

Translation Purpose Only

October 19, 2005

To All Concerned Parties

Kenedix Realty Investment Corporation  
2-6-2 Marunouchi, Chiyoda-ku, Tokyo  
Taisuke Miyajima, Executive Director  
(Securities Code: 8972)

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### **Notice Concerning the Acquisition of Property (Belles Modes Building)**

Kenedix Realty Investment Corporation (“the Investment Corporation”) announced its decision on October 19, 2005 to acquire the Belles Modes Building. Details are provided as follows.

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

- (1) Type of Acquisition : Trust beneficiary interest in real estate
- (2) Property Name : Belles Modes Building
- (3) Acquisition Price : ¥5,950,000,000 (excluding acquisition costs, property tax, city-planning tax, and consumption tax, etc.)
- (4) Date of Contract : November 1, 2005
- (5) Scheduled Date of Acquisition : November 1, 2005
- (6) Seller : Y.K.KDX 1 (Refer Item 4. Seller’s Profile for details)
- (7) Acquisition Funds : Debt financing and own funds
- (8) Settlement Method : Payment in full on settlement

The aforementioned Belles Modes 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 located in Kojimachi. During the Edo period, Kojimachi bordered an area housing the samurai class and came to be recognized as a center of commercial activity. Today, Kojimachi retains much of its history and flavor, and is home to a number of government offices, public authorities, courthouses, embassies, and cultural facilities. As a commercial hub, the area continues to thrive with dynamic activity.

The Property is located one minute walk from Kojimachi Station on the Tokyo Metro Yurakucho Line and four minutes walk from Hanzomon Station on the Hanzomon Subway Line. Offering convenient access, the building is located along Kojimacho Odori (facing Shinjuku Dori) and is considered a landmark with an appealing external office façade.

### (2) Building

The Property offers glass curtain walls, a granite surface, a ceiling height of 2.7m and floor-tile carpeting. It boasts the highest standards in office automation, and supporting pillars are separated by a distance of between 8.3m 16.9m with no central pillar. As well as impeccable external facilities, internal features have been designed to meet the needs of demanding tenants.

### (3) Tenants

With a competitive location and offering high specifications, the Property is recognized for its stable occupancy and earnings potential.

Floors two through nine comprise offices housing a consulting company, a legal firm, manufacturers and those representing a variety of industries. Currently, six of eight floors are occupied. In the future, companies in the fields of communications, apparel and other endeavors are expected to take up occupancy. In connection with a vacant shop on the first floor, the Investment Corporation will undertake proactive leasing activity, promoting the areas established commercial history.

## 3. Property Details

Property Name		Belles Modes Building
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		The Mitsubishi Trust and Banking Corporation
Trust Term		August 9, 2005 to August 9, 2015
Current Owner / Acquisition Date		Y.K.KDX 1 / August 9, 2005
Previous Owner / Acquisition Date (Note 1)		Les Belles Modes, Tsutsui Trading Co., Ltd., and three individuals/ February 10, 1958
Location (Address)		3-3-4 Kojimachi, Chiyoda-ku, Tokyo
Usage		Office, Retail Shops
Type of Structure		Flat-roofed steel-reinforced concrete structure; two underground and nine above-ground floors
Site Area	Land	612.17 m <sup>2</sup>
	Building	5,323.81 m <sup>2</sup>
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		May 17, 1994
Construction Company		Shimizu Corporation
Probable Maximum Loss		4.94% (SOMPO JAPAN RISK MANAGEMENT, INC.)
Acquisition Price		¥5,950,000,000
Appraisal	Appraisal Value	¥5,960,000,000
	Base Date for Appraisal	November 1, 2005
	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 (Note 2)	6 (As of September 30, 2005)
Total Leasable Floor Space	3,816.35 m <sup>2</sup>
Total Leased Floor Space (Note 2)	2,413.68 m <sup>2</sup> (As of September 30, 2005. The same applies below.)
Occupancy Ratio (Note 2)	63.2%
Monthly Rental Income (Excluding Consumption Tax) (Note 3)	¥17,058,187
Security and Guarantee Deposit (Note 3)	¥215,071,680
Forecast Net Operating Income	Please refer to Reference Material 2.
Special Considerations	None
Other	Notes: 1. The acquisition dates for land and building differ. The oldest acquisition date for land has been disclosed. 2. The total number of end tenants, total leased floor space, and occupancy ratio are exclusive of anticipated tenant movement identified in Item 2 (3) above. 3. Monthly rental income and guarantee deposit information is exclusive of parking facility amounts.

#### 4. Sellers' Profile

Company Name	Y.K.KDX 1
Head Office Address	2-2-9 Shimbashi, Minato-ku, Tokyo
Representative	Mitsutaka Nakamura
Capital	¥3 million
Principal Shareholder	Kenedix, Inc.
Business Activities	Acquisition, management, sale and related activities of trust beneficiary interests
Relationship with the Investment Corporation	Wholly owned subsidiary of Kenedix, Inc.
Special Items	Pursuant to the Memorandum on the Provision of Property Information and a warehousing request by the Asset Management Company to Kenedix, Inc., the seller acquired the Property on August 9, 2005.

#### 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 four categories of transactions (1) through (4) 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) Acquisition of Property

The Investment Corporation shall acquire the property from a wholly owned subsidiary of Kenedix, Inc. Accordingly, the purchase and sale qualifies as an interested-party transaction as defined under the Asset Management Company’s internal rules and regulations. Pursuant to the aforementioned rules for interested-party transactions, the Investment Corporation shall acquire the property for an acquisition price less than the appraisal value.

Kenedix, Inc. also qualifies as an interested-party as defined under the Investment Trust Law and the internal rules and regulations of the Asset Management Company.

