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(Securities Code: 4321)

March 4, 2014

To Those Shareholders with Voting Rights

Taisuke Miyajima
President
Kenedix, Inc.
2-2-9, Shimbashi, Minato-ku,
Tokyo

NOTICE OF THE 19th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 19th Ordinary General Meeting of Shareholders of the Company. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights either in writing or by electromagnetic means via the Internet, etc. Please review the “Reference Documents for General Meeting of Shareholders” mentioned below, and exercise your voting rights by no later than 5:30 p.m., Tuesday, March 25, 2014.

[When exercising voting rights in writing]

Please vote on the proposals in the enclosed Voting Rights Exercise Form, and return it so that it will arrive by the aforementioned exercise deadline.

[When exercising voting rights by electromagnetic means (via the Internet, etc.)]

For exercising your voting rights via the Internet, etc., access the website designated by the Company for exercising voting rights (<http://www.web54.net/>), and, entering the “voting rights exercise code” and “password” indicated on the Voting Rights Exercise Form, input approval or disapproval on the proposals.

Note that if you exercise your voting rights by two different methods, that is, via the Internet as well as in writing, the vote that arrives later shall be deemed valid; however, if two votes arrive on the same day, the vote via the Internet shall be deemed valid.

[To institutional investors]

In addition to the above method for exercising your voting rights via the Internet, you may use the electronic voting rights exercise platform operated by ICJ, Inc., a joint venture established by Tokyo Stock Exchange, Inc. and others, only if you have applied in advance.

[When exercising voting rights by authorizing a proxy]

You can exercise your voting rights by authorizing another shareholder with voting rights to act as your proxy.

- 1. Date and Time** 10:00 a.m., Wednesday, March 26, 2014
(Attendance registration begins at 9:00 a.m.)
- 2. Place** Tokyo International Forum, Hall B7, 3-5-1 Marunouchi, Chiyoda-ku, Tokyo
(This venue is different from last year. Please refer to Venue Information for the General Meeting of Shareholders at the back of this document when attending.)
- 3. Agenda of the Meeting:**
- Matters to be reported:**
1. Contents of the Business Report, the Consolidated Financial Statements and Audit Reports of the Accounting Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements for the 19th Fiscal Term (from January 1, 2013 to December 31, 2013)
 2. Non-Consolidated Financial Statements for the 19th Fiscal Term (from January 1, 2013 to December 31, 2013)

Proposals to be resolved:

<Company proposals (Proposals No. 1 to No. 5)>

- Proposal No. 1:** Partial Amendment to the Articles of Incorporation (Change in Address of Head Office)
- Proposal No. 2:** Reduction of Capital Reserve and Appropriation of Surplus
- Proposal No. 3:** Election of Eight (8) Directors
- Proposal No. 4:** Election of One (1) Corporate Auditor
- Proposal No. 5:** Election of One (1) Substitute Corporate Auditor

<Shareholder's proposals (Proposals No. 6 to No. 8)>

- Proposal No. 6:** Partial Amendment to the Articles of Incorporation (Responsibility of Directors under the New Companies Act in the event of an MBO)
- Proposal No. 7:** Partial Amendment to the Articles of Incorporation (Prohibits discrimination of foreign shareholders)
- Proposal No. 8:** Partial Amendment to the Articles of Incorporation (Prohibits treating blank ballots as approval of a Company proposal and opposition of a shareholder proposal)

- (1) If any circumstance occurs such that the attached documents and Reference Documents for General Meeting of Shareholders must be modified, the matters after modification will be posted on the Internet website of the Company (<http://www.kenedix.com/eng/>).
- (2) For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the Meeting.
- (3) To conserve natural resources, those attending are advised to bring this "NOTICE OF THE 19th ORDINARY GENERAL MEETING OF SHAREHOLDERS" with them.
- (4) Congestion between the entrance to the venue and the shareholder reception area is expected on the day of the General Meeting of Shareholders. Shareholders are asked to arrive ahead of time.
- (5) Among the documents to be provided at the time of giving this Notice of Convocation, those concerning 1) and 2) as shown below (components of the Consolidated Financial Statements and Non-Consolidated Financial Statements) are not disclosed in this Notice of Convocation but instead presented on the Company's Internet website (<http://www.kenedix.com/>), in compliance with the laws and ordinance and the provisions of Article 15 of the Company's Articles of Incorporation.
 - 1) Notes to the Consolidated Financial Statements (for the 19th Fiscal Term)
 - 2) Notes to the Non-Consolidated Financial Statements (for the 19th Fiscal Term)
 The attached documents of this Notice of convocation are part of the Business Reports, Consolidated Financial Statements and Non-Consolidated Financial Statements that were audited by the Corporate Auditors and Accounting Auditor in preparation of their Audit Reports.

