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(Securities Code: 4321)
March 5, 2013

To Those Shareholders with Voting Rights

Atsushi Kawashima
President
Kenedix, Inc.
2-2-9, Shimbashi, Minato-ku,
Tokyo

NOTICE OF THE 18th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 18th 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 26, 2013.

[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 27, 2013
(Attendance registration begins at 9:30 a.m.)
2. **Place** Main Hall, 7F, Koku Kaikan, 1-18-1, Shimbashi, Minato-ku, Tokyo
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 18th Fiscal Term (from January 1, 2012 to December 31, 2012)
2. Non-Consolidated Financial Statements for the 18th Fiscal Term (from January 1, 2012 to December 31, 2012)

Proposals to be resolved:

<Company proposals (Proposals No. 1 to No. 4)>

Proposal No. 1: Election of Six (6) Directors
Proposal No. 2: Election of Two (2) Corporate Auditors
Proposal No. 3: Election of One (1) Substitute Corporate Auditor
Proposal No. 4: Revision of Compensation for Directors (Inner Limit on Compensation for Directors)

<Shareholder's Proposals (Proposals No. 5 to No. 7)>

Proposal No. 5: Amendment to the Articles of Incorporation (Prohibition of MBO to be made at a low price)
Proposal No. 6: Amendment to the Articles of Incorporation (Measures regarding Japan's low birth rate)
Proposal No.7: Amendment to the Articles of Incorporation (Disclosure of compensation paid to each director and auditor)

(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 18th ORDINARY GENERAL MEETING OF SHAREHOLDERS" with them.
(4) 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 18th Fiscal Term)
    2) Notes to the Non-Consolidated Financial Statements (for the 18th 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. 4)＞

