

July 10, 2013

Company name: Kenedix, Inc.  
Representative: Taisuke Miyajima, CEO & President  
Stock code: 4321  
Listing: First Section, Tokyo Stock Exchange  
Contact: Masahiko Tajima, Executive Officer,  
General Manager of Corporate  
Planning Department

Please note that this document is a translation of the official announcement that was released in Tokyo. The translation is prepared and provided for the purpose of the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

### **Notice Concerning Reorganization of the Kenedix Group**

The Company made the following decisions on July 10, 2013 involving the signing of a memorandum of agreement and associated contracts concerning the reorganization of the Kenedix Group, Kenedix Realty Investment Corporation ("KRI") and Kenedix Residential Investment Corporation ("KDR") and the provision of information. There was also a decision concerning the reorganization of the Kenedix Group. The objective of these actions is to further strengthen the asset management business of the Kenedix Group, consisting of Kenedix, Inc. ("KDX"), Kenedix Asset Management, Inc. ("KDAM"), Kenedix Office Partners, Inc. ("KOP"), Kenedix Residential Partners, Inc. ("KRP") and Kenedix Advisors, Inc. ("KDA").

Some items are omitted from information that is disclosed concerning the following organizational restructuring because short-form mergers or short-form company splits are to be used for consolidated subsidiaries.

#### 1. Overview

As was announced on May 28, 2013 in a news release titled "Notice of Signing of Memorandum Concerning Reorganization," in accordance with the memorandum signed on that date, preparations were to be made for a reorganization. As is explained below, agreements and contracts concerning this reorganization have been signed.

- A. Signing of Memorandum of Agreement
- B. Merger between KDA and KDAM (hereinafter the "Merger I")  
Under the terms of this merger, KDAM is to be absorbed by KDA, which is to be the surviving corporate entity, and KDAM is to be dissolved.
- C. Succession of the business by KDX as a result of the KDA corporate split (hereinafter the "Corporate Split")  
On the occasion of the Corporate Split, operations other than the businesses relating to investment management operations and the accompanying operations within the asset management business in KDA (mainly operations based on investment advisory agreement) (KDA after the Merger I; same hereafter for the Corporate Split.) shall be separated off and be succeeded by KDX.
- D. The merger of KOP, KRP, and KDA (hereinafter the "Merger II") and the change of trade name to Kenedix Real Estate Fund Management, Inc. (hereinafter "KFM")  
In relation to KOP, KRP, and KDA (KDA after the Corporate Split; same hereafter for the Merger II) which are engaged in asset management business, it is planned that KOP and KDA are to be absorbed by KRP, which is to be the surviving corporate entity, and that KOP and KDA are to be dissolved. Moreover, following the merger, KRP is to change its trade name to the Kenedix Real Estate Fund Management, Inc.

	Contract	Companies involved	Term used in this release
A.	Memorandum of agreement for the reorganization and provision of information	The Kenedix Group, KRI, KDR	Memorandum of Agreement
B.	Absorption-type merger agreement	KDA, KDAM	Merger I
C.	Absorption-type company split agreement	KDX, KDA	Corporate Split
D.	Absorption-type merger agreement	KDA, KOP, KRP	Merger II

\* Points B, C and D above together constitute “the Reorganization”.

## 2. Purpose of the Reorganization

Please refer to Item “2. Purpose of the Reorganization” that was mentioned in the May 28 news release.

## 3. Timetable for the Reorganization and associated procedures

Board of Directors meeting	July 10, 2013
Signing of Memorandum of Agreement	July 10, 2013
Absorption-type merger agreement (Merger I) date	July 10, 2013
Absorption-type company split agreement (Corporate Split) *1	July 10, 2013
Absorption-type merger agreement (Merger II)	July 10, 2013
Assumption of KDAM debt by KDX *2	July 30, 2013 (planned)
Dividend in kind paid by KDAM *3	August 22, 2013 (planned)
Reorganization (effective date)	October 1, 2013 (planned)*4

\*1: No shareholders’ meeting will be held to approve the Corporate Split because KDX, which is to be the surviving corporate entity, can use a short-form corporate split as prescribed in Article 796, Paragraph 3 of the Companies Act.

\*2: Please refer to the July 10, 2013 news release titled “Notice of Assumption and Forgiveness of Debt by Consolidated Subsidiary.”