Reference Documents for General Meeting of Shareholders

Proposals and references

<Company proposals (Proposals No. 1 to No. 5)>

Proposal No. 1: Partial Amendment to the Articles of Incorporation (Change in Address of Head Office)

(1) Reasons for the proposal

The Company proposes to amend the address of the head office currently stipulated in Article 3 (Address of Head Office) from Minato-ku, Tokyo to Chuo-ku, Tokyo to accompany the relocation of the head office with the objective of streamlining operations.

(2) The details of the amendment are as follows.

(Underlined parts are amended.)

Current Articles of Incorporation	Proposed Amendment
(Address of Head Office) Article 3 The head office of the Company shall be in <u>Minato-ku</u> , Tokyo.	(Address of Head Office) Article 3 The head office of the Company shall be in <u>Chuo-ku</u> , Tokyo.

Proposal No. 2: Reduction of Capital Reserve and Appropriation of Surplus

(1) Objective of Reduction of Capital Reserve and Appropriation of Surplus

The Company proposes to reduce the capital reserve to cover the deficit of retained earnings carried forward for the purpose of securing flexibility and mobility for financial strategy going forward and to make possible an early resumption of dividend payments.

(2) Summary of Reduction of Capital Reserve and Appropriation of Surplus

1) Reduction in Amount of Capital Reserve

Based on the provisions of Paragraph1, Article 448 of the Companies Act, the Company will reduce the capital reserve by 11,714,250,268 yen and transfer an equivalent amount to other capital surplus.

(a) Amount of capital reserve to be reduced

Capital reserve: 11,714,250,268 yen (out of 40,496,497,868 yen)

Amount of capital reserve after reduction: 28,782,247,600 yen

(b) Effective date of reduction in capital reserve

March 27, 2014

2) Appropriation of Surplus

Based on the provision of Article 452 of the Companies Act, the full amount of the 11,714,250,268 yen in other capital surplus following the transfer described in (1) will be transferred to retained earnings carried forward to cover the deficit.

(a) Reducing item and amount

Other capital surplus: 11,714,250,268 yen

(b) Increasing item and amount

Retained earnings carried forward: 11,714,250,268 yen

Proposal No. 3: Election of Eight (8) Directors

The term of office of all six Directors will expire at the close of this General Meeting of Shareholders. Accordingly, the Company proposes the election of two additional Directors to a total of eight Directors for the purpose of further strengthening the business management structure accompanying the organizational restructuring of the Group and expansion in the scale of business. The candidates for Directors are as follows.

Candidate No.	Name (Date of birth)	Career history, status, assignment and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
1	Atsushi Kawashima (January 4, 1959) [Percentage of attendance at Board of Directors' meetings: 100%] (Number of meetings during business year: 29, number of attendance: 29)	<p>June 1998 Joined the Company</p> <p>March 2001 Director (Executive Vice President)</p> <p>January 2003 Director and Executive Officer (General Manager, Real Estate Investment Advisory Division)</p> <p>March 2003 Executive Officer, COO (General Manager, Real Estate Investment Advisory Division)</p> <p>August 2004 Executive Officer, COO</p> <p>March 2005 Director and Executive Officer, COO</p> <p>January 2007 Director, COO</p> <p>March 2007 President and Representative Director</p> <p>May 2010 Director, MAX-REALTY INC.</p> <p>March 2013 Chairman (present post)</p> <p>October 2013 Representative Director, Space Design, Inc. (present post)</p> <p>[Important concurrent positions] Representative Director, Space Design, Inc.</p>	270,600 shares	None
2	Taisuke Miyajima (April 17, 1962) [Percentage of attendance at Board of Directors' meetings: 100%] (Number of meetings during business year: 29, number of attendance: 29)	<p>April 1998 Joined the Company</p> <p>January 2004 External assignment as CEO and President, KW REIT Management, Inc. (present Kenedix Real Estate Fund Management, Inc.)</p> <p>April 2005 Transferred as CEO and President, KW REIT Management, Inc.</p> <p>May 2005 Executive Director, Kenedix Realty Investment Corporation (present Kenedix Office Investment Corporation)</p> <p>February 2012 Corporate Advisor, Kenedix Inc.</p> <p>February 2012 Director, Kenedix Office Partners, Inc. (present Kenedix Real Estate Fund Management, Inc.)</p> <p>March 2012 Director, Kenedix Asset Management, Inc. (present Kenedix Real Estate Fund Management, Inc.)</p> <p>March 2012 Director (Responsible for asset management business)</p> <p>March 2013 President and Representative Director (present post)</p> <p>March 2013 Representative Director, Kenedix Asset Management, Inc. (present Kenedix Real Estate Fund Management, Inc.)</p> <p>[Important concurrent positions] Not Applicable</p>	85,800 shares	None