Proposal No. 1: Election of Six (6) Directors

The term of office of all five Directors will expire at the close of this General Meeting of Shareholders. Accordingly, the Company proposes the election of six Directors, to include one new Outside Director with an eye to further enhancing the Company's corporate governance facilities. 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)	June 1998 Joined the Company March 2001 Director (Executive Vice President) January 2003 Director and Executive Officer (General Manager, Real Estate Investment Advisory Division) March 2003 Executive Officer, COO (General Manager, Real Estate Investment Advisory Division) August 2004 Executive Officer, COO March 2005 Director and Executive Officer, COO January 2007 Director, COO March 2007 President and Representative Director (present post) May 2010 Director, MAX-REALTY INC. [Important concurrent positions] Representative Director, Kenedix Asset Management, Inc.	2,706 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
2	Taiji Yoshikawa (November 2, 1952)	February 1998 Joined the Company October 2001 General Manager, Management Division January 2003 Executive Officer, CFO March 2003 Director, Executive Officer and CFO January 2007 Director, CFO March 2009 Director (Responsible for Corporate Planning Department and Research Strategy Department) February 2010 Director, General Manager, Corporate Planning Department September 2010 Director (Responsible for Corporate Planning Department and General Administration and Human Resources Division) October 2011 Director (Responsible for Corporate Planning Department, General Administration and Human Resources Division, Finance & Accounting Department, and Business Control Department) February 2012 Director (Responsible for General Administration and Human Resources Division, Finance & Accounting Department, and Business Control Department) (present post) [Important concurrent positions] Representative Director, C & K Co., Ltd.	686 shares	None
3	Taisuke Miyajima (April 17, 1962)	April 1998 Joined the Company January 2004 External assignment as a CEO & President, KW REIT Management, Inc. (present Kenedix Office Partners, Inc.) April 2005 Transferred as a CEO and President, Kenedix REIT Management, Inc. (present Kenedix Office Partners, Inc.) May 2005 Executive Director, Kenedix Realty Investment Corporation February 2012 Corporate Advisor February 2012 Director, Kenedix Office Partners, Inc. March 2012 Director, Kenedix Asset Management, Inc. (present post) March 2012 Director (Responsible for asset management business) (present post) [Important concurrent positions] Director, Kenedix Asset Management, Inc.	858 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
4	Takashi Uematsu (January 29, 1949)	April 1973 Joined Nomura Real Estate Development Co., Ltd. June 1994 General Manager, Business Planning Department, Nomura Real Estate Development Co., Ltd. June 1997 Director, General Manager, Business Department, Nomura Real Estate Development Co., Ltd. June 2001 Managing Director, Head of Investment Management & Advisory Company and Manager of IT Strategy Promotion Office, Nomura Real Estate Development Co., Ltd. June 2003 Executive Managing Director, Head of Investment Management & Advisory Company, Nomura Real Estate Development Co., Ltd. March 2008 President & Chief Exective Officer, Tokio Marine Property Investment Management, Inc. March 2011 Director of the Company (present post) [Important concurrent positions] Visiting Professor, National Graduate Institute for Policy Studies Part-time Professor, Graduate School of Nihon University Managing Director, Japan Association for Real Estate Sciences	None	None
5	Shuhei Shiozawa (September 19, 1955)	November 1986 Ph.D. (Economics) in University of Minnesota April 1987 Associate Professor, Economics, Keio University April 1994 Professor, Economics, Keio University (present post) January 2001 Cabinet Counselor (Global Economics) October 2005 Dean, Faculty of Economics, Keio University April 2008 Member of CPA Examination Committee March 2012 Director of the Company (present post) [Important concurrent positions] Professor, Economics, Keio University	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
6	* Yasuo Ichikawa (July 15, 1948)	April 1971 Joined The Sumitomo Bank, Limited (present Sumitomo Mitsui Banking Corporation) May 2000 Executive Officer, Head of Tokyo First Corporate Banking Division and Head of Kanagawa Corporate Banking Division, The Sumitomo Bank, Limited March 2001 Resigned April 2001 Corporate Advisor, Sumitomo Real Estate Sales Co., Ltd. June 2001 Managing Director, Sumitomo Real Estate Sales Co., Ltd. June 2004 Senior Managing Director, Sumitomo Real Estate Sales Co., Ltd. June 2005 Resigned June 2005 Executive Managing Director, Kumagai Gumi Co., Ltd. April 2011 Executive Officer, Executive Vice President, Kumagai Gumi Co., Ltd. (present post) June 2011 Director, Executive Vice President, Kumagai Gumi Co., Ltd. (present post) [Important concurrent positions] Director, Executive Vice President, Kumagai Gumi Co., Ltd.	50 shares	None

A new candidate for Director is marked with *.

Note: Mr. Takashi Uematsu, Mr. Shuhei Shiozawa, and Mr. Yasuo Ichikawa are candidates for the Outside Directors.

Further, the Company has made a submission designating Mr. Takashi Uematsu and Mr. Shuhei Shiozawa as independent directors/corporate auditors as stipulated in Rule 436-2 of Securities Listing Regulations of Tokyo Stock Exchange. Upon election of Mr. Takashi Uematsu and Mr. Shuhei Shiozawa as Outside Directors in accordance with the proposal in its original form, both are to be designated as independent directors/corporate auditors again.

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

(1) Reasons for having Mr. Uematsu, Mr. Shiozawa, and Mr. Ichikawa as candidates for Outside Directors

The Company recommends Mr. Takashi Uematsu as it believes that he is capable of supervising Directors’ business executions by utilizing his ample work experience and expert knowledge of the real estate securitization business, aiming to protect the interests of the Company’s shareholders, and so it is proposed that he be elected as Outside Director again.

Mr. Uematsu’s term of office as Outside Director will be two years as of the conclusion of this meeting.

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

Mr. Shiozawa’s term of office as Outside Director will be one year as of the conclusion of this meeting.

