

Translation of Japanese Original

September 28, 2015

To All Concerned Parties

REIT Issuer:
Kenedix Residential Investment Corporation
Representative: Akira Tanaka, Executive Director
(Securities Code Number: 3278)

Asset Management Company:
Kenedix Real Estate Fund Management, Inc.
Representative: Ryosuke Homma, President and
Representative Director
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Notice Concerning Acquisition of Property (Serenite Kita-kyuhoji)

Kenedix Residential Investment Corporation (the “Investment Corporation”) announced today that Kenedix Real Estate Fund Management, Inc. (the “Asset Management Company”), the asset management company for the Investment Corporation, has decided to acquire the following property. Details are as follows.

1. Overview of the Acquisitions

(R-41) Serenite Kita-kyuhoji

(1) Type of Asset ⁽¹⁾	Trust beneficiary interest in real estate
(2) Asset Name	Serenite Kita-kyuhoji
(3) Acquisition Price ⁽²⁾	¥1,290,740 thousand
(4) Seller	Please refer to 4. “Seller’s Profile”
(5) Date of Sales Contract	September 28, 2015
(6) Scheduled Date of Acquisition	October 27, 2015
(7) Funds for Acquisition	Debt Finance ⁽³⁾ and Cash on hand
(8) Settlement Method	Payment in full on date of acquisition

(Note 1) The Investment Corporation has agreed with the seller that it will entrust the to-be acquired asset to Mitsubishi UFJ Trust and Banking Corporation as trustee until the time of acquisition and that it will receive the transfer of the trust beneficiary interest of the trust.

(Note 2) “Acquisition Price” is the sales amount of the trust beneficiary interest (excluding acquisition costs, property tax, city planning tax or consumption tax, etc.) indicated in the trust beneficiary interest sales contract concerning the asset to be acquired and is rounded down to the nearest thousand yen.

(Note 3) Debt finance with new loan is under consideration as of today. The Investment Corporation will announce the detail of the new loan by the date of acquisition.

2. Reason for Acquisition of Properties

The property is being acquired to diversify and enhance the portfolio to achieve asset growth and secure stable revenues, in accordance with the Investment Corporation’s investment targets and policies, as set forth in its Articles of Incorporation.

The Investment Corporation is committed to maximizing the unitholders’ value by realizing stable rental revenues and steady growth of assets by leveraging the characteristics of rental housing and other residential properties through flexible and dynamic real estate investment management.

3. Overview of the Asset To-be Acquired

(R-41) Serenite Kita-kyuhoji

Property name	Serenite Kita-kyuhoji
Type of assets	Trust beneficiary interest in real estate
Trustee ⁽¹⁾	Mitsubishi UFJ Trust and Banking Corporation

Trust term ⁽¹⁾		October 27, 2015 through October 31, 2025
Previous owner		Not disclosed according to seller's intention
Location (Address) ⁽²⁾		1-3-15, Kita-kyuhoji-machi, Osaka-shi, Osaka
Land	Type of ownership	Proprietary ownership
	Site area	431.83 m ²
	Use districts	Commercial districts
	Building coverage area ⁽³⁾	80 %
	Floor area ratio ⁽³⁾	600 %
Building	Type of ownership	Proprietary ownership
	Total floor area	2,734.22 m ²
	Construction completion date	July 2015
	Usage	Apartment building
	Type ⁽⁴⁾	Single
	Structure / Number of stories	Reinforced concrete structure with flat roof / Fifteen-story building
	Leasable number of units	85 units
Architect		SUNADA CO., LTD.
Constructor		SUNADA CO., LTD.
Building permit agency		Japan Confirmatory Test Center Corporation
Probable maximum loss ⁽⁵⁾		5.73 %
Acquisition price		¥ 1,290,740 thousand
Appraisal value ⁽⁶⁾		¥ 1,370,000 thousand
Appraiser		Morii Appraisal & Investment Consulting, Inc.
Existence of security after acquisition		No
Details of tenant		(as of August 31, 2015)
	Total number of tenants ⁽⁷⁾	1
	Total rental income ⁽⁸⁾	¥0
	Security and guarantee deposit ⁽⁹⁾	¥0
	Total leased units ⁽¹⁰⁾	0 units
	Total leased area ⁽¹¹⁾	0 m ²
	Total leasable area ⁽¹²⁾	2,277.14 m ²
	Occupancy ratio ⁽¹³⁾	0 %
Existence of security		No
Property management company ⁽¹⁴⁾		Choei Co., Ltd.
Master lease company ⁽¹⁵⁾		Choei Co., Ltd.
Type of master lease ⁽¹⁶⁾		Pass through structure
Contract period		October 27, 2015 through October 26, 2016 (schedule)
Other special considerations		None
Characteristics of the property		This property is located only a five-minute walk from Sakaisuji-Hommachi Station on the Osaka Municipal Subway Sakaisuji Line and Chuo Line, and a ten-minute walk from Tanimachi-Yonchome Station on the Tanimachi Line. This gives residents easy access to two subway stations and three subway lines. Osaka Station, the major business and commercial district of Osaka, is approximately 13 minutes by train from the nearest station. The name of this neighborhood dates back to Kyuhoji Temple, which was established here in the Asuka Period by Shotoku Taishi. Kita-kyuhoji-machi is one of the largest centers of wholesaling in Osaka. Residents can easily walk to the ward office as well as convenience stores, drug stores and many other facilities that are convenient for living. Therefore, stable rental demand can be expected from singles working in central Osaka.

