

**Translation Purposes Only**

August 30, 2006

To All Concerned Parties

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

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**Notice Concerning the Acquisition of Property (KDX Higashi-Shinjuku Building )**

Kenedix Realty Investment Corporation (“the Investment Corporation”) announced its decision today to acquire the KDX Higashi-Shinjuku Building. Details are provided as follows.

**1. Outline of the Acquisition**

- |                                   |   |  |
|-----------------------------------|---|--|
| (1) Type of Acquisition           | : | Trust beneficiary interest in real estate (Office Building)  |
| (2) Property Name                 | : | KDX Higashi-Shinjuku Building (Note)   |
| (3) Acquisition Price             | : | ¥2,950,000,000 (excluding acquisition costs, property tax, city-planning tax, and consumption tax, etc.)   |
| (4) Date of Contract              | : | September 1, 2006  |
| (5) Scheduled Date of Acquisition | : | September 1, 2006  |
| (6) Seller                        | : | SUMITOMO LIFE INSURANCE COMPANY and Nippon Oil Corporation (Refer to Item 4. Seller’s Profile for details) |
| (7) Acquisition Funds             | : | Cash on hand and debt financing  |
| (8) Settlement Method             | : | Payment in full on settlement  |
| (9) Source of Acquisition         | : | Original network of the Asset Management Company (Direct Acquisition)                                      |

Note: The current name of the KDX Higashi-Shinjuku Building is the “Nisseki • Sumisei Shinjuku Building.” Plans are in place to change the name of the “Nisseki • Sumisei Shinjuku Building” to the “KDX Higashi-Shinjuku Building” on January 1, 2007.

The aforementioned KDX Higashi-Shinjuku 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 a prominent office building located on Shokuan Dori, about one minute on foot from Higashi-Shinjuku Station on the Toei Oedo Line. Surrounding the Property is a prosperous commercial and residential area, with offices, retail shops and residential complexes of various sizes lining Shokuan Dori. Approximately 200 m northeast of the Property, Shinjuku 7-chome Station (tentative name) on the planned Tokyo Metro Line 13, which will connect to Ikebukuro and Shibuya, is scheduled to open in June 2008. This development is expected to improve the convenience of the area. In addition, a large-scale redevelopment project is planned in the area on land previously used as a golf garden by Nippon Television Network Corporation, heightening expectations for future growth.

(2) Building

With granite walls and flooring at the entrance hallway, and marble walls and flooring in areas of the entrance lobby on the first floor, the Property's finish is to an imposingly high standard. Constructed to fulfill tenant needs for lease workspaces, the building boasts astylar office space without center pillars, a ceiling height of 2.60 m, OA floors, and individual air-conditioning system and ventilation.

The first floor of the building, which was previously used as a gas station and has been closed and demolished for renovation, is currently vacant and unavailable for lease. The Investment Corporation plans to lease the space to a tenant, however, after it is redesigned to target market needs.

(3) Tenants

Currently, floors two through eight in the building are fully occupied by offices. Tenants are companies from various industries including construction, building management, office equipment retail, telecommunications and others.

### 3. Property Details

Property Name		KDX Higashi-Shinjuku Building
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		The Chuo Mitsui Trust and Banking Company, Limited
Trust Term		September 1, 2006 to August 1, 2015
Current Owner / Acquisition Date		1. SUMITOMO LIFE INSURANCE COMPANY / March 30, 1988 (Note 1) 2. Nippon Oil Corporation / January 31, 1961 (Note 1)
Previous Owner / Acquisition Date		1. Sumitomo Construction Co., Ltd. / October 31, 1986 (Note 1) 2. One individual / April 15, 1960 (Note 1)
Location (Address)		2-7-10 Kabukicho, Shinjuku-ku, Tokyo
Usage		Office, Storage, Parking
Type of Structure		Flat-roofed steel-reinforced concrete structure; one underground and nine above-ground floors
Site Area	Land	1,340.97 m <sup>2</sup>
	Building	7,885.40 m <sup>2</sup>
Type of Ownership	Land	Proprietary ownership (Note 2)
	Building	Proprietary ownership (Note 2)
Completion Date		January 31, 1990
Architect		Kabushikigaisha Nikken Sekkei
Construction Company		Sumitomo Construction Co., Ltd. (currently SUMITOMO MITSUI CONSTRUCTION CO., LTD. )
Construction Confirmation Authority		Tokyo