The Investment Corporation has not appointed an intermediary in connection with the acquisition of the property. Accordingly, a brokerage fee shall not be paid.

(2) Appointment of a Property Management Company

The Investment Corporation plans to execute a property management agreement with Kenedix Advisors Co., Ltd. (“KDA”) on November 1, 2005. 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.

Outline of Property Managements Fees:

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

Property (Trust Beneficiary Interest) Price	Management Transfer Fee (At the time of Purchase and Sale)
¥5.0 billion and more, and less than ¥10.0 billion	¥2.4 million

(3) Master Lease of the Property

The Investment Corporation plans to execute a master-lease agreement with KDA on November 1, 2005. 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 masterlease: Pass-through

(4) Concurrent Liability Assumption Memorandum

The Investment Corporation plans to execute a concurrent liability assumption memorandum with KDA on



November 1, 2005. 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, 2005 and April 30, 2006, as a result of the acquisition of the Property.



**[Attached Materials]**

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

**Reference Material 1**

**Outline of Property Appraisal**

Unit: Yen	
Appraisal Value	5,960,000,000
Base Date for Appraisal	November 1, 2005
Appraiser	Nippon Tochi-Tatemono Co., Ltd.
Value Calculated Using the Direct Capitalization Method	6,210,000,000
Gross Operating Revenue	371,957,000
Maximum Gross Operating Revenue	386,414,000
Shortfall Attributed to Vacancies	14,457,000
Operating Expenses	73,054,000
Administrative and Maintenance Expense	39,789,000
Taxes and Dues	32,636,000
Other Expenses	629,000
Net Operating Income (NOI)	298,903,000
Capital Expenditure	9,773,000
Gain on Guarantee Deposit Investment	8,845,000
Net Cash Flow (NCF)	297,975,000
Overall Capitalization Rate (NCF)	4.8%
Value Calculated Using Discounted the Cash Flow Method	5,710,000,000
Discount Rate	4.7%
Terminal Capitalization Rate	5.1%
Value Calculated Using the Cost Method	4,030,000,000
Land	74.7%
Building	25.3%

**Reference Material 2**

**Projected Cash Flow**

<b>Unit: Millions of Yen</b>	
A . Projected Operating Revenues	348
B . Projected Operating Expenses (excluding depreciation)	78
C . Projected NOI (A-B)	270

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 Photograph**



**Reference Material 4**

**Property Portfolio after Acquisition of the Property**

Type of use	Area	No.	Property Name	Acquisition Price (Millions of yen)	Ratio	Acquisition Date
Office Buildings	Tokyo Metropolitan area	A-13	Belles Modes Building	5,950	7.9%	November 11, 2005
		A-1	Nihonbashi 313 Building	5,940	7.9%	August 1, 2005
		A-2	Sogo Hirakawacho Building	5,180	6.8%	August 1, 2005
		A-3	Higashi-Kayabacho Yuraku Building	4,450	5.9%	August 1, 2005
		A-4	Noir Hatchobori	3,680	4.9%	August 1, 2005
		A-5	K&Y Building (Southern Plaza)	2,533	3.3%	August 1, 2005
		A-6	Harajuku F.F. Building	2,450	3.2%	August 1, 2005
		A-7	FIK Minami Aoyama	2,270	3.0%	August 1, 2005
		A-8	Kanda Kihara Building	1,950	2.5%	August 1, 2005
		A-9	NNK Building	1,610	2.1%	August 1, 2005
	A-10	Koishikawa Yoshida Building	704	0.9%	August 1, 2005	
	Other Regional areas	A-12	Portus Center Building	5,570	7.4%	September 21, 2005
		A-11	Hakata-Ekimae Dai-2 Building	1,430	1.9%	August 1, 2005
Total of 12 Office Buildings				43,717	58.2%	
Residential Properties	Tokyo Metropolitan area	B-1	Storia Sirokane	3,150	4.1%	August 1, 2005
		B-2	Tre di Casa Minami Aoyama	2,460	3.2%	August 1, 2005
		B-3	Court Mejiro	1,250	1.6%	August 1, 2005
		B-4	Apartments Motoazabu	1,210	1.6%	August 1, 2005
		B-5	Apartments Wakamatsu-Kawada	1,180	1.5%	August 1, 2005
		B-6	Court Nihonbashi-Hakozaki	1,130	1.5%	August 1, 2005
		B-7	Side Denenchofu	1,110	1.4%	August 1, 2005
		B-8	S-court Yokohama-Kannai	945	1.2%	August 1, 2005
		B-9	Court Motoasakusa	880	1.1%	August 1, 2005
		B-10	Storia Todoroki	877	1.1%	August 1, 2005
		B-11	Bloom Omotesando	875	1.1%	August 1, 2005
		B-12	Clair Court Rokakouen	831	1.1%	August 1, 2005
		B-13	Human Heim Okachimachi	830	1.1%	August 1, 2005
		B-14	Court Shinbashi	748	0.9%	August 1, 2005
		B-15	Court Suitengu	659	0.8%	August 1, 2005
	Other	B-16	Abreast Hara	444	0.5%	August 1, 2005

	Regional areas	B-17	Abreast Hirabari	407	0.5%	August 1, 2005
	Total of 17 Residential Properties			18,986	25.2%	
Retail Properties	Tokyo	C-1	Jinnan-zaka Frame	9,900	13.1%	August 1, 2005
	Metropolitan area	C-2	Yoyogi M Building	2,479	3.3%	September 30, 2005
	Total of 2 Retail Properties			12,379	16.4%	
Total				75,082	100.0%	Portfolio PML 6.42%

\* Figures of less than one million yen are rounded off from acquisition price.

This notice is the English translation of the Japanese announcement on our Web site released on October 19, 2005. However, no assurance or warranties are given for the completeness or accuracy of this English translation.