(Note 1) The Investment Corporation has agreed with the seller that it will entrust the to-be acquired asset to Mitsubishi UFJ

Trust and Banking Corporation as trustee until the time of acquisition and that it will receive the transfer of the trust beneficiary interest of the trust.

(Note 2) “Location” is the indication of the residential address. In case there is no indication of the residential address, it is the building address under the lot address or the building location indicated in the registration items certificate (the lot number among such if there are multiple lot addresses).

(Note 3) “Building Coverage Ratio” and “Floor Area Ratio” are the designated building-to-land ratio and designated floor-area ratio provided in the city plan.

(Note 4) “Type” is the classification of the principal residential unit of the asset to-be acquired, the single type, the small family type or family type as described below (provided, however, in case the principal residential units fall under more than one type, the type to which the largest principal units based on the exclusively-owned area is described).

Single type (housing mainly for single households)	Small family type (housing mainly for married-couple households and family households with an infant)	Family type (housing mainly for family households of 3 persons or more)
The exclusively owned area per residential unit contains at least 18m ² , but less than 30m ² and at least 20 rentable units per property.	The exclusively owned area per residential unit contains at least 30m ² , but less than 60m ² and at least 15 rentable units per property.	The exclusively owned area per residential unit contains at least 60m ² per unit and at least 5 rentable units per property.

(Note 5) “Probable Maximum Loss” (PML) is the figure described in the earthquake PML valuation report (level 2) prepared for the asset to-be acquired created by Sampo Japan Nipponkoa Risk Management, Inc. in September 2015.

(Note 6) The “Appraisal Date” is September 1, 2015.

(Note 7) In the case that there is a master lease contract entered into with a master lease company, “Total Number of Tenants” is indicated as “1.”

(Note 8) The “Total Rent Income” is the sum of the monthly rent according to the lease agreements actually executed with the end tenants (the sum of rent and common area maintenance charges of the residents etc., provided, however, that in case the adjunct facilities fee such as car parking space usage fees are included in the lease agreements, it includes such fees) in the case that the master lease type is pass-through and is the monthly rent according to the sublease agreements with rent insurance executed with master lease company (the sum of rent and common area maintenance charges of the residents etc., provided, however, that in case the adjunct facilities fee such as car parking space usage fees are included in the lease agreements, it includes such fees) in the case that the master lease type is rent insurance. Furthermore, the figures are rounded down to the nearest thousand yen.

(Note 9) “Security and Guarantee Deposit” is the sum of the security and guarantee deposits, etc. of each end tenant based on the lease agreement executed with the each end tenant. However, in case there is a part for which returning is unnecessary due to special provision of deduction of security deposits, etc. in each lease agreement, it is the amount after the amount is deducted. In addition, the balance of the security and guarantee deposit, etc. based on the lease agreement with rent insurance executed with a master lease company is displayed in the case that the master lease type is rent insurance. However, it is the sum of pass-through security and guarantee deposits, etc. and rent insurance security and guarantee deposits, etc. in case agreement with a different master lease type has been executed. Furthermore, the figures are rounded down to the nearest thousand yen.