Probable Maximum Loss		5.40% (SOMPO JAPAN RISK MANAGEMENT, INC.)
Acquisition Price		¥2,950,000,000
Appraisal	Appraisal Value	¥3,020,000,000
	Base Date for Appraisal	August 1, 2006
	Appraiser	Daiwa Real Estate Appraisal Corporation
	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		9 (As of August 31, 2006. The same applies below.)
Total Leasable Floor Space		5,134.70 m <sup>2</sup> (Note 3)
Total Leased Floor Space		5,134.70 m <sup>2</sup> (Note 3)
Occupancy Ratio		100.00% (Note 3)
Monthly Rental Income (Excluding Consumption Tax)		¥17,101,750 (Note 4)
Security and Guarantee Deposit		¥132,289,200 (Note 4)
Forecast Net Operating Income		Please refer to Reference Material 2.
Special Considerations	<p>(1) A part of the boundary between the Property and adjacent land has not been settled in writing. An agreement has been reached, however, that the seller of the Property will assume responsibility for the settlement of the boundary and related costs.</p> <p>(2) A signboard installed on the side of the building has been authorized in accordance to the Buildings Standards Law. Construction completion inspection has not been undertaken. An agreement has been reached, however, that the seller of the Property will assume responsibility for its removal and related costs.</p> <p>(3) A transformer containing polychlorinated biphenyl (PCB) is installed and currently in use at the Property. Application for its use has been lodged with the Kanto Tohoku Industrial Safety and Inspection Department of the Ministry of Economy, Trade and Industry, and the Governor of Tokyo. The Investment Corporation intends to continue lawful management of the transformer. Prior to the Investment Corporation's acquisition of the Property, the seller completed the removal of all PCB waste stored at the Property, in accordance with the Law Concerning Special Measures Against PCB Waste.</p> <p>(4) After demolition of the gas station facility on the first floor, the seller conducted an investigation of soil contamination in and around the underground tank. The resultant soil and soil-gas analysis report concluded that no signs of soil contamination by lead, oil content, benzene or other contaminants existed within the investigated area. Upon confirmation of the report, the Investment Corporation additionally conducted due diligence concerning the Property, resulting in a report by Kabushikigaisha Hi Kousai Consultant concluding that the possibility of contamination at the Property was low. This report also identified that the Investment Corporation faced little likelihood of the obligation to conduct an additional investigation based on laws and regulations related to soil contamination.</p>	
Other	<p>Notes:</p> <ol style="list-style-type: none"> <li>The oldest property land acquisition date is shown.</li> <li>The following sellers share the rights to the land and building of the Property. The</li> </ol>	

	<p>Investment Corporation will acquire all of the rights to the land and building owned by both parties on the scheduled date of acquisition.</p> <p>The rights of the land are as follows:</p> <p>i) Registered address: 416-3 (site area: 739.27 m<sup>2</sup>) SUMITOMO LIFE INSURANCE COMPANY: co ownership of shared properties 9,544/10,000 Nippon Oil Corporation: co ownership of shared properties 456/10,000</p> <p>ii) Registered address: 416-13, 416-14 (total site area: 601.70 m<sup>2</sup>) SUMITOMO LIFE INSURANCE COMPANY: co ownership of shared properties 1,520/10,000 Nippon Oil Corporation: co ownership of shared properties 8,480/10,000</p> <p>The Property excluding the first floor is a compartmentalized ownership building. The floor area of each owner's compartmentalized ownership of the shared property (total floor area: 5,652.16 m<sup>2</sup>) is as follows: SUMITOMO LIFE INSURANCE COMPANY: 3,728.78 m<sup>2</sup> (approx. 66.0%) Nippon Oil Corporation (co ownership of shared properties): 1,686.49 m<sup>2</sup> (approx. 29.8%) Nippon Oil Corporation (independently owned area): 236.89 m<sup>2</sup> (approx. 4.2%)</p> <p>3. The floor space of the first floor, which is currently a vacant space and planned for conversion, is not included in the total leasable floor area. The Investment Corporation estimates the total leasable floor area after the conversion of the first floor as follows: Estimated leasable floor area on the first floor: Approx. 719.00 m<sup>2</sup> Estimated leasable floor area for the entire building: Approx. 5,853.70 m<sup>2</sup> (Current occupancy ratio according to the estimated leasable floor area for the entire building: Approx. 87.71%)</p> <p>4. Monthly rental income and guarantee deposit information is exclusive of parking facility and advertising amounts.</p>
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#### 4. Seller's Profile