Candidate No.	Name (Date of birth)	Career history, status, assignment and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
3	Taiji Yoshikawa (November 2, 1952) [Percentage of attendance at Board of Directors' meetings: 93%] (Number of meetings during business year: 29, number of attendance: 27)	<p>February 1998 Joined the Company</p> <p>October 2001 General Manager, Management Division</p> <p>January 2003 Executive Officer, CFO</p> <p>March 2003 Director, Executive Officer and CFO</p> <p>January 2007 Director, CFO</p> <p>March 2009 Director (Responsible for Corporate Planning Department and Research Strategy Department)</p> <p>February 2010 Director, General Manager, Corporate Planning Department</p> <p>September 2010 Director (Responsible for Corporate Planning Department and General Administration and Human Resources Division)</p> <p>October 2011 Director (Responsible for Corporate Planning Department, General Administration and Human Resources Division, Finance & Accounting Department, and Business Control Department)</p> <p>February 2012 Director (Responsible for General Administration and Human Resources Division, Finance & Accounting Department, and Business Control Department) (present post)</p> <p>[Important concurrent positions] Representative Director, C & K Co., Ltd.</p>	68,600 shares	None
4	[New Candidate] Soushi Ikeda (September 29, 1967)	<p>June 2003 Joined the Company</p> <p>June 2004 External assignment to KW REIT Management, Inc. (present Kenedix Real Estate Fund Management, Inc.)</p> <p>October 2004 Director, General Manager, Investment Management Department, KW REIT Management, Inc.</p> <p>June 2007 Senior Manager, Investment Business Department</p> <p>April 2008 Executive Officer, General Manager, Investment Business Department</p> <p>January 2010: Executive Officer, General Manager, Strategic Investment Department (present post)</p> <p>[Important concurrent positions] Not Applicable</p>	None	None

Candidate No.	Name (Date of birth)	Career history, status, assignment and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
5	[New Candidate] Masahiko Tajima (July 18, 1965)	<p>May 2005 Joined the Company, External assignment as General Manager, Financial Planning Division, Kenedix REIT Management, Inc. (present Kenedix Real Estate Fund Management, Inc.)</p> <p>June 2007 Director, General Manager, Financial Planning Division, Kenedix REIT Management, Inc.</p> <p>February 2012 Executive Officer, General Manager, Corporate Planning Department (present post)</p> <p>October 2013 Director, Kenedix Real Estate Fund Management, Inc. (present post)</p> <p>[Important concurrent positions] Director, Kenedix Real Estate Fund Management, Inc.</p>	None	None
6	Shuheishi Shiozawa (September 19, 1955) (Candidate for Outside Director) [Percentage of attendance at Board of Directors' meetings: 97%] (Number of meetings during business year: 29, number of attendance: 28)	<p>November 1986 Ph.D. (Economics) in University of Minnesota</p> <p>April 1987 Associate Professor, Economics, Keio University</p> <p>April 1994 Professor, Economics, Keio University (present post)</p> <p>January 2001 Cabinet Counselor (Global Economics)</p> <p>October 2005 Dean, Faculty of Economics, Keio University</p> <p>April 2008 Member of CPA Examination Committee</p> <p>March 2012 Director of the Company (present post)</p> <p>[Important concurrent positions] Professor, Economics, Keio University</p>	None	None