It is expected that Mr. Yasuo Ichikawa will make good use of his ample work experience and profound managerial insight of the financial, construction and real estate industries in management of the Company, 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. Takashi Uematsu, Mr. Shuhei Shiozawa, and Mr. Yasuo Ichikawa as Outside Directors in accordance with the proposal in its original form, the current agreements with Mr. Takashi Uematsu and Mr. Shuhei Shiozawa shall continue to be effective, and a new such agreement is expected be executed with Mr. Yasuo Ichikawa.

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. 2: Election of Two (2) Corporate Auditors

The terms of office of Corporate Auditors Harutaka Hamaguchi and Haruo Funabashi will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed that two Corporate Auditors be elected again.

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

The candidates for Corporate Auditors are as follows.

Candidate No.	Name (Date of birth)	Career history, status and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
1	Harutaka Hamaguchi (March 8, 1953)	April 1975 Joined Mitsubishi Corporation July 1985 Seconded to the World Bank August 1989 Reinstated at Mitsubishi Corporation February 2001 Joined Hewitt Associates LLC November 2001 Director, Hewitt Associates LLC December 2003 Joined the Company July 2004 Seconded, Senior Managing Director, Mitsui & Co., Logistics Partners Ltd. July 2006 Reinstated at the Company, General Manager of Sales Promotion Department and filled various posts successively October 2008 Assistant Executive in charge of Corporate Planning March 2009 Corporate Auditor (present post) May 2011 Corporate Auditor, Kenedix Asset Management, Inc. (present post) [Important concurrent positions] Corporate Auditor, Kenedix Asset Management, Inc.	63 shares	None

Candidate No.	Name (Date of birth)	Career history, status and important concurrent positions	Number of shares of the Company held	Conflict of interest in the Company
2	Haruo Funabashi (September 19, 1946)	July 1969 Joined the Ministry of Finance July 2000 Deputy Vice-Minister, Minister's Secretariat, Ministry of Land July 2001 Vice-Minister, Ministry of Land, Infrastructure and Transport February 2003 CEO, SIRIUS INSTITUTE Inc. (present post) May 2004 Visiting Professor, Graduate School of International Corporate Strategy (ICS), Hitotsubashi University October 2004 Corporate Auditor, KW REIT Management Co., Ltd. (present Kenedix Office Partners, Inc.) (present post) October 2004 Corporate Auditor, KW Pension Fund Advisors Co., Ltd. (present Kenedix Advisors Co., Ltd.) (present post) March 2005 Corporate Auditor of the Company (present post) December 2007 Corporate Auditor, Pasona Group Inc. (present post) June 2009 Director, The Dai-ichi Life Insurance Company, Limited (present post) December 2011 Statutory Auditor, EPS Corporation (present post) [Important concurrent positions] CEO, SIRIUS INSTITUTE Inc. Corporate Auditor, Kenedix Office Partners, Inc. Corporate Auditor, Kenedix Advisors Co., Ltd. Corporate Auditor, Pasona Group Inc. Director, The Dai-ichi Life Insurance Company, Limited Statutory Auditor, EPS Corporation	None	None

Note: Mr. Haruo Funabashi is a candidate for Outside Corporate Auditor.
Further, the Company has made a submission designating Mr. Haruo Funabashi as independent director/corporate auditor as stipulated in Rule 436-2 of Securities Listing Regulations of Tokyo Stock Exchange. Upon election of Mr. Haruo Funabashi as Outside Corporate Auditor in accordance with the proposal in its original form, he is to be designated as independent director/corporate auditor again.
"Reasons for having Mr. Haruo Funabashi as a candidate for Outside Corporate Auditor and concerning the Liability Limitation Agreement with Outside Corporate Auditor"
(1) Reasons for having Mr. Funabashi as a candidate for Outside Corporate Auditor
The Company recommends Mr. Haruo Funabashi as it believes that he is capable of auditing of the

Company, with his specialized corporate governance perspectives based on his experience as an administrative officer (at the former Ministry of Finance and the Ministry of Land, Infrastructure and Transport) in guiding corporations in both the areas of finance and real estate, as well as supported by a wealth of research data at SIRIUS Corporate Ethics Study Group where he presides, and so it is proposed that he be elected as Outside Corporate Auditor again.