\*3: As part of the procedures associated with the Reorganization, KDAM will reduce its capital on July 21, 2013 (planned) and, after securing funds that can be distributed, give KDA and KOP stock to KDX as a dividend in kind. KDA and KOP will then become wholly owned subsidiaries of KDX. KDAM made the decision to reduce its capital on June 21, 2013.

\*4: The Reorganization is to take place on a date to be determined separately by the companies involved but no later than March 31, 2014.

The Reorganization is provisional upon the approval of the relevant authorities being forthcoming.

## 4. Summary of the Reorganization

### A. Signing of Memorandum of Agreement

#### (1) Memorandum of Agreement

As is explained below, the Kenedix Group, KRI and KDR have agreed to sign the agreements that are listed in the Item “1. Overview” regarding the Reorganization, the New Support-Line Memorandum of Understanding that was mentioned in the previous disclosure, the KFM organization and framework, and other matters.

#### i. Companies involved in Memorandum of Agreement

Kenedix Group companies (KDX, KDAM, KOP, KRP, KDA), KRI and KDR

#### ii. Summary of Memorandum of Agreement

a. Agreement by KDA and KDAM to sign the absorption-type merger agreement for Merger I

b. Agreement by KDX and KDA to sign the absorption-type company split agreement for the Corporate Split

c. Agreement by KDA, KOP and KRP to sign the absorption-type merger agreement for Merger II

d. Agreement to sign the New Support-Line Memorandum of Understanding that was mentioned in the May 28 news release

e. Agreement concerning the organization, framework and other matters involving KFM

B. Merger between KDA and KDAM (the Merger I)

(1) Method of merger

KDAM is to be absorbed by KDA, which is to be the surviving corporate entity, and KDAM is to be dissolved.

(2) Allotment of stock associated with merger

There will be no allotment of stock or other form of payment for Merger I because KDA and KDAM are wholly owned subsidiaries of KDX.

(3) Treatment of subscription rights to shares and bonds with subscription rights to shares in association with merger

Not applicable.

(4) Overview of the companies involved

Please refer to Item “5. Summary of the Reorganization, A. Merger between KDA and KDAM (the Merger I), (4) Overview of the companies involved” that was mentioned in the May 28 news release.

C. Succession of the business by KDX as a result of the KDA corporate split (the Corporate Split)

(1) Method of the Corporate Split

After the Merger I, an absorption-type company split will be executed with KDA as the splitting company and KDX as the successor company.

(2) Allotment of stock associated with the Corporate Split

Deliver shares or any other consideration is not planned.

(3) Treatment of subscription rights to shares and bonds with subscription rights to shares in association with the Corporate Split

Not applicable.

(4) Change of capital in association with the Corporate Split

There is no capital increase or decrease at KDA or KDX due to the Corporate Split.

(5) Rights and obligations succeeded by the successor company

It is planned that the rights and obligations relating to operations other than the businesses relating to investment management operations and the accompanying operations (mainly operations based on investment advisory agreement) will be succeeded by the successor company.

(6) Prospect for the performance of debt obligations

KDX’s opinion is that there will be no problem with the prospect for the performance of debt obligations that are to be borne by KDX.

(7) Overview of the companies involved

Please refer to Item “4. Summary of the Reorganization, B. Succession of the business by KDX as a result of the KDA corporate split (the “Corporate Split”), (8) Overview of the companies involved” that was mentioned in the May 28 news release.

(8) Overview of business to be split

I. Details of business to be split

Operations other than the businesses relating to investment management operations and the accompanying operations (mainly operations based on investment advisory agreement.)

II. Results of operations of business segment to be split

FY12/2012 revenue: 2,282 million yen

III. Asset and liabilities items, and amounts to be split

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	2,007 million yen	Current liabilities	36 million yen
Fixed assets	73 million yen	Long-term liabilities	3 million yen
Total	2,080 million yen	Total	40 million yen

\*Estimates as of March 31, 2013

D. The merger of KOP, KRP, and KDA (the Merger II) and the change of trade name to Kenedix Real Estate Fund Management, Inc.

(1) Method of merger

KDA and KOP are to be absorbed by KRP, which is to be the surviving corporate entity, and KDA and KOP are to be dissolved.

(2) Allotment of stock associated with merger

Deliver shares or any other consideration is not planned.

(3) Treatment of subscription rights to shares and bonds with subscription rights to shares in association with merger

Not applicable.

