

Translation Purpose Only

June 20, 2006

To All Concerned Parties

Kenedix Realty Investment Corporation  
1-8-2 Marunouchi, Chiyoda-ku, Tokyo  
Taisuke Miyajima, Executive Director  
(Securities Code: 8972)

Inquiries:  
Kenedix REIT Management, Inc.  
Masahiko Tajima  
General Manager, Financial Planning Division  
TEL.: +81-3-5288-7629

### **Notice Concerning the Acquisition of Property (Kiba Ocean Building )**

Kenedix Realty Investment Corporation (“the Investment Corporation”) announced its decision today to acquire the Kiba Ocean Building. Details are provided as follows.

#### **1. Outline of the Acquisition**

- |                                   |   |  |
|-----------------------------------|---|--|
| (1) Type of Acquisition           | : | Trust beneficiary interest in real estate  |
| (2) Property Name                 | : | Kiba Ocean Building  |
| (3) Acquisition Price             | : | ¥1,580,000,000 (excluding acquisition costs, property tax, city-planning tax, and consumption tax, etc.) |
| (4) Date of Contract              | : | June 20, 2006  |
| (5) Scheduled Date of Acquisition | : | June 20, 2006  |
| (6) Seller                        | : | Meiwa Industry Co., Ltd. (Refer to Item 4. Seller’s Profile for details)                                 |
| (7) Acquisition Funds             | : | The proceeds from an additional public offering of new investment units ; cash on hand                   |
| (8) Settlement Method             | : | Payment in full on settlement  |

The aforementioned Kiba Ocean Building shall hereafter be referred to as “the Property.”

#### **2. Reason for Acquisition**

The acquisition was made to raise the investment ratio of office buildings in the Tokyo Metropolitan area, and to further enhance and stabilize the Investment Corporation’s overall investment portfolio, in accordance with its Articles of Incorporation and fundamental investment policies.

Prior to its decision, the Investment Corporation undertook due diligence, considering a number of factors including the following.

##### **(1) Area**

The Property is an office building located one street in from Eitai Dori and approximately two minutes on foot from Kiba Station on the Tokyo Metro Tozai Line. Comprised mainly of office buildings, the general area boasts a peaceful environment with substantial greenery, most notably Kiba Park, a public facility of

approximately 240,000 m<sup>2</sup> operated by the Tokyo Metropolitan Government.

The Monzennakacho-Kiba-Toyocho area along the Tozai Line offers convenient access to the Tokyo city center. Connected by the Tokyo Metro Tozai Line, travel from Kiba Station is a short five minutes to Nihonbashi Station and seven minutes to Otemachi Station. Offering favorable rental rates in comparison with the central business districts, this area is characterized for its stable office building demand.

#### (2) Building

The Property's external façade is distinguished by its colored aluminum paneling. The area surrounding the first floor entrance, including external areas, entrance and elevator halls, has a granite finish that complements the high quality of the design.

Located next to the Oyoko River, the Property boasts natural light on both sides of the building, despite its narrow shape. Accordingly, individual offices are exceptionally bright. In addition, the ceiling height of 2.6 m, OA floors and individual air conditioning are a measure of the Property's quality specifications.

#### (3) Tenants

Currently, three of the five floors are occupied. Tenants include a timber company and a manufacturer. The Investment Corporation will make every effort to lease the remaining two floors following acquisition of the Property with the aim of raising the occupancy ratio.

### 3. Property Details

Property Name		Kiba Ocean Building
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust Term		September 30, 2004 to August 1, 2015
Source of Acquisition		Original network of the Asset Management Company (Direct Acquisition)
Current Owner / Acquisition Date		Meiwa Industry Co., Ltd. / March 30, 2005
Previous Owner / Acquisition Date		Yamada Kensetsu / September 30, 2004
Location (Address)		5-12-8 Kiba, Koto-ku, Tokyo
Usage		Office, Parking
Type of Structure		Flat-roofed, reinforced concrete structure; five above-ground floors
Site Area	Land	922.77 m <sup>2</sup>
	Building	2,820.64 m <sup>2</sup>
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		October 27, 1992
Architect		Kabushikigaisha Sato Reform Planners
Construction Company		Tokyu Construction Co., Ltd.
Construction Confirmation Authority		Koto-ku, Tokyo
Probable Maximum Loss		9.16% (SOMPO JAPAN RISK MANAGEMENT, INC.)
Acquisition Price		¥1,580,000,000
Appraisal	Appraisal Value	¥1,590,000,000