Candidate No.	Name (Date of birth)	Career history, status, assignment and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
7	Yasuo Ichikawa (July 15, 1948) (Candidate for Outside Director) Percentage of attendance at Board of Directors' meetings: 100%] (Number of meetings during term of appointment: 23, number of attendance: 23)	<p>April 1971 Joined The Sumitomo Bank, Limited (present Sumitomo Mitsui Banking Corporation)</p> <p>May 2000 Executive Officer, Head of Tokyo First Corporate Banking Division and Head of Kanagawa Corporate Banking Division, The Sumitomo Bank, Limited</p> <p>March 2001 Resigned from The Sumitomo Bank, Limited</p> <p>April 2001 Corporate Advisor, Sumitomo Real Estate Sales Co., Ltd.</p> <p>June 2001 Managing Director, Sumitomo Real Estate Sales Co., Ltd.</p> <p>June 2004 Senior Managing Director, Sumitomo Real Estate Sales Co., Ltd.</p> <p>June 2005 Resigned from Sumitomo Real Estate Sales Co., Ltd.</p> <p>June 2005 Executive Managing Director, Kumagai Gumi Co., Ltd.</p> <p>April 2011 Executive Officer, Executive Vice President, Kumagai Gumi Co., Ltd.</p> <p>June 2011 Director, Executive Vice President, Kumagai Gumi Co., Ltd.</p> <p>March 2013 Director (present post)</p> <p>June 2013 Resigned as Director, Executive Vice President, Kumagai Gumi Co., Ltd.</p> <p>[Important concurrent positions] Not Applicable</p>	5,000 shares	None
8	[New Candidate] Ko Sekiguchi (May 4, 1948) (Candidate for Outside Director)	<p>April 1973 Joined Mitsubishi Corporation</p> <p>May 1990 Joined The Boston Consulting Group, Inc.</p> <p>January 1996 General Manager, Sterrad Business Division, Johnson & Johnson Medical K.K. (present Johnson & Johnson K.K. Medical Company)</p> <p>November 1998 Representative Director and President, Janssen-Kyowa Co., Ltd. (present Janssen Pharmaceutical K.K.)</p> <p>July 2009 Representative Director and Chairman, Janssen-Kyowa Co., Ltd.</p> <p>October 2009 Senior Advisor, Janssen-Kyowa Co., Ltd.</p> <p>August 2010 Professor, Kenichi Ohmae Graduate School of Business (present post)</p> <p>January 2012 Director, General Incorporated Association DIA Japan (present post)</p> <p>April 2012 Director, N.I.C. Corporation (present Solasto Corporation) (present post)</p> <p>[Important concurrent positions] Director, General Incorporated Association DIA Japan Professor, Kenichi Ohmae Graduate School of</p>	None	None

		Business Director, Solasto Corporation		
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Note: The Company has made a submission designating Mr. Shuhei Shiozawa as an independent director as stipulated in Rule 436-2 of Securities Listing Regulations of Tokyo Stock Exchange. Upon election of Mr. Shuhei Shiozawa and Mr. Ko Sekiguchi as Outside Directors in accordance with the proposal in its original form, Mr. Shuhei Shiozawa will be designated as an independent director again, and Mr. Ko Sekiguchi will be newly designated as an independent director.

“Reasons for having Mr. Shiozawa, Mr. Ichikawa and Mr. Sekiguchi as candidates for Outside Directors and concerning the liability limitation agreement with Outside Directors”

- (1) Reasons for having Mr. Shiozawa, Mr. Ichikawa and Mr. Sekiguchi as candidates for Outside Directors
The Company adopts an approach of further increasing corporate value through the inclusion of a range of opinions from diverse points of view in the composition of the Outside Directors.
Therefore, the election of candidates for new Outside Directors is a process during which the Company approaches individuals who are considered to be suitable in view of their independence and practical experience from a range of industries from a list of candidates with various backgrounds in order to make its decision.

The Company recommends Mr. Shuhei Shiozawa as it believes he is capable of providing advice and opinions continuously as a supervisor of Directors from an independent viewpoint, regarding business management with a focus on shareholder value, based on his ample knowledge and experience as a university professor in the Department of Economics, and so it is proposed that he be elected as Outside Director.

Mr. Shiozawa’s term of office as Outside Director will be two years as of the conclusion of this meeting. The Company recommends Mr. Yasuo Ichikawa as it believes he will take full advantage of his ample work experience and profound managerial insight of the financial, construction and real estate industries to provide advice that will further raise shareholder value, and so it is proposed that he be elected as Outside Director.

Mr. Ichikawa’s term of office as Outside Director will be one year as of the conclusion of this meeting. The Company recommends Mr. Ko Sekiguchi as it believes that he is capable of providing supervision of Directors in their execution of operations from the perspective of protecting the interests of shareholders based on his ample management experience at global companies and his expert knowledge as a graduate school professor, and so it is proposed that he be elected as Outside Director.

- (2) Concerning the liability limitation agreement with Outside Directors
The Company has executed liability limitation agreements with the Outside Directors to prescribe that liability for damage to the Company due to negligence of his/her duties can be limited to a certain scope.
Upon the election of Mr. Shuhei Shiozawa, Mr. Yasuo Ichikawa and Mr. Ko Sekiguchi as Outside Directors in accordance with the proposal in its original form, the current agreements with Mr. Shuhei Shiozawa and Mr. Yasuo Ichikawa shall continue to be effective, and a new such agreement is expected to be executed with Mr. Ko Sekiguchi.
Summary of the relevant agreement contents is as follows:
1) The maximum liability amount borne by an Outside Director to the Company due to negligence of his/her duties shall be the amount as set forth in the laws and ordinance.
2) The above liability limit shall be admitted only when there is no willful misconduct or gross negligence by the Outside Director in the execution of duties that create the liability.