(Note 10) “Total Leased Units” is the number of leased residential units, where the lease agreements were actually executed with end tenants.

(Note 11) “Total Leased Area” is the leased floor area described in the lease agreements which were actually executed with end tenants.

(Note 12) “Total Leasable Area” is the floor area described in the lease agreements that is leasable at the asset to-be acquired (in case the asset to-be acquired contains more than one building, the sum of the leasable floor area of such buildings) (with regard to the vacant floor area as of August 31, 2015, the most recent contracted leased floor area described in the lease agreements or floor area based on calculations using completion drawings of the building).

(Note 13) “Occupancy Ratio” is the ratio of the “Total Leased Areas” (based on the lease agreements) to the “Total Leasable Area” of the asset to-be acquired rounded to the first decimal place.

(Note 14) “Property Management Company” is the property management company scheduled to execute the property management agreement for the asset to-be acquired.

(Note 15) “Master Lease Company” is the master lease company scheduled to execute the master lease agreement for the property.

(Note 16) “Type of master lease” is described as following; “Pass through structure” in case of the conclusion of the master lease contract without rent guarantee, “Rent guarantee structure” in case of the conclusion of the master lease contract with rent guarantee, and “-” in case that the owner concludes lease contract with end-tenant directly or there’s no end-tenant.

4. Seller’s Profile

The seller of the above acquisition is a business company in Japan, but details are not disclosed according to seller’s intention. The seller is not a special related party of the Investment Corporation or the Asset Management Company.

5. Profile of Property Buyers, etc.

Because the transaction is not with related-party of the Investment Corporation and the Asset Management Company, there are no applicable matters to be disclosed.

6. Details of Brokerage

For the above acquisition of the property, no party acted as broker.

7. Related-Party Transactions

This acquisition is not a related-party transaction as defined by the Investment Trusts and Investment Corporation Act or the related-party transaction rules of the Residential REIT Division of the Asset Management Company.

8. Seismic Resistance

For the asset to-be acquired, a structural calculation conformity judgment has been received from a designated structural calculation conformity assessment institution as specified in the amended Building Standards Act that became effective in June 2007.

9. Forecasts

The impact of the acquisition of the asset on the period ending January 2016 (August 1, 2015 to January 31, 2016) is minimal. Therefore, the forecast of financial results for the period remains unchanged.

10. Appraisals Report Summary

Property Name	Serenite Kita-kyuhoji
Appraisal Value	¥1,370,000,000
Appraiser	Morii Appraisal & Investment Consulting, Inc.
Appraisal Date	September 1, 2015

(Unit: Yen)

Item	Content	Basis
Income Capitalization Approach Value	1,370,000,000	Estimate combining the indicated value by DCF method and direct capitalization method
Value Calculated Using the Direct Capitalization Method	1,400,000,000	Estimate using capitalization with a capitalization rate of the standardized net cash flow that is expected to be received consistently over the medium and long terms
(1) Gross Operating Revenue	85,414,000	
Maiximu Gross Operating Revenue	88,999,000	Estimate based on the proper level of rent that is expected to be received consistently over the medium and long term
Shortfall Attributed to Vacancies	3,585,000	Estimate based on the proper level of occupancy rate over the medium and long terms
(2) Operating Expenses	15,920,000	
Maintenance Expenses	3,230,000	Estimate based on building management outsourcing expenses at similar properties
Utility Expenses	992,000	Estimate based on expenses at similar properties
Repair Expenses	1,441,000	Repair expenses: 30% of standardized amount, based on conclusion that the ER estimate is appropriate Restoration expenses: Estimate based on tenant departure rate while also considering expenses at similar properties
Property Management Fees	2,523,000	Amount based on conclusion that the estimated figure is appropriate while also considering fees at similar properties
Tenant Recruit Expenses, etc.	2,636,000	Estimate based on neighborhood business practices, tenant departure rate at the Property, the average tenant turnover period, length of the standard lease, and other items
Taxes and Dues	4,858,000	Estimate based on variation rate, depreciation and other items
Damage Insurance Fees	240,000	Estimate based on fees at similar properties
Other Expenses	0	None
(3) Net Operating Income (NOI= (1)-(2))	69,494,000	
(4) Gain on guarantee deposit investment	127,000	Estimated by multiplying deposits for full occupancy less a suitable amount for vacancies by the investment return
(5) Capital Expenditure	1,112,000	70% of standardized amount, based on conclusion that the ER estimate is appropriate