Company Name	SUMITOMO LIFE INSURANCE COMPANY
Head Office Address	1-4-35 Shiromi, Chuo-ku, Osaka, Osaka
Representative	Shinichi Yokoyama, Representative Officer
Business Activities	Life insurance business
Relationship with the Investment Corporation	None
Special Considerations	None

Company Name	Nippon Oil Corporation
Head Office Address	1-3-12 Nishi Shimbasi, Minato-ku, Tokyo
Representative	Shinji Nishio, Representative Officer
Capital	¥139,437,385,256
Principal Shareholder	The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), Mizuho Corporate Bank, Ltd., Mitsubishi Corporation, Sumitomo Mitsui Banking Corporation
Business Activities	Sales of oil products
Relationship with the Investment Corporation	None
Special Considerations	None

\*As of August 30, 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 September 1, 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  $\times$  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 September 1, 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 September 1, 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 August 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**

<b>Unit : Yen</b>	
Appraisal Value	3,020,000,000
Base Date for Appraisal	August 1, 2006
Appraiser	Daiwa Real Estate Appraisal Corporation
Value Calculated Using the Direct Capitalization Method	3,130,000,000
Gross Operating Revenue	263,122,620
Maximum Gross Operating Revenue	277,374,000
Shortfall Attributed to Vacancies	14,251,380
Operating Expenses	77,653,084
Administrative and Maintenance Expense	49,426,464
Taxes and Dues	27,377,900
Other Expenses	848,720
Net Operating Income (NOI)	185,469,536
Capital Expenditure	16,728,000
Gain on Guarantee Deposit Investment (Note)	3,642,098
Net Cash Flow (NCF)	172,383,634
Overall Capitalization Rate (NCF)	5.4%
Value calculated using the direct capitalization method before deducting first floor conversion expense	3,190,000,000
Estimated first floor conversion expense	63,000,000
Value Calculated Using the Discounted Cash Flow Method	2,910,000,000
Discount Rate	5.3%
Terminal Capitalization Rate	5.6%
Value Calculated Using the Cost Method	3,930,000,000
Land	73.1%

	Building	26.9%
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Note: Gain on guarantee deposit investment is calculated, based on a property guarantee deposit operating yield of 2%

**Reference Material 2**

**Projected Cash Flow**

<b>Unit : Millions of Yen</b>	
A. Projected Operating Revenues	233
B. Projected Operating Expenses (excluding depreciation)	83
C. Projected NOI (A-B)	150