	Base Date for Appraisal	May 1, 2006
	Appraiser	Nippon Tochi-Tatemono Co., Ltd.
	Details	Please refer to Reference Material 1.
Existence of Secured Interests after Acquisition		None
Masterlease Company and Property Management Company after Acquisition		Kenedix Advisors Co., Ltd.
Number of End Tenants		4 (As of May 1, 2006. The same applies below. )
Total Leasable Floor Space		2,450.12 m <sup>2</sup>
Total Leased Floor Space		1,398.96 m <sup>2</sup>
Occupancy Ratio		57.09%
Monthly Rental Income (Excluding Consumption Tax) (Note)		¥5,496,444
Security and Guarantee Deposit (Note)		¥44,649,390
Forecast Net Operating Income		Please refer to Reference Material 2.
Special Considerations		None
Other	Note: Monthly rental income and guarantee deposit information is exclusive of parking facility amounts.	

#### 4. Seller's Profile

Company Name	Meiwa Industry Co., Ltd.
Head Office Address	1-11-8 Onna, Atsugi, Kanagawa
Representative	Mamoru Nagashima, Representative Officer
Capital	¥2,167,000 thousand
Principal Shareholder	KANEKA CORPORATION, TAIYO LIFE INSURANCE COMPANY, Sumitomo Mitsui Banking Corporation, and others
Business Activities	Manufacture of car interiors, real estate
Relationship with the Investment Corporation	None
Special Considerations	None

\*As of June 20, 2006

#### 5. Interested-Party Transactions

Related to the acquisition of the Property, transactions between the Investment Corporation and interested parties, or between the Investment Corporation and interested-parties as defined under the Asset Management Company's internal rules and regulations, shall fall under the three categories of transactions (1) through (3) below.

Kenedix REIT Management, Inc. ("the Asset Management Company"), bound by its rules as they relate to interested-party transactions, worked to ensure strict compliance with statutory and other regulatory requirements. Furthermore, in order to ensure that the transactions were conducted in an open and fair manner and that the Investment Corporation was not disadvantaged, the Asset Management Company submitted all

transactions for deliberation and approval by the Compliance Committee and the Asset Management Committee. Subject to approval, each transaction was then submitted to the Board of Directors for ratification.

In accordance with the Investment Trust Law, the Asset Management Company shall provide a report to the Investment Corporation relating to the interested-party transactions.

(1) Appointment of a Property Management Company

The Investment Corporation plans to execute a property management agreement with Kenedix Advisors Co., Ltd. (“KDA”) on June 20, 2006. Other parties to the agreement include the property trust trustee and the Asset Management Company.

KDA qualifies as an interested-party as defined under the Investment Trust Law and the internal rules and regulations of the Asset Management Company. Fees relating to property management remain at the same level as a current property.

Outline of Property Managements Fees:

- Leasing management fees  
Rental income × 2% + real estate operating income after management overhead expenses and before depreciation × 2%
- Management transfer fees

Property (Trust Beneficiary Interest) Price	Management Transfer Fee (At the time of Purchase and Sale)
¥1.0 billion and more, and less than ¥3.0 billion	¥2.0 million

(2) Master Lease of the Property

The Investment Corporation plans to execute a master lease agreement with KDA on June 20, 2006. Other parties to the agreement include the property trust trustee and the Asset Management Company.

**【Principal agreement terms and conditions】**

- Agreement term: From the date of agreement execution through August 1, 2015
- Type of master lease: Pass-through

(3) Concurrent Liability Assumption Memorandum

The Investment Corporation plans to execute a concurrent liability assumption memorandum with KDA on June 20, 2006. Under the memorandum, the Investment Corporation agrees to assume a concurrent commitment together with KDA to refund security and guarantee deposits which KDA as Master lessee had received from subtenants in connection with the master lease agreement. As compensation for this liability assumption, KDA shall provide to the Investment Corporation an amount equivalent to the total of security and guarantee deposits received.

**6. Outlook**

There are no revisions to the forecasts for the fiscal periods ending October 31, 2006 and April 30, 2007, respectively, as a result of the acquisition of the Property.

This notice is the English translation of the Japanese announcement on our Web site released on June 20, 2006. However, no assurance or warranties are given for the completeness or accuracy of this English translation.