(6) Net Cash Flow (NCF=(3)+(4)-(5))	68,509,000	
(7) Capitalization Rate	4.9%	Based on a discount rate that reflects volatility risk and other factors for income and capital investment
Value Calculated Using the Discounted Cash Flow Method	1,340,000,000	
Discount Rate	4.7%	The standard interest rate incorporating market trends and all other applicable items and factoring in risks involving the Property's regional characteristics and individuality
Terminal Capitalization Rate	5.1%	Based on the capitalization rate that reflects uncertainties about the future and other risks
Value Calculated Using the Cost Method	1,320,000,000	
Land	42,6%	
Building	57,4%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	The income capitalization approach value was used with the value calculated using the cost method only for reference. This based on the conclusion that the income capitalization approach value, which uses a price determination process with respect to earnings, better reflects actual market conditions and is more persuasive.
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※Reference (Appraisal NOI Cap Rate=NOI above described /Acquisition Price)

Property Name	Serenite Kita-kyuhoji
Appraisal NOI Cap Rate (rounded to the first decimal place)	5.4%

Attached Materials

Reference Material (1) Outline of Engineering Reports

Reference Material (2) Exterior Photos and Map of Asset To-be Acquired

Reference Material (3) List of Property Portfolio (after Acquisition of 5 Properties and Sale of 3 Properties)

- * The original Japanese version of this material is released today to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Papers in the Construction Industry.
- * Website URL of the Investment Corporation: <http://www.kdr-reit.com/english/>

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Reference Material (1) Outline of Engineering Reports

(Unit: Yen in thousand)

Property Name	Serenite Kita-kyuhoji
Investigation Company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	September 2015
Repairs Maintenance and Renovation Expenses Required over the Next Year	0
Repairs Maintenance and Renovation Expenses Expected to be Required within 2-12 Years	19,069
Unit-in-Place	599,200

※The above mentioned investigation company undertakes building assessments for the property as follows.

- assessment of legal compliance with related laws
- investigation for building construction and facilities
- environmental investigation
- formulation of a short-term and long-term repair and maintenance plan
- analyses of the existence of hazardous substances and the soil environment

Reference Material (2) Exterior Photos and Map of Asset To-be Acquired

R-41 Serenite Kita-kyuhoji



Reference Material (3) List of Property Portfolio (after Acquisition of 5 Properties and Sale of 3 Properties)

