Moody's Investors Service

NEWS

MOODY'S ASSIGNS A3 ISSUER RATING TO KENEDIX REALTY INVESTMENT CORPORATION; OUTLOOK STABLE

Tokyo, February 28, 2006 -- Moody's Investors Service has assigned an issuer rating of A3 to Kenedix Realty Investment Corporation (KRI). The rating outlook is stable. The rating reflects KRI's stable cash flow – which is based on its well diversified portfolio, as well as its good asset acquisition, operating and management abilities aimed at mainly medium-sized office buildings, which in turn are partially supported by its asset management company's sponsor – and its conservative financial policy.

By the end of January 2006, KRI had acquired 33 properties, with a total purchase price of Yen 76.9 billion. The portfolio comprises multiple property types, although the 13 office buildings made up most of the total asset value (57% on an acquisition price basis), followed by the 18 residential (27%) and two urban retail properties (16%). The portfolio is well diversified, with the top three properties occupying only 28% of the portfolio on an acquisition price basis.

The offices are mostly medium-sized buildings in the Tokyo metropolitan area. Moody's believes that acquisition and management of medium-sized buildings require different kinds of skills from acquisition and management of other-sized buildings, and that KRI has sufficient know-how for its operations, considering the track records in acquisition and management of such properties of KRI's asset management company, Kenedix REIT Management, Inc. (KRM), and sponsor company, Kenedix, Inc.

KRI has set an external growth target of Yen 200 billion on an asset value basis by the end of December 2008. The company has many acquisition pipelines, and Moody's expects that it can reasonably expect to achieve this target on time.

KRI has acquired 30 of its 33 owned properties from Kenedix, Inc. or its managed private funds. On the other hand, three of the four properties it has acquired since its stock exchange listing have been from KRM's original sourcing routes. KRM has focused its acquisition strategy mainly on using these routes, although it still enjoys sponsor company support. Moody's believes that it is important for KRM to further improve its property acquisition ability and to accumulate further know-how in property management.

KRI intends to control its leverage ratio (total interest bearing debts / total assets) in the range of high thirties-to-around fifty percent, and it will not fund debt to purchase properties if it exceeds 50%. While the company has no track record of leverage management, Moody's has confirmed its conservative financial policy during its portfolio growth phase, and the rating incorporates it.

KRI has borrowed mid- to long-term, 3-year to 5-year, unsecured floating-interest loans, all of which are fixed by swap agreements, from eight financial institutions since its listing. It intends to diversify funding sources, including the issuance of REIT corporate bonds, and to extend and diversify debt maturity. Moody's believes that it is important for KRI to improve its financial safety by setting a commitment line to mitigate liquidity risk.

Moody's Japan K.K., Atago Green Hills Mori Tower 20Fl. 2-5-1, Atago, Minato-ku, Tokyo 105-6220, Japan • Moody's has used due care and caution in the preparation of this rating decision. The information herein has been obtained from sources believed to be accurate and reliable, but because of the possibility of human and mechanical error, its accuracy or completeness is not guaranteed. Moody's ratings are opinions, not recommendations to buy or sell; accordingly investors are always encouraged to weigh ratings solely as one factor in an investment decision.

Kenedix Realty Investment Corporation, listed in July 2005, is a Japanese Real Estate Investment Trust focusing on investment in and management of office buildings, residential properties and retail properties. Its asset management company, Kenedix REIT Management, Inc., is 100% owned by Kenedix, Inc.

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