

Translation Purpose Only

June 30, 2006

To All Concerned Parties

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

Inquiries:  
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### **Notice Concerning the Acquisition of Property (Gradito Kawaguchi)**

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

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

- |                                   |   |  |
|-----------------------------------|---|--|
| (1) Type of Acquisition           | : | Trust beneficiary interest in real estate  |
| (2) Property Name                 | : | Gradito Kawaguchi  |
| (3) Acquisition Price             | : | ¥1,038,000,000 (excluding acquisition costs, property tax, city-planning tax, and consumption tax, etc.) |
| (4) Date of Contract              | : | June 30, 2006  |
| (5) Scheduled Date of Acquisition | : | June 30, 2006  |
| (6) Seller                        | : | DAIDO REAL ESTATE INVESTMENT 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 Gradito Kawaguchi shall hereafter be referred to as “the Property.”

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

The acquisition was made to raise the investment ratio of residential properties 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 suburban city of Kawaguchi, which has a population of approximately 500,000 people, is located in the southernmost part of Saitama Prefecture along the Arakawa, the river that separates Saitama from Tokyo. With a history of prosperity derived from the metal castings industry that dates back to the Meiji era of the late 19th and

early 20th centuries, recent large-scale commercial and residential development has centered on the area around Kawaguchi Station. The Property, which is a residential complex with retail shops, is located approximately five minutes on foot from Kawaguchi Station on the Keihin-Tohoku Line. This same station not only provides excellent access to Ueno and Tokyo Stations (Tokyo being 22 minutes by direct express train) and Omiya (20 minutes by direct train), but also offers highly convenient connections with trains bound for Ikebukuro, Shinjuku and Shibuya for passengers transferring from the Keihin-Tohoku Line to the Saikyo Line at nearby Akabane Station. The area in the immediate vicinity of Kawaguchi Station has a department store and large-scale bookshop. Long-term prosperity is expected as a shopping complex (Ario Kawaguchi, Ribon City) has been recently opened in close proximity to the Property, on a site once occupied by Sapporo Breweries Ltd. The shopping complex comprises an Ito-Yokado store, multiplex cinema, fitness center and specialist stores.

### (2) Buildings

The 12-story Property comprises a retail property on the first floor, above which are eleven stories that contain a total of 66 dwelling units. Each of the dwellings, which are of the one-room type with a floor area of approximately 22m<sup>2</sup>, has facilities such as a security camera, mailbox, utility room with drier, washroom with built-in shower, two-burner gas stove, as well as cable and satellite television and fiber-optic connections. Offering a competitive package for the area, the dwellings are to a standard that perfectly meets consumer needs.

### (3) Tenants

By offering excellent access to all parts of metropolitan Tokyo and central Saitama Prefecture, a very high level of convenience, as well as facilities of a superior standard, the Property is expected to generate strong demand from singles that values convenience and therefore close proximity to places of employment. As the first-floor retail unit is highly visible, facing the main street of Hachiken Avenue, it is anticipated to meet a wide variety of needs.

## 3. Property Details

Property Name		Gradito Kawaguchi
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust Term		June 30, 2006 to August 1, 2015
Source of Acquisition		Original network of the Asset Management Company (Direct Acquisition)
Current Owner / Acquisition Date		DAIDO REAL ESTATE INVESTMENT CO., LTD. / November 9, 2004 ( Note 1 )
Previous Owner / Acquisition Date		Cititrust and Banking Corp. / February 18, 2000 ( Note 1 )
Location (Address)		3-3-7 Sakaecho, Kawaguchi-shi, Saitama
Usage		Residential complex, Retail Shops
Property Type		Single type
Type of Structure		Flat-roofed, steel reinforced concrete structure; twelve above-ground floors
Site Area	Land	423.94 m <sup>2</sup>
	Building	1,705.38 m <sup>2</sup>
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		February 13, 2006
Architect		Kabushikigaisha Fukushi Komuten (Note 2)