(4) Overview of the companies involved

<Overview of KRP>

Please refer to Item "4. Summary of the Reorganization, C. The merger of KOP, KRP, and KDA (the Merger II) and the change of trade name to Kenedix Real Estate Fund Management, Inc., (4) Overview of the companies involved" that was mentioned in the May 28 news release.

<Overview of KOP (as of July 10, 2013)>

(1) Name	Kenedix Office Partners, Inc.
(2) Address	2-2-9 Shimbashi, Minato-ku, Tokyo
(3) Representative	Naokatsu Uchida, CEO and President
(4) Business	Investment management business, administration of the operation of the Investment Corporation, etc.
(5) Established	November 28, 2003
(6) Capital	200 million yen
(7) Major shareholders and shareholding ratios	Kenedix Asset Management, Inc.: 90% Kenedix, Inc.: 10%
(8) Results of operations and financial conditions for the last three years	Please refer to Item "4. Summary of the Reorganization, C. The merger of KOP, KRP, and KDA (the Merger II) and the change of trade name to Kenedix Real Estate Fund Management, Inc., (4) Overview of the companies involved" that was mentioned in the May 28 news release.

<Overview of KDA>

Please refer to Item “4. Summary of the Reorganization, A. Merger between KDA and KDAM (the Merger I), (4) Overview of the companies involved” that was mentioned in the May 28 news release.

5. Status after the Reorganization

(1) Status of KDX after the Reorganization

Name	Kenedix, Inc.
Address	2-2-9 Shimbashi, Minato-ku, Tokyo
Representative	Taisuke Miyajima, CEO & President
Business	Consulting business related to real estate transactions and usage as well as asset management Transaction, leasing, brokerage and appraisal for real estate, management of real estate, group control administration, type II financial instruments business operations, investment advisory and agency operations, etc.
Capital	31,322 million yen (non-consolidated)
Fiscal year	December

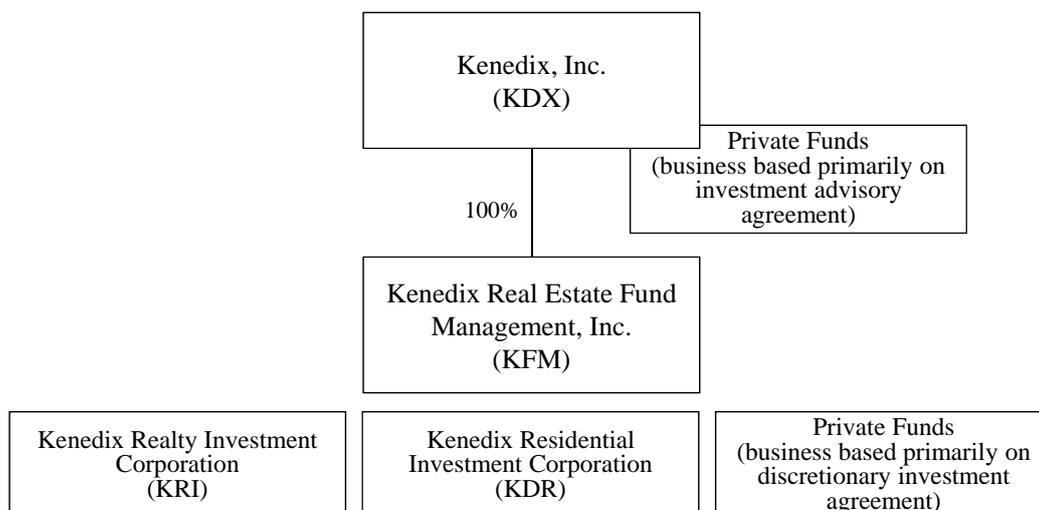
(2) Status of KFM after the Reorganization

Name	Kenedix Real Estate Fund Management, Inc.
Address	2-2-9 Shimbashi, Minato-ku, Tokyo
Representative	Ryosuke Homma, President and Representative Director
Business	Investment management business, administration of the operation of the Investment Corporation, instrument advisory and agency operations, etc.
Capital	100 million yen (non-consolidated)
Total assets	1,700 million yen*
Net assets	1,300 million yen*
Fiscal year	December