**Attached Materials**

1. Outline of Property Appraisal
2. Projected Cash Flow
3. Property Photographs
4. Property Portfolio after Acquisition of the Property

**Reference Material 1**

**Outline of Property Appraisal**

		<b>Unit : Yen</b>																																										
Appraisal Value		1,590,000,000																																										
Base Date for Appraisal		May 1, 2006																																										
Appraiser		Nippon Tochi-Tatemono Co., Ltd.																																										
Value Calculated Using the Direct Capitalization Method		1,630,000,000																																										
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Value Calculated Using the Discounted Cash Flow Method		1,580,000,000																																										
<table border="1" style="width: 100%;"> <tr> <td colspan="2">Discount Rate</td> <td style="text-align: right;">5.2%</td> </tr> <tr> <td colspan="2">Terminal Capitalization Rate</td> <td style="text-align: right;">5.6%</td> </tr> </table>		Discount Rate		5.2%	Terminal Capitalization Rate		5.6%																																					
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Value Calculated Using the Cost Method		886,000,000																																										
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Note: Gain on guarantee deposit investment is calculated, based on a property guarantee deposit operating yield of 3%

**Reference Material 2**

**Projected Cash Flow**

<b>Unit: Millions of Yen</b>	
A . Projected Operating Revenues	119
B . Projected Operating Expenses (excluding depreciation)	34
C . Projected NOI (A-B)	85

Underlying assumptions:

1. The above projected cash flow is an estimate for one year and is exclusive of extraordinary factors of the year of acquisition.
2. Revenues are based on an occupancy ratio of approximately 95%, based on the current occupancy ratio and future changes of occupancy
3. Expenses include property management fees, taxes and dues, repairs and maintenance expenses, and insurance.

**Reference Material 3**

**Property Photographs**





Reference Material 4

Property Portfolio after Acquisition of the Property

Type of Use	Area	No.	Property Name	Acquisition Price (Millions of yen)(Note 1)	Ratio (Note 1)	Acquisition Date
Office Buildings	Tokyo Metropolitan Area	A-13	Belles Modes Building	5,950	4.2%	November 1, 2005
		A-1	Nihonbashi 313 Building	5,940	4.2%	August 1, 2005
		A-16	Toshin 24 Building	5,300	3.8%	May 1, 2006
		A-2	Sogo Hirakawacho Building	5,180	3.7%	August 1, 2005
		A-17	Ebisu East 438 Building	4,640	3.3%	May 1, 2006
		A-3	Higashi-Kayabacho Yuraku Building	4,450	3.1%	August 1, 2005
		A-4	Noir Hatchobori	3,680	2.6%	August 1, 2005
		A-18	KDX Omori Building	3,500	2.5%	May 1, 2006
		A-19	KDX Hamamatsucho Building (Note 2)	3,460	2.4%	May 1, 2006
		A-20	Dai-ichi Kayabacho Building	2,780	1.9%	May 1, 2006
		A-21	NTB・M Building	2,690	1.9%	May 1, 2006
		A-5	K&Y Building (Southern Plaza)	2,533	1.8%	August 1, 2005
		A-22	KDX Shin-Yokohama Building	2,520	1.8%	May 1, 2006
		A-6	Harajuku F.F. Building	2,450	1.7%	August 1, 2005
		A-15	KDX Hamacho Building (Note 3)	2,300	1.6%	March 16, 2006
		A-7	FIK Minami Aoyama	2,270	1.6%	August 1, 2005
		A-14	KDX Funabashi Building (Note 4)	2,252	1.6%	March 1, 2006
		A-8	Kanda Kihara Building	1,950	1.3%	August 1, 2005
		A-23	KDX Yotsuya Building	1,950	1.3%	May 1, 2006
		A-9	NNK Building	1,610	1.1%	August 1, 2005
	A-26	Kiba Ocean Building	1,580	1.1%	June 20, 2006	
	A-10	Koishikawa Yoshida Building	704	0.5%	August 1, 2005	
	Other Regional Areas	A-12	Portus Center Building	5,570	3.9%	September 21, 2005
		A-24	KDX Minami Semba Dai-1 Building (Note 5)	1,610	1.1%	May 1, 2006
		A-25	KDX Minami Semba Dai-2 Building (Note 6)	1,560	1.1%	May 1, 2006
		A-11	Hakata Ekimae-Dai2 Building	1,430	1.0%	August 1, 2005
Total of 26 Office Buildings				79,859	57.3%	-
Residential Properties	Tokyo Metropolitan Area	B-19	Residence Charmante Tsukishima	5,353	3.8%	May 1, 2006
		B-20	Regalo Ochanomizu &	3,600	2.5%	May 1, 2006
		B-1	Storia Sirokane	3,150	2.2%	August 1, 2005
		B-2	Tre di Casa Minami Aoyama	2,460	1.7%	August 1, 2005
		B-21	Regalo Shiba-Kouen	2,260	1.6%	May 1, 2006
		B-3	Court Mejiro	1,250	0.8%	August 1, 2005
		B-4	Apartments Motoazabu	1,210	0.8%	August 1, 2005
		B-5	Apartments Wakamatsu-Kawada	1,180	0.8%	August 1, 2005
		B-22	Chigasaki Socie Ni-bankan	1,160	0.8%	May 1, 2006
		B-6	Court Nihonbashi Hakozaki	1,130	0.8%	August 1, 2005
		B-23	Court Nishi-Shinjuku	1,130	0.8%	May 1, 2006
		B-7	Side Denenchofu	1,110	0.7%	August 1, 2005