Proposal No. 4: Election of One (1) Corporate Auditor

The term of office of Corporate Auditor Ninji Hayashi will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed that one Corporate Auditor be elected.

Regarding the submission of this proposal, the consent of the Board of Corporate Auditors has been obtained.

The candidate for Corporate Auditor is as follows.

Name (Date of birth)	Career history, status, assignment and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
[New Candidate] Tetsuo Ueda (July 10, 1955)	April 1979 Joined The Daiwa Bank, Limited (current Resona Bank, Limited) February 2004 General Manager Hiroshima Branch, The Daiwa Bank, Limited June 2006 General Manager, Ueno Branch, The Daiwa Bank, Limited April 2008 General Manager, Business Management Department, Kenedix Advisors, Inc. (present Kenedix Real Estate Fund Management, Inc.) October 2008 General Manager, General Administration Department and Compliance Officer, Kenedix Advisors, Inc. March 2010 General Manager, General Administration and Human Resources Division October 2013 General Manager, General Administration and Human Resources Division December 2013 General Manager assigned to General Administration and Human Resources Division (present post)	None	None

Proposal No. 5: Election of One (1) Substitute Corporate Auditor

In order to prepare for the case that the number of Corporate Auditors may lack specified by laws and regulations, the Company elects one Substitute Corporate Auditor. As the term of office of the current Substitute Corporate Auditor will cease to be effective at the close of this General Meeting of Shareholders, the Company proposes that a Substitute Corporate Auditor be elected.

As prescribed in Article 31 of the Articles of Incorporation of the Company, the appointment of Substitute Corporate Auditor will be effective until the beginning of the first Ordinary General Meeting of Shareholders to be convened following his/her election.

Regarding the submission of this proposal, the consent of the Board of Corporate Auditors has been obtained.

The candidate for Substitute Corporate Auditor is as follows.

Name (Date of birth)	Career history, status, assignment and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
Yoko Sanuki (April 3, 1949)	April 1981 Registered as an attorney at law Yonezu Godo Law Office November 2001 Established NS Law Office June 2003 Outside Corporate Auditor, KURAYA SANSEIDO Inc. (present MEDIPAL HOLDINGS CORPORATION) June 2007 Outside Corporate Auditor, Meiji Dairies Corporation April 2009 Outside Director, MEIJI Holdings Co., Ltd. (present post) June 2011 Outside Director, Resona Bank, Limited June 2012 Outside Director, Resona Holdings, Inc. (present post) March 2013 Substitute Corporate Auditor (present post) [Important concurrent positions] Representative of NS Law Office Outside Director, MEIJI Holdings Co., Ltd. Outside Director, Resona Holdings, Inc.	None	None

Note: Ms. Yoko Sanuki is a candidate for Substitute Outside Corporate Auditor.

“Reasons for having Ms. Yoko Sanuki as a candidate for Substitute Outside Corporate Auditor and concerning the Liability Limitation Agreement upon taking office as Outside Corporate Auditor”

(1) Reasons for having Ms. Yoko Sanuki as a candidate for Substitute Outside Corporate Auditor

In order to prepare for the case that the number of Corporate Auditors falls below the number specified by laws and regulations, the Company proposes the election of Ms. Yoko Sanuki as Substitute Outside Corporate Auditor. The Company believes that Ms. Sanuki, as an attorney at law, would be a quite competent auditor, utilizing her thorough knowledge of legal matters and diverse practical experience acquired through business management.

(2) Concerning liability limitation agreement with the Outside Corporate Auditor

The Company has executed a liability limitation agreement with the Outside Corporate Auditor to prescribe that liability for damage to the Company due to negligence of his/her duties can be limited to a certain scope. The Company intends to conclude a liability limitation agreement with Ms. Yoko Sanuki upon her assumption of office as Outside Corporate Auditor, following the conditions where she is elected as Substitute Outside Corporate Auditor in accordance with the proposal in its original form and the number of Corporate Auditors falls short of the number specified by laws and regulations.

Summary of the relevant agreement contents is as follows:

- 1) The maximum liability amount borne by an Outside Corporate Auditor to the Company due to negligence of his/her duties shall be the amount as set forth in laws and ordinance.
- 2) The above liability limit shall be admitted only when there is no willful misconduct or gross negligence by the Outside Corporate Auditor in the execution of duties that create the liability.