Area	Property Name	Acquisition Price ^(Note) (Thousands of yen)	Ratio ^(Note)	Acquisition Date (Scheduled)
Tokyo Metropolitan Area	KDX Daikanyama Residence	4,700,000	3.2%	May 1, 2012
	KDX Odemma Residence	1,775,000	1.2%	May 1, 2012
	KDX Iwamoto-cho Residence	822,000	0.6%	May 1, 2012
	KDX Bunkyo Sengoku Residence	1,488,000	1.0%	May 1, 2012
	KDX Azumabashi Residence	650,000	0.4%	May 1, 2012
	KDX Shimura Sakaue Residence	2,830,000	1.9%	May 1, 2012
	Cosmo Heim Motosumiyoshi (Land with leasehold interest)	1,750,000	1.2%	April 26, 2012
	KDX Musashi Nakahara Residence	637,000	0.4%	May 1, 2012
	KDX Chiba Chuo Residence	1,480,000	1.0%	May 1, 2012
	KDX Kawaguchi Saiwai-cho Residence	1,150,000	0.8%	May 1, 2012
	KDX Residence Shirokane I	3,000,000	2.0%	August 7, 2013
	KDX Residence Shirokane II	2,800,000	1.9%	August 7, 2013
	KDX Residence Minami-aoyama	2,230,000	1.5%	August 7, 2013
	KDX Residence Minami-azabu	2,080,000	1.4%	August 7, 2013
	KDX Residence Shiba Koen	1,781,000	1.2%	August 7, 2013
	KDX Residence Azabu East	1,560,000	1.1%	August 7, 2013
	KDX Residence Takanawa	770,000	0.5%	August 7, 2013
	KDX Residence Nishihara	1,450,000	1.0%	August 7, 2013
	KDX Residence Daikanyama II	730,000	0.5%	August 7, 2013
	KDX Residence Sendagaya	650,000	0.4%	August 7, 2013
	KDX Residence Nihombashi Suitengu	3,240,000	2.2%	August 7, 2013
	KDX Residence Nihombashi Hakozaki	1,147,000	0.8%	August 7, 2013
	KDX Residence Higashi-shinjuku	3,270,000	2.2%	August 7, 2013
	KDX Residence Yotsuya	2,260,000	1.5%	August 7, 2013
	KDX Residence Nishi-shinjuku	1,000,000	0.7%	August 7, 2013
	KDX Residence Kagurazaka	720,000	0.5%	August 7, 2013
	KDX Residence Futako Tamagawa	1,250,000	0.8%	August 7, 2013
	KDX Residence Komazawa Koen	920,000	0.6%	August 7, 2013
	KDX Residence Mishuku	760,000	0.5%	August 7, 2013
	KDX Residence Yoga	700,000	0.5%	August 7, 2013
	KDX Residence Shimouma	600,000	0.4%	August 7, 2013
	Raffine Minami-magome	1,250,000	0.8%	August 7, 2013
KDX Residence Yukigaya Otsuka	1,050,000	0.7%	August 7, 2013	
KDX Residence Denen Chofu	1,000,000	0.7%	August 7, 2013	
KDX Residence Tamagawa	776,000	0.5%	August 7, 2013	
KDX Residence Monzennakacho	773,000	0.5%	August 7, 2013	
KDX Residence Okachimachi	850,000	0.6%	August 7, 2013	

Tokyo Metropolitan Area	KDX Residence Moto-asakusa	800,000	0.5%	August 7, 2013
	KDX Residence Itabashi Honcho	620,000	0.4%	August 7, 2013
	KDX Residence Azusawa	550,000	0.4%	August 7, 2013
	KDX Residence Tobu Nerima	420,000	0.3%	August 7, 2013
	KDX Residence Yokohama Kannai	800,000	0.5%	August 7, 2013
	KDX Residence Miyamaedaira	999,000	0.7%	August 7, 2013
	KDX Residence Machida	1,800,000	1.2%	August 7, 2013
	KDX Residence Kinshicho	1,350,000	0.9%	March 28, 2014
	KDX Residence Nihombashi Hamacho	996,000	0.7%	August 7, 2014
	KDX Residence Nihombashi Ningyocho	530,000	0.4%	August 7, 2014
	KDX Residence Jiyugaoka	1,268,000	0.9%	August 7, 2014
	KDX Residence Togoshi	3,745,000	2.5%	August 7, 2014
	KDX Residence Shinagawa Seaside	2,593,000	1.7%	August 7, 2014
	KDX Residence Ojima	1,857,000	1.3%	August 7, 2014
	KDX Residence Oyama	2,679,000	1.8%	August 7, 2014
	KDX Residence Hanzomon	4,832,000	3.3%	February 5, 2015
	B-Site Akihabara	850,000	0.6%	February 5, 2015
	Bureau Kagurazaka	1,360,000	0.9%	February 5, 2015
	KDX Residence Sendagi	2,200,000	1.5%	February 5, 2015
	KDX Residence Seijo	1,400,000	0.9%	February 5, 2015
	KDX Residence Akihabara	1,250,000	0.8%	February 5, 2015
	KDX Residence Iriya	1,062,000	0.7%	February 5, 2015
	KDX Residence Tachikawa	3,026,200	2.0%	February 5, 2015
	KDX Residence Tsurumi	1,050,000	0.7%	February 5, 2015
	KDX Residence Morishita Chitose	1,100,000	0.7%	June 1, 2015
	KDX Residence Akasaka	1,150,000	0.8%	September 30, 2015
	KDX Residence Kanda	700,000	0.5%	September 30, 2015
	KDX Residence Ebisu	2,845,000	1.9%	October 30, 2015
	65 properties subtotal	99,731,200	67.3%	
Other Regional Areas	KDX Toyohira Sanjo Residence	582,500	0.4%	May 1, 2012
	KDX Jozenji Dori Residence	1,015,000	0.7%	May 1, 2012
	KDX Izumi Residence	1,120,000	0.8%	May 1, 2012
	KDX Chihaya Residence	1,080,000	0.7%	May 1, 2012
	KDX Sakaisuji Hommachi Residence	2,910,000	2.0%	May 1, 2012
	KDX Shimmachi Residence	1,015,000	0.7%	May 1, 2012
	KDX Takarazuka Residence	1,510,000	1.0%	May 1, 2012
	KDX Shimizu Residence	1,680,000	1.1%	May 1, 2012
	KDX Residence Odori Koen	765,000	0.5%	August 7, 2013
	KDX Residence Kikusui Yojo	830,000	0.6%	August 7, 2013
	KDX Residence Toyohira Koen	445,000	0.3%	August 7, 2013
	KDX Residence Kamisugi	700,000	0.5%	August 7, 2013