Construction Company		Kabushikigaisha Fukushi Komuten
Construction Confirmation Authority		Bureau Veritas Japan Co., Ltd. ( Building confirmation ) E-house Building Center Corporation ( Completion inspection ) (Note 2)
Probable Maximum Loss		13.33% (SOMPO JAPAN RISK MANAGEMENT, INC.)
Acquisition Price		¥1,038,000,000
Appraisal	Appraisal Value	¥1,050,000,000
	Base Date for Appraisal	June 30, 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.
Total Leasable Floor Space		1,619.34m <sup>2</sup> (Including first floor-shop space of 159.86 m <sup>2</sup> ) (As of June 30, 2006. The same applies below.)
Total Leased Floor Space		1,619.34m <sup>2</sup> (Including first floor-shop space of 159.86 m <sup>2</sup> ) (Note 3)
Occupancy Ratio		100.00% (Note 3)
Total Leasable Units		67 units (One shop on the first floor included)
Total Leased Units		67 units (One shop on the first floor included) (Note 3)
Monthly Rental Income (Excluding Consumption Tax)		¥4,982,308 (Notes 3, 4)
Security and Guarantee Deposit		¥10,028,100 (Notes 3, 4)
Forecast Net Operating Income		Please refer to Reference Material 2.
Special Considerations		None
Other	<p>Notes:</p> <ol style="list-style-type: none"> <li>The property land acquisition date is showned.</li> <li>In addition to undertaking its usual due diligence with regard to the Property prior to acquisition, the Investment Corporation requested that an independent third party (Hai Kokusai Consultant Co., Ltd.) carry out an additional structural inspection. As a result of this additional inspection, which revealed no suggestion of intentional fraud (falsification) in the structural calculation sheets, the Investment Corporation received a report (dated June 1, 2006) to confirm that the structural calculation sheets and drawings are compliant.</li> <li>A five-year collective contract including rent guarantees has been concluded with Haseko Livenet Inc. to cover the residential dwelling portion (66 dwellings, totaling 1,459.48m<sup>2</sup>) of the leasable units. (Duration of lease: March 20, 2006 to March 31, 2011. Fixed rental period: October 1, 2006 to March 31, 2008). For the period up to and including September 30, 2006, Haseko Livenet will pay 90% of the rents and the common service charge received from the end tenants. Rents received from Haseko Livenet will be revised at negotiations held every two years, the first of which is planned for April 1, 2008</li> </ol>	

	4. Monthly charges and deposits relating to the property's parking lot (for two vehicles) are to be included in the first floor retail property's monthly rent and security deposit.
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#### 4. Seller's Profile

Company Name	DAIDO REAL ESTATE INVESTMENT CO., LTD.
Head Office Address	Tradepier-Yodoyabashi, 2-5-8 Imabashi, Chuo-ku, Osaka-shi, Osaka
Representative	Takashi Nakamura, Representative Officer
Capital	¥350,000 thousand
Principal Shareholder	DAIDO SERVICE CO., LTD.
Business Activities	1. Real estate trade, leasing, management, brokerage, representation and placement 2. Gathering, analysis and appraisal of real estate information; information services 3. Design, planning and management of construction work 4. Real estate investment consulting
Relationship with the Investment Corporation	None
Special Considerations	None

\* As of June 16, 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 30, 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 current properties.

Outline of Property Managements Fees:

- Leasing management fees  
Rental income  $\times$  2% + real estate operating income after management overhead expenses and before depreciation  $\times$  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 30, 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 30, 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 30, 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**

		Unit : Yen																																										
Appraisal Value		1,050,000,000																																										
Base Date for Appraisal		June 30, 2006																																										
Appraiser		Nippon Tochi-Tatemono Co., Ltd.																																										
Value Calculated Using the Direct Capitalization Method		1,070,000,000																																										
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Value Calculated Using the Discounted Cash Flow Method		1,040,000,000																																										
<table border="1" style="width: 100%;"> <tr> <td colspan="2">Discount Rate</td> <td style="text-align: right;">4.9%</td> </tr> <tr> <td colspan="2">Terminal Capitalization Rate</td> <td style="text-align: right;">5.5%</td> </tr> </table>		Discount Rate		4.9%	Terminal Capitalization Rate		5.5%																																					
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Value Calculated Using the Cost Method		1,050,000,000																																										
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Note: Assumed yield rate on lump-sum investment: 3%

**Reference Material 2**

**Projected Cash Flow**

<b>Unit : Millions of Yen</b>	
A . Projected Operating Revenues	66
B . Projected Operating Expenses (excluding depreciation)	12
C . Projected NOI (A-B)	54

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. Although movements in existing tenancy levels and lease terms are assumed from the perspective of revenue, full occupancy is assumed for the time being.
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	3.7%	May 1, 2006
		A-2	Sogo Hirakawacho Building	5,180	3.6%	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	2.4%	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	1.7%	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	56.8%	-
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 Hakozaeki	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-34	Gradito Kawaguchi	1,038	0.7%	June 30, 2006
		B-8	S-court Yokohama Kannai II	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 32 Residential Properties				44,459	31.6%
Retail Properties	Tokyo Metropolitan Area	C-1	Jinnan-zaka Frame	9,900	7.0%	August 1, 2005
		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	11.4%	-
Total of 61 Properties				140,377	100.0%	Portfolio PML 7.20%

(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.