an amount by verifying the value calculated using the direct capitalization method as well as handling value calculated using the DCF method as a standard
Value based on Direct Capitalization Method	1,210,000,000	
(1) Gross Operating Revenue	96,811,623	
General Operating Revenue	101,600,100	Assess the amount on the premise of rent, common area charge, parking and other revenue that can be maintained over the medium and long term
Vacancy-Related Loss	4,788,477	Assess an amount on the premise of a vacancy rate that can be maintained over the medium and long term
(2) Operating Expenses	32,817,028	
Maintenance Fees	5,833,000	Assess an amount by verifying a level of maintenance fees at similar properties based on the performance
Utility Expenses	13,869,000	Assess an amount by verifying a level of utility expenses at similar properties based on the past performance
Repairs	3,116,667	Assess an amount by verifying a level of repair expenses at similar properties based on ER 12-year averaged repair costs
PM Fees	1,672,729	Assess a standard level of PM fee based on the level of PM fee at similar properties
Tenant Marketing Expenses	545,342	Assess an amount by considering estimated turnover and occupancy rate based on the level of tenant recruitment expenses, etc. at similar properties
Property Taxes	7,347,300	Assess an amount based on the fiscal year 2023 tax statement, etc.
Insurance Expenses	132,990	Assess an amount by verifying insurance fees, etc. at similar properties based on the estimated amount of insurance fees
Other Property-Related Expenses	300,000	Recognize an amount by assessing the past performance
(3) Net Operating Income (NOI=(1)-(2))	63,994,595	
(4) One-Time Gain	518,590	Assess an income from investments by using an investment return of 1.0%
(5) Capital Expenditure	11,376,942	Add a construction management fee to assessed amount by verifying the level of renewal expenses and others at similar properties based on ER 12-year averaged repair costs
(6) Net Cash Flow (NCF＝(3)+(4)-(5))	53,136,243	
(7) Cap Rate	4.4%	Assess by comprehensively taking into account the property's location, the characteristics of the building and other characteristics

Value based on DCF Method		1,140,000,000	
	Discount Rate	4.2%	Assess by comprehensively taking into account the property's unique characteristics by reference to transaction yields at similar properties
	Terminal Cap Rate	4.6%	Assess by comprehensively taking into account upcoming changes in investment returns, risks associated with the Property, general prediction of economic growth rate, trends in real estate prices and rental rates while reflecting returns associated with similar properties
Value based on Cost Method		985,000,000	
	Ratio of Land	87.4%	
	Ratio of Building	12.6%	

The appraiser's points to consider upon appraisal other than the above	Adopted income approach value from the judgment that the income approach value is more persuasive because it is the price calculated according to price formation process from the aspect of earnings, while using the value calculated based on the cost approach as a reference

Property Name	KDX Kitahama Building

Appraisal Value	1,640,000,000 yen
Appraiser	Japan Real Estate Institute
Date of Appraisal	April 30, 2024

Unit: Yen

Item	Breakdown	Basis
Income Capitalization Approach Value	1,640,000,000	Calculate with the value based on the DCF method in conjunction with the value based on the direct capitalization method
Value based on Direct Capitalization Method	1,640,000,000	Assess by using the cap rate based on medium to long-term stable net cash flow
(1) Gross Operating Revenue	145,365,000	
General Operating Revenue	152,032,000	Assess an amount based on the premise of the rent revenue, common area charge revenue, other revenue, etc. that are believed to remain stable over the medium and long term
Vacancy-Related Loss	6,667,000	Assess based on the assumption of an occupancy rate that remains stable over the medium and long term
(2) Operating Expenses	58,182,000	
Maintenance Fees	10,076,000	Assess an amount in consideration of the actual amounts in the prior years, maintenance expenses of similar properties and unique characteristics of the property
Utility Expenses	19,400,000	Assess an amount in consideration of the actual amounts in the prior years, utility expenses of similar properties, occupancy rate of leased area, etc.
Repairs	5,228,000	Assess an amount in consideration of the actual amounts in the prior years, future administrative operation plan, expenses at similar properties, annual average repair, maintenance and renewal expenses, etc. in the engineering report
PM Fees	2,065,000	Assess in consideration of compensation rates based on contract terms and compensation rates, etc. at similar properties
Tenant Marketing Expenses	738,000	Recognize an annual average amount assessed based on the estimated tenant turnover period
Property Taxes	9,430,000	Recognize an amount based on the fiscal year 2024 tax statement, etc., taking into account the contents of burden adjustment measures, etc.
Insurance Expenses	245,000	Recognize an amount by referring to insurance premium based on an insurance contract and insurance premium rates, etc. at similar properties
Other Property-Related Expenses	11,000,000	Record land rent
(3) Net Operating Income (NOI=(1)-(2))	87,183,000	
(4) One-Time Gain	962,000	Assess an income from investments by using an investment return of 1.0%
(5) Capital Expenditure	12,690,000	Assess taking into account the level of capital expenditures at similar properties, the age of the property and annual average repair, maintenance and renewal expenses, etc. in the engineering report, assuming that an equal amount is added to a reserve in each fiscal period
(6) Net Cash Flow (NCF＝(3)+(4)-(5))	75,455,000	

	(7) Cap Rate	4.6%	Assess an amount by comprehensively taking into account comparison with transaction cases, etc. at similar properties, the property's location, the characteristics of the building, the rights, the terms of contract, etc.
Value based on DCF Method		1,640,000,000	
	Discount Rate	4.1%	Assess by comprehensively taking into account the property's unique characteristics by reference to transaction yields at similar properties
	Terminal Cap Rate	4.7%	Assess an amount by taking into account future uncertainty, liquidity, etc. based on capitalization rate
Value based on Cost Method		1,870,000,000	
	Ratio of Land	76.6%	
	Ratio of Building	23.4%	

The appraiser's points to consider upon appraisal other than the above	Adopted income approach value from the judgment that the income approach value is more persuasive because it is the price calculated according to price formation process from the aspect of earnings, while using the value calculated based on the cost approach as a reference

＜Attached Material＞

・Reference Material: Status of Property Portfolio of KDXR (After the Dispositions)

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: Status of Property Portfolio of KDXR (After the Dispositions)

Property Type	Number of Properties	Acquisition Price (Millions of Yen)	Investment Ratio (Note) (%)
Office Buildings	91	426,376	35.7
Residential Properties	144	323,074	27.0
Retail Facilities	61	287,421	24.0
Logistics Facilities	13	26,262	2.2
Hotels	5	48,640	4.1
Healthcare Facilities	40	83,768	7.0
Portfolio Total	354	1,195,542	100.0

(Note) "Investment Ratio" indicates the ratio of Acquisition Price of each asset type to Portfolio Total and is rounded to the first decimal place.