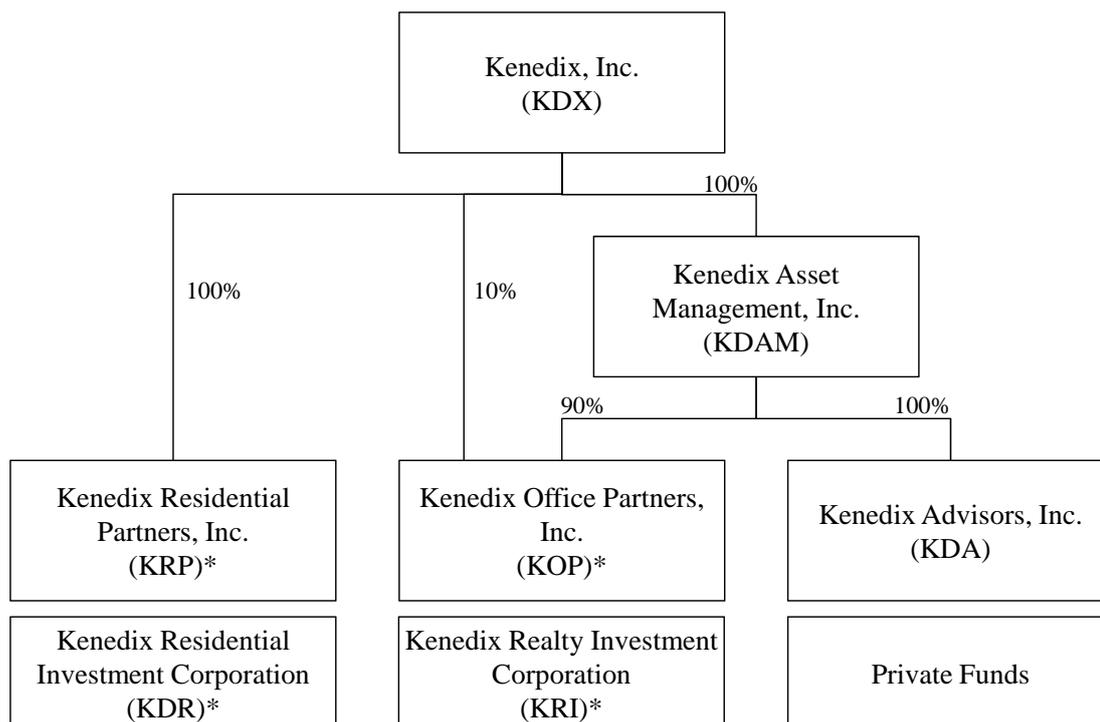
\*Estimates as of March 31, 2013

(3) Status of Kenedix Group after the Reorganization

<After the Reorganization>



<Before the Reorganization (as of July 10, 2013)>



\*KRP is the asset management company for KDR and KOP is the asset management company for KRI.

(4) KFM personnel and management structure for J-REITs and private funds

Please refer to Item “5. Status after the Reorganization, (4) KFM personnel and management structure for J-REITs and private funds (planned)” that was mentioned in the May 28 news release.

6. Status of contract and other agreements with the sponsor concerning the supply of properties and provision of information

Please refer to Item “6. Status of contract and other agreements with the sponsor concerning the supply of properties and provision of information” that was mentioned in the May 28 news release.

7. Impact on operating results

A. Effect on consolidated results of operations

There is no change in the forecast for consolidated results of operations in 2013 due to the Reorganization. The Kenedix Group plans to perform the procedure for using consolidated taxation starting in the fiscal year after the completion of the Reorganization. If the Reorganization is completed as planned on October 1, 2013 and consolidated taxation begins in 2014, there will be an effect on tax-effect accounting used for the 2013 financial statements. However, the monetary amount of this effect is uncertain at this time. The Company will make an announcement promptly if there is a need to revise the 2013 forecast due to the effects of using the consolidated taxation system.

The Company believes that using consolidated taxation will increase solidarity among group companies and be beneficial with regard to corporate governance. Since the Company has accumulated losses that can offset future taxes, these losses may have tax benefits for the future earnings of consolidated subsidiaries, too.

B. Effect on non-consolidated results of operations

As was announced on July 10, 2013 in a news release titled “Notice of Assumption and Forgiveness of Debt of a Consolidated Subsidiary,” there will be a non-consolidated extraordinary loss of approximately

12.9 billion yen in 2013 for a loss on the assumption of debt. However, there will be no effect on consolidated results of operations because this loss will be eliminated by the consolidation process. For more information, please refer to the above news release.