Mr. Funabashi's term of office as Outside Corporate Auditor will be eight years as of the conclusion of this meeting.

(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. Upon the election of Mr. Haruo Funabashi as the Outside Corporate Auditor in accordance with the proposal in its original form, the current agreement with Mr. Haruo Funabashi shall continue to be effective.

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.

Proposal No. 3: Election of One (1) Substitute 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 one Substitute Corporate Auditor.

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) [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 Corprorate 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.

Proposal No. 4: Revision of Compensation for Directors (Inner Limit on Compensation for Directors)

Continual recruiting of talented individuals and having them contribute to growth is extremely important in order to sustain growth as a competitive asset management company and increase shareholder value. From this standpoint, the policy for executive compensation is based on the following three elements:

(1) Consistency with the interests of shareholders.
(2) Reflect the performance of the company and the individual.
(3) Contribution to the company's preservation and advancement as a going concern.

With the above factors in mind, since the shareholders' approval at the 12th Ordinary General Meeting of Shareholders held on March 27, 2007 and the 16th Ordinary General Meeting of Shareholders held on March 29, 2011, the sum of amount of a fixed annual compensation to be paid to the Company's Directors has been set at not more than 0.2 billion yen (20 million yen for Outside Directors) and that of the variable portion of compensation at not more than 3% of consolidated net income for the preceding fiscal year (not more than 0.3% for Outside Directors) to date. However, with a view to raising morale of Directors of the Company as well as achieving closer links between performance of Directors of the Company and the interests of shareholders, the Company proposes to allocate stock acquisition rights for stock options to the Directors (excluding Outside Directors) with a value not exceeding the above amount of the fixed portion of annual compensation. Details of the stock options are described below.

Additionally, with a goal of further strengthening the corporate governance function, the Company intends to abolish the allocation of the variable portion of compensation to Outside Directors.

These stock options are the stock acquisition rights (stock options) that can each be exercised for the purchase of one share of Kenedix stock at a price of one yen. The Company believes the plan produces significant positive outcomes as the allocated amount is determined in consideration of comprehensive factors, such as the Directors' contributions to the Company's performance. The stock options are scheduled to be allotted in 2013.

It is planned that the Company applies the fair value of the stock acquisition rights for as stock options to its paid-in value, and the Directors who are allocated such stock acquisition rights should offset the remuneration in the form of stock acquisition rights for stock options payable to Directors (excluding Outside Directors) by the Company against the amount to be paid for these rights.

The current number of Directors is five (including two Outside Directors). If Proposal No. 1 is approved in its original form, it will stand at six (including three Outside Directors).

Specifics Terms of the Stock Acquisition Rights for Stock Options to be Allocated to the Company's Directors (excluding Outside Directors)

(1) Class and number of shares to be issued upon exercise of the stock acquisition rights
Class of shares to be issued upon exercise of the stock acquisition rights shall be common stock of Kenedix.
The maximum number of shares to be issued upon the exercise of the stock acquisition rights to the Company's Directors (excluding Outside Directors) shall be 6,000.

The number of shares to be issued upon the exercise of each stock acquisition right ("number of shares granted") shall be one share. If the number of shares granted is adjusted, the maximum number of shares to be issued for directors (except external directors) is the adjusted number of shares granted multiplied by the maximum number of stock acquisition rights to be issued in item (2) below.
The number of shares granted shall be adjusted by using the following formula in the event that, after the date the Proposal was approved (the "resolution date"), there is a split of Kenedix common stock (including gratis issue of common stock, hereafter same shall apply to the description of stock split) or consolidation of this stock. Fractions less than one share resulting from the adjustment shall be discarded.