<Shareholder's Proposals (Proposals No. 6 to No. 8)>

Proposals No. 6 to No. 8 were advanced by one shareholder of the Company. (The proposer holds 390 voting rights or 0.01% of all voting rights)

The details and reasons for each proposal are translations of the original text with no revisions and in the order the proposals were submitted.

Proposal No. 6: Partial Amendment to the Articles of Incorporation (Responsibility of Directors under the New Companies Act in the event of an MBO)

(1) Details of Proposal

It is proposed that the following provision be added to the Articles of Incorporation:

- 1) When there is a request from a controlling shareholder for the approval of a demand to sell stock, etc. pursuant to Article 179-3-1 of the New Companies Act (Amended Companies Act based on Legislative bill submitted by the cabinet 185 No. 22 "Proposal to Partially Amend the Companies Act"), the Directors shall ask for the payment for the sale of stock, etc.
- 2) The Directors may not approve a withdrawal of the demand to sell stock, etc. pursuant to Article 179-6 of the New Companies Act.
- 3) This provision shall become effective on the day that the New Companies Act is enacted.

(2) Reasons for Proposal

The current share price of the Company, which had once reached 4,000 yen in the past is low at around 500 yen, and there lies the possibility that the management of the Company may profit from a compulsory acquisition of shares from shareholders through an MBO.

Regarding this matter, shareholders are able to petition for pricing, and Article 179-6 of the New Companies Act permits the withdrawal of a demand for sale. However, if the demand for sale is withdrawn after shareholders spend a lot of effort to find an attorney-at-law to petition for pricing and has paid the retainer fee, then the retainer paid will come to waste. Moreover, an adverse effect on shareholders could arise as a result of such disadvantage. As such, withdrawal of a demand for the sale of shares, etc. should not be approved.

On the side, in the case of Akagi Suisan, the tender offerer became insolvent and unable to pay for the acquisition, and lead to substantial losses for the shareholders. In order to avoid such circumstances, deposit for the payment should be demanded. Although there is the view that withdrawal should be allowed in the event that a controlling shareholder becomes insolvent, this would not be a problem if payment has been deposited, rendering withdrawal unnecessary in such circumstances.

◇ Opinion of Kenedix Board of Directors

The Kenedix Board of Directors **opposes this proposal.**

Making management decisions that protect the interests of shareholders and maximize their benefits is the highest priority of Kenedix. We regard our shareholders as extremely important stakeholders.

At the time that the Board of Directors is submitting this opinion, the New Companies Act (the "Amended Companies Act" Legislative bill submitted by the Cabinet 185 No. 22 "Proposal to Partially Amend the Companies Act") had not been passed by the Japanese Diet and therefore has not yet been officially announced or enacted.

Kenedix believes that it is not proper to add in advance to the Articles of Incorporation a provision concerning a system that has not been established and a law that has not been enacted involving a demand for the sale of stock, etc. by a special controlling shareholder.

Consequently, Kenedix believes that establishing a provision like this proposal to the Articles of Incorporation is unnecessary.

Proposal No. 7: Partial Amendment to the Articles of Incorporation (Prohibits discrimination of foreign shareholders)

(1) Details of Proposal

It is proposed that the following provision be added to the Articles of Incorporation:

There shall be no discrimination of foreign investors by executives, employees and shareholders of Kenedix, such as by referring to these shareholders as “vultures.”

(2) Reasons for Proposal

There is deep-rooted prejudice against foreign investors in Japan and hate speech including terms such as “vultures” is widespread. This is not only contrary to notions of fairness and justice, but also has a serious impact on governance in Japan.

At Seibu Holdings, shareholders repeatedly questioned about the cumulative losses in the Hawaiian business without receiving any answers. However, inquiries from a foreign investor at its General Meeting of Shareholders in June 2013 succeeded in eliciting answers. This proves that the presence of foreign investors can improve governance, while discrimination lowers governance.

Moreover, foreign investors account for half of the transactions in the Japanese market, and discrimination against them causes low share prices among other effects. The proposer believes that if the discrimination against foreign investors as symbolized by the term “vultures” is eliminated, the Nikkei Average will soar by at least 1,000 yen as foreign investors would be able to feel comfortable about investing.

◇ Opinion of the Kenedix Board of Directors

The Kenedix Board of Directors **opposes this proposal.**

Kenedix is dedicated to maintaining sound relationships with all stakeholders in Japan and other countries. In addition, since its establishment, Kenedix has conducted a large number of major projects jointly with overseas investors.