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 97%, based on the current occupancy ratio and future changes of occupancy.
3. Revenues include the estimated rental revenues from the first floor after conversion.
4. 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	4.0%	November 1, 2005
		A-1	Nihonbashi 313 Building	5,940	4.0%	August 1, 2005
		A-16	Toshin 24 Building	5,300	3.6%	May 1, 2006
		A-2	Sogo Hirakawacho Building	5,180	3.5%	August 1, 2005
		A-17	Ebisu East 438 Building	4,640	3.1%	May 1, 2006
		A-3	Higashi-Kayabacho Yuraku Building	4,450	3.0%	August 1, 2005
		A-4	Noir Hatchobori	3,680	2.5%	August 1, 2005
		A-18	KDX Omori Building	3,500	2.3%	May 1, 2006
		A-19	KDX Hamamatsucho Building (Note 2)	3,460	2.3%	May 1, 2006
		A-29	KDX Higashi-Shinjuku Building (Note 3)	2,950	2.0%	September 1, 2006
		A-20	Dai-ichi Kayabacho Building	2,780	1.8%	May 1, 2006
		A-21	NTB・M Building	2,690	1.8%	May 1, 2006
		A-5	K&Y Building (Southern Plaza)	2,533	1.7%	August 1, 2005
		A-22	KDX Shin-Yokohama Building	2,520	1.7%	May 1, 2006
		A-6	Harajuku F.F. Building	2,450	1.6%	August 1, 2005
		A-27	KDX Kajicho Building (Note 4)	2,350	1.6%	June 3, 2006
		A-15	KDX Hamacho Building	2,300	1.5%	March 16, 2006
		A-7	FIK Minami Aoyama	2,270	1.5%	August 1, 2005
		A-14	KDX Funabashi Building (Note 5)	2,252	1.5%	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	1.0%	August 1, 2005
		A-26	Kiba Ocean Building	1,580	1.0%	June 20, 2006
		A-28	KDX Nogizaka Building (Note 6)	1,065	0.7%	July 14, 2006
	A-10	Koishikawa Yoshida Building	704	0.4%	August 1, 2005	
	Other Regional Areas	A-12	Portus Center Building	5,570	3.7%	September 21, 2005
		A-24	KDX Minami Semba Dai-1 Building (Note 7)	1,610	1.0%	May 1, 2006
		A-25	KDX Minami Semba Dai-2 Building (Note 8)	1,560	1.0%	May 1, 2006
		A-11	Hakata Ekimae-Dai2 Building	1,430	0.9%	August 1, 2005
Total of 29 Office Buildings				86,224	58.7%	-
Residential Properties	Tokyo Metropolitan Area	B-19	Residence Charmante Tsukishima	5,353	3.6%	May 1, 2006
		B-20	Regalo Ochanomizu I&II	3,600	2.4%	May 1, 2006
		B-1	Storia Sirokane	3,150	2.1%	August 1, 2005
		B-2	Tre di Casa Minami Aoyama	2,460	1.6%	August 1, 2005
		B-21	Regalo Shiba-Kouen	2,260	1.5%	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	0.7%	May 1, 2006
		B-6	Court Nihonbashi Hakozaeki	1,130	0.7%	August 1, 2005
		B-23	Court Nishi-Shinjuku	1,130	0.7%	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	0.5%	August 1, 2005	
		B-25	Court Shin-Okachimachi	878	0.5%	May 1, 2006	
		B-11	Bloom Omotesando	875	0.5%	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	0.4%	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	1.5%	May 1, 2006
			B-18	Venus Hibarigaoka	1,800	1.2%	December 8, 2005
			B-30	Regalo Ibaraki I& II	1,600	1.0%	May 1, 2006
			B-31	Collection Higashi-Sakura	1,264	0.8%	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	30.2%
Retail Properties	Tokyo Metropolitan Area	C-1	Jinnan-zaka Frame	9,900	6.7%	August 1, 2005	
		C-2	Yoyogi M Building	2,479	1.6%	September 30, 2005	
	Other Regional Areas	C-3	ZARA Tenjin Nishi-dori	3,680	2.5%	May 1, 2006	
	Total of 3 Retail Properties				16,059	10.9%	-
Total of 64 Properties				146,742	100.0%	Portfolio PML 7.16%	

(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 KDX Higashi-Shinjuku Building is the “Nisseki • Sumisei Shinjuku Building.” Plans are in place to change the name of the Nisseki • Sumisei Shinjuku Building to the “KDX Higashi-Shinjuku Building” on January 1, 2007.

(Note 4) The current name of the property is the “JP Kajicho Building.” Plans are in place to change the name of the property to the “KDX Kajicho Building” on April 1, 2007.

(Note 5) 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 6) The current name of the property is the “PRISMA • N Building.” Plans are in place to change the name of the property to the “KDX Nogizaka Building” on October 1, 2006.

(Note 7) 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 8) 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.