Number of shares granted after adjustment =
Number of shares granted before adjustment x Ratio of stock split or consolidation

In addition, if there is a need to adjust the number of shares granted due to a merger, divestiture or similar event after the resolution date, Kenedix may adjust the number of shares granted in an appropriate manner.

(2) Aggregate number of stock acquisition rights
The aggregate number of stock acquisition rights to be allocated to the Company's Directors (excluding Outside Directors) shall be up to 6,000.

(3) Amount to be paid for stock acquisition rights
The amount to be paid for each stock acquisition right shall be determined by the Board of Directors based on the fair value of the rights that is calculated using the Black Sholes model or other fair calculation method when the rights are allocated.

(4) Value of assets to be contributed upon the exercise of the stock acquisition rights
The value of the assets to be contributed upon the exercise of each stock acquisition right shall be the amount calculated by multiplying the number of shares granted by one yen, the exercise price per share granted upon the exercise of each stock acquisition right.

(5) Exercise period for the stock acquisition rights
A period within the period starting three years after the date of allotment and ending three years after that date to be determined by the Board of Directors.

(6) Restriction on transfer of the stock acquisition rights to be offered
Transfer of the stock acquisition rights to be offered shall be subject to an approval of the Board of Directors.

(7) Conditions of exercise for the stock acquisition rights
The Board of Directors will determine the conditions of exercise for the stock acquisition rights, such as a requirement to fulfill certain conditions concerning the performance.

(Reference)
The holders of stock acquisition rights are entitled to exercise their rights subject to the achievement of certain conditions (goals for dividend payments and assets under management) in the medium-term management plan that

was announced on February 14, 2013 and covers the three-year period beginning in FY2013.

The date of allocation and other solicitation terms for issuing these stock acquisition rights as stock options have not been determined. These items will be determined separately by the Board of Directors.

In addition, after the close of this Ordinary General Meeting of Shareholders, the Company plans to issue to its 46 employees the same type of stock acquisition rights as stated earlier (other than the number of rights to be issued). The number of rights will be the such that the Company deems necessary and the amount to be paid for each rights will be determined in accordance with the fair value of these rights.

The purpose of the issue is to raising morale of employees as well as achieving closer links between performance of employees and the interests of shareholders.

The maximum numbers of stock acquisition rights to be allocated and the total common shares in the Company to be issued upon the exercise of these rights are 16,000 units and 16,000 shares respectively.

The Company plans to introduce this plan for employees regardless of whether or not shareholders approve the proposal.

＜Shareholder's Proposals (Proposals No. 5 to No. 7)＞

Proposals No. 5 to No. 7 were advanced by one shareholder of the Company. (The proposer holds 300 shares or 0.01% stake in all shares issued)

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. 5: Amendment to the Articles of Incorporation (Prohibition of MBO to be made at a low price)

(1) Details of Proposal

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

"When all shares of the Company are acquired by using an MBO, etc., the price per share must not be less than 300,000 yen."

(2) Reasons for Proposal

The prices of real estate stocks in Japan are increasing because of the so-called "Abenomics" monetary easing. Kenedix stock rose to 400,000 yen in 2006 and then remained at about 300,000 yen before the Lehman shock. Consequently, although upcoming progress with monetary easing is very likely to cause the stock to recover to about 300,000 yen, the price is still at about 20,000 yen. Due to this situation, the management can earn an unjust profit by forcibly acquiring stock from shareholders at a small premium to the market price. However, this type of profit must not be permitted because it would create losses for shareholders.

◇Opinion of the Kenedix Board of Directors

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

The price of Kenedix stock is the result of the economic environment, social conditions and industry trends affecting the Company as well as how investors evaluate the distinctive characteristics and other aspects of the Company's operations. The Board of Directors opposes this proposal based on the belief that restricting the stock price in the Articles of Incorporation would be detrimental to increasing both corporate value and the common interests of shareholders.