Consequently, Kenedix believes that adding a provision like this proposal to the Articles of Incorporation is unnecessary.

Proposal No. 8: Partial amendment to the Articles of Incorporation (Prohibits treating blank ballots as approval of a Company proposal and opposition of a shareholder proposal)

(1) Details of Proposal

It is proposed that the following provision be added to the Articles of Incorporation:

For blank ballots in which approval or opposition is not entered in the voting document for a shareholders meeting, there shall be no unfair treatment concerning Company proposals and shareholder proposals.

(2) Reasons for Proposal

At General Meetings of Shareholders of the Company, a Voting Rights Exercise Form in which approval or disapproval has not been indicated is treated as disapproval to shareholder proposals and approval to Company proposals, which is unfair as the method of passing a resolution.

For example, in respect to a proposal for the election of Directors, when the Company's proposal is left blank and the shareholder's proposal is marked in the affirmative, it is treated as approval to the Company's proposals. As this is affirmative for both the Company's proposal and the shareholder's proposal, it is treated as abstention from both proposals, which is extremely unreasonable. In order to avoid treatment that contradicts the actual intentions of shareholders, the proposer believes that it is proper that Voting Rights Exercise Form in which neither approval nor disapproval has been indicated should be treated as abstention from the proposal regardless of whether it the Company's proposal or a shareholder's proposal. At the General Meeting of Shareholders of HOYA last year, a similar proposal received support of 41.89% based on the Voting Rights Exercise Form up to the day before the Meeting in addition to being recommended for approval by Institutional Shareholder Services Inc. (ISS).

◇ Opinion of the Kenedix Board of Directors

The Kenedix Board of Directors **opposes this proposal.**

When there are no voting instructions on a ballot, laws, regulations and court rulings all permit a company to record votes for Company proposals and against shareholder proposals.

This is a well-established standard practice that is used by most publicly owned companies in Japan.

Kenedix has established a system for handling ballots with no voting instructions and an explanation of this system is included in the ballot.

When a shareholder returns a ballot without entering voting instructions, there are almost always no instructions for all of the proposals. Kenedix believes that shareholders who submit blank ballots are entrusting Kenedix, which provided the ballot, with making voting decisions.

Consequently, Kenedix believes that treating blank ballots as abstentions is inconsistent with the wishes of the many shareholders who have gone to the trouble of returning ballots with no voting instructions. Kenedix therefore believes that there is no need to add a provision like this proposal to the Articles of Incorporation.

Consolidated Balance Sheet

(As of December 31, 2013)

(Millions of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	49,763	Current liabilities	13,253
Cash and deposits	25,795	Accounts payable — trade	594
Deposits held in trust	1,103	Short-term borrowings	3,541
Securities	5,000	Long-term borrowings — due within one year	7,211
Accounts receivable — trade	1,079	Corporate bonds — due within one year	19
Real estate for sale	14,950	Accrued income taxes	156
Acquired non-performing loans	353	Other	1,729
Income taxes refundable	169	Long-term liabilities	60,803
Deferred tax assets	156	Bonds payable	2,909
Other	1,243	Long-term borrowings	52,344
Allowance for doubtful accounts	(87)	Deferred tax liabilities	1,389
Fixed assets	98,635	Allowance for employees' retirement benefits	107
Property and equipment	78,586	Long-term security deposits	3,701
Buildings and structures	28,408	Other	351
Land	49,941	Total liabilities	74,056
Other	235	Net Assets	
Intangible assets	3,338	Shareholders' equity	71,128
Goodwill	412	Common stock	40,237
Leasehold right	2,861	Additional paid-in capital	40,496
Other	63	Retained earnings	(9,605)
Investment and other assets	16,710	Accumulated other comprehensive income	140
Investment securities	11,889	Net unrealized holding gains/losses on other securities	398
Investment in capital	461	Foreign currency translation adjustments	(257)
Long-term loans receivable	548	Stock acquisition rights	44
Deferred tax assets	63	Minority interests	3,028
Other	3,984	Total net assets	74,341
Allowance for doubtful accounts	(236)	Total liabilities and net assets	148,398
Total assets	148,398		

(Note) Amounts less than the stated units are rounded down.