Other Regional Areas	KDX Residence Ichiban-cho	530,000	0.4%	August 7, 2013
	KDX Residence Kotodai	520,000	0.4%	August 7, 2013
	KDX Residence Izumi Chuo	480,000	0.3%	August 7, 2013
	KDX Residence Higashi-sakura I	2,350,000	1.6%	August 7, 2013
	KDX Residence Higashi-sakura II	900,000	0.6%	August 7, 2013
	KDX Residence Atsuta Jingu	840,000	0.6%	August 7, 2013
	KDX Residence Nishi-oji	813,000	0.5%	August 7, 2013
	KDX Residence Saiin	440,000	0.3%	August 7, 2013
	KDX Residence Namba	1,410,000	1.0%	August 7, 2013
	KDX Residence Namba-minami	1,350,000	0.9%	August 7, 2013
	KDX Residence Shin-osaka	510,000	0.3%	August 7, 2013
	KDX Residence Ibaraki I · II	1,275,000	0.9%	August 7, 2013
	KDX Residence Toyonaka-minami	740,000	0.5%	August 7, 2013
	KDX Residence Moriguchi	551,000	0.4%	August 7, 2013
	KDX Residence Sannomiya	1,080,000	0.7%	August 7, 2013
	Ashiya Royal Homes	1,360,000	0.9%	August 7, 2013
	KDX Residence Funairi Saiwai-cho	588,000	0.4%	August 7, 2013
	KDX Residence Tenjin-higashi II	680,000	0.5%	August 7, 2013
	KDX Residence Nishi Koen	763,000	0.5%	August 7, 2013
	KDX Residence Hirao Josui-machi	760,000	0.5%	August 7, 2013
	Melody Heim Gotenyama	400,000	0.3%	August 7, 2014
	Leopalace Flat Shin-sakae	3,500,000	2.4%	November 28, 2014
	KDX Residence Konan Yamate	973,000	0.7%	November 14, 2014
	KDX Residence Hommachibashi	3,201,000	2.2%	December 18, 2014
	KDX Residence Minami Kusatsu	1,974,666	1.3%	February 5, 2015
	KDX Residence Ohori Harbor View Tower	4,606,296	3.1%	February 5, 2015
	KDX Residence Minami-sanjo	915,000	0.6%	September 30, 2015
	Serenite Kita-kyuhoji	1,290,740	0.9%	October 27, 2015
	40 properties subtotal	48,453,202	32.7%	
	105 properties total	148,184,402	100.0%	

Investment securities	Silent partnership equity interest in G.K. Bohemian	130,000	-	March 20, 2015
	1 securities subtotal	130,000	-	

(Note) Any fraction of the acquisition price less than one thousand yen is rounded down, and the ratios are rounded off to the first decimal place.