In compliance with the standards for independent directors/corporate auditors prescribed by the Tokyo Stock Exchange (TSE), Kenedix has notified TSE that it has appointed to the Board four individuals, two external directors and two external corporate auditors, who are unlikely to have any conflict of interest with general shareholders.

Kenedix has a nine-member Board of Directors, which has included four independent directors /corporate auditors to carefully examine issues that have a significant impact on shareholder value. This makes the Company's Board of Directors one of the foremost in Japan from the standpoint of corporate governance and allows it to earnestly deliberate on issues and arrive at decisions that are in the best interests of shareholders.

Furthermore, Kenedix has established a business model as an asset management company in order to aim for further growth in shareholder value. Specific initiatives are the growth of J-REITs including the establishment of residential REITs, the establishment of private funds, and joint investments with client investors. By taking actions like these, the Company has raised assets under management (AUM), which the foundation for generating revenue, to more than 1 trillion yen. Kenedix is committed to building an even stronger base of operations for more growth as an independent asset management company. To accomplish this, the goal is to achieve more AUM growth and other progress in order to continue growing, thereby meeting the expectations of shareholders.

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

Proposal No. 6: Amendment to the Articles of Incorporation (Measures regarding Japan's low birth rate)

(1) Details of Proposal

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

"A birth incentive payment of 1 million yen shall be paid to female employees of the Company when they give birth."

(2) Reasons for Proposal

Japan's aging population and declining number of children are lowering demand for real estate and, from a long-term perspective, a cause for a decline in the performance of Kenedix, which operates a real estate business. Due to the entry of women in the workforce, a large number of women of childbearing age are working. Among the companies that employ women, there is a tendency to dislike births among female employees because of the difficulty of having these women work overtime and for other reasons. This is one cause of the decline in the number of children in Japan. By paying an incentive to female workers who give birth, Kenedix should show that it welcome births, thereby helping to stop the decline in the number of children and preventing a decline in performance in the future.

◇Opinion of the Kenedix Board of Directors

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

As the Kenedix Group's operating environment diversifies and rapidly changes, the Company regards diversity as an important source of energy for growth. The Company can become more competitive by recruiting and training individuals from a broad range of backgrounds. Currently, women account for about 30% of all employees and are making a big contribution to the growth of business activities. As a result, establishing an environment in which women can work for many years is one of the most important management issues at Kenedix. The Company has numerous measures to achieve this goal. Due to these measures, many female employees return to their jobs after giving birth and continue to contribute to business activities. The Company will continue to take actions for establishing an environment that allows women to remain for many years, including by studying the birth incentive payment in this proposal.

However, congratulatory, condolence and other payments to employees are prescribed in the Rules of Employment. Adding to the Articles of Incorporation the birth incentive payment in this proposal would lead to the inflexibility of terms of employment. Consequently, Kenedix believes this proposal would not be beneficial for employees or shareholders and would not contribute to increasing corporate value.

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

Proposal No. 7: Amendment to the Articles of Incorporation (Disclosure of compensation paid to each director and auditor)

(1) Details of Proposal

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

"The amount of compensation and/or bonus to be paid to Directors and Corporate Auditors during each fiscal year shall be described and disclosed — on an individual basis for such Directors and Corporate Auditors, irrespective of whether or not the respective amounts exceed 0.1 billion yen — in reference materials attached to the convocation notice of the General Meeting of Shareholders held with respect to such fiscal year."

(2) Reasons for Proposal

It is the responsibility of Directors and Corporate Auditors, who are entrusted with the management of a company by its shareholders, to disclose the amount of compensation for such Directors and Corporate Auditors to such shareholders. Taking the initiative in the disclosure of the compensation paid to the Directors and Corporate Auditors to the shareholders will enable the Company to be regarded as a corporation that ensures transparent management and is eager to disclose information, will contribute to the improvement of the Company's international credibility, and will consequently result in greater fulfillment of the interests