	B-8	S-court Yokohama Kannai	945	0.6%	August 1, 2005	
	B-24	Regalo Komazawa-Kouen	912	0.6%	May 1, 2006	
	B-9	Court Motoasakusa	880	0.6%	August 1, 2005	
	B-25	Court Shin-Okachimachi	878	0.6%	May 1, 2006	
	B-11	Bloom Omotesando	875	0.6%	August 1, 2005	
	B-13	Human Heim Okachimachi	830	0.5%	August 1, 2005	
	B-26	Primo Regalo Kagurazaka	762	0.5%	May 1, 2006	
	B-14	Court Shinbashi	748	0.5%	August 1, 2005	
	B-27	Primo Regalo Youga	730	0.5%	May 1, 2006	
	B-15	Court Suitengu	659	0.4%	August 1, 2005	
	B-28	Court Shimouma	638	0.4%	May 1, 2006	
	Other Regional Areas	B-29	Ashiya Royal Homes	2,330	1.6%	May 1, 2006
		B-18	Venus Hibarigaoka	1,800	1.2%	December 8, 2005
		B-30	Regalo Ibaraki &	1,600	1.1%	May 1, 2006
		B-31	Collection Higashi-Sakura	1,264	0.9%	May 1, 2006
		B-32	Renaissance 21 Hirao Jousui-machi	900	0.6%	May 1, 2006
		B-33	Montore Nishikouen Bay Court	826	0.5%	May 1, 2006
		B-16	Abreast Hara	444	0.3%	August 1, 2005
B-17	Abreast Hirabari	407	0.2%	August 1, 2005		
Total of 31 Residential Properties			43,421	31.1%	-	
Retail Properties	Tokyo	C-1	Jinnan-zaka Frame	9,900	7.1%	August 1, 2005
	Metropolitan Area	C-2	Yoyogi M Building	2,479	1.7%	September 30, 2005
	Other Regional Areas	C-3	ZARA Tenjin Nishi-dori	3,680	2.6%	May 1, 2006
	Total of 3 Retail Properties			16,059	11.5%	-
Total of 60 Properties			139,339	100.0%	Portfolio PML 7.17%	

(Note 1) Figures of less than one million yen are rounded off from acquisition prices, and ratios are rounded off to the first decimal place.

(Note 2) The current name of the property is the “Shuwa Daini Hamamatsucho Building.” Plans are in place to change the name of the property to the “KDX Hamamatsucho Building” on January 1, 2007.

(Note 3) The current name of the property is the “Hamacho Hanacho Building.” Plans are in place to change the name of the property to the “KDX Hamacho Building” on October 1, 2007.

(Note 4) The current name of the property is the “Reland Center Building.” Plans are in place to change the name of the property to the “KDX Funabashi Building” on October 1, 2007.

(Note 5) The current name of the property is the “Semba Monblanc Building.” Plans are in place to change the name of the property to the “KDX Minami Semba Dai-1 Building” on October 1, 2006.

(Note 6) The current name of the property is the “Nashiki Building.” Plans are in place to change the name of the property to the “KDX Minami Semba Dai-2 Building” on October 1, 2006.