Consolidated Statement of Income
(From January 1, 2013 to December 31, 2013)

(Millions of yen)

Account title	Amount	
Revenue		22,456
Cost of revenue		11,378
Gross profit		11,077
Selling, general and administrative expenses		4,162
Operating income		6,914
Non-operating income		
Interest income	26	
Consumption taxes differential (after being offset by suspense payments and receipt)	5	
Foreign exchange gains	61	
Equity in earnings of affiliates	87	
Other	94	275
Non-operating expenses		
Interest expenses	1,561	
Commissions paid	563	
Stock issuance cost	182	
Other	4	2,312
Ordinary income		4,878
Extraordinary income		
Gain on sales of fixed assets	144	
Other	2	146
Extraordinary loss		
Loss on sales of investment securities	241	
Loss on valuation of investment securities	2	
Loss on sales of fixed assets	1,855	
Office transfer expenses	132	
Impairment loss	48	
Other	11	2,291
Income before income taxes and profit distribution to silent partners		2,734
Profit distribution to silent partnerships	(0)	(0)
Income before income taxes		2,734
Current income taxes	646	
Deferred income taxes	72	718
Income before minority interests		2,015
Minority interests		29
Net income		1,985

(Note) Amounts less than the stated units are rounded down.

Consolidated Statement of Changes in Net Assets
(From January 1, 2013 to December 31, 2013)

(Millions of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of January 1, 2013	31,322	31,581	(11,593)	51,310
Changes in the fiscal year				
Net income	—	—	1,985	1,985
Issuance of new shares	8,915	8,915	—	17,830
Change of scope of consolidation	—	—	1	1
Net changes of items other than shareholders' equity	—	—	—	—
Total changes in the fiscal year	8,915	8,915	1,987	19,818
Balance as of December 31, 2013	40,237	40,496	(9,605)	71,128

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net assets
	Net unrealized holding gains/losses on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance as of January 1, 2013	(57)	(429)	(486)	—	5,247	56,071
Changes in the fiscal year						
Net income	—	—	—	—	—	1,985
Issuance of new shares	—	—	—	—	—	17,830
Change of scope of consolidation	—	—	—	—	—	1
Net changes of items other than shareholders' equity	455	171	627	44	(2,219)	(1,547)
Total changes in the fiscal year	455	171	627	44	(2,219)	18,270
Balance as of December 31, 2013	398	(257)	140	44	3,028	74,341

(Note) Amounts less than the stated units are rounded down.

Non-consolidated Statement of Income
(From January 1, 2013 to December 31, 2013)

(Millions of yen)

Account title	Amount	
Revenue		
Revenue on Asset Management Business	2,696	
Revenue on Real Estate Investment Business	1,099	
Revenue on Real Estate Lease Business	1,336	5,132
Cost of revenue		
Cost of revenue on Asset Management Business	276	
Cost of revenue on Real Estate Investment Business	292	
Cost of revenue on Real Estate Lease Business	2,420	2,990
Gross income		2,142
Selling, general and administrative expenses		1,980
Operating income		162
Non-operating income		
Interest income	528	
Dividends income	78	
Other	85	692
Non-operating expenses		
Interest expenses	753	
Provision for doubtful accounts	372	
Commissions paid	143	
Stock issuance cost	182	
Other	0	1,452
Ordinary loss		(597)
Extraordinary income		
Gain on extinguishment of tie-in shares	1,577	
Other	47	1,625
Extraordinary loss		
Loss on valuation of investment securities	12	
Loss on valuation of stocks of subsidiaries and affiliates	3,376	
Loss on the assumption and forgiveness of debt	12,947	
Office transfer expenses	77	
Other	243	16,658
Loss before income taxes		(15,631)
Current income taxes	3	
Deferred income taxes	8	11
Net loss		(15,642)

(Note) Amounts less than the stated units are rounded down.

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2013 to December 31, 2013)

(Millions of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
		Capital reserve	Other retained earnings	
Retained earnings carried forward				
Balance as of January 1, 2013	31,322	31,581	3,928	66,831
Changes in the fiscal year				
Net loss	—	—	(15,642)	(15,642)
Issuance of shares	8,915	8,915	—	17,830
Net changes of items other than shareholders' equity	—	—	—	—
Total changes in the fiscal year	8,915	8,915	(15,642)	2,187
Balance as of December 31, 2013	40,237	40,496	(11,714)	69,019

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Net unrealized holding gains/losses on other securities	Total valuation and translation adjustments		
Balance as of January 1, 2013	(112)	(112)	—	66,718
Changes in the fiscal year				
Net loss	—	—	—	(15,642)
Issuance of shares	—	—	—	17,830
Net changes of items other than shareholders' equity	256	256	44	300
Total changes in the fiscal year	256	256	44	2,488
Balance as of December 31, 2013	143	143	44	69,207

(Note) Amounts less than the stated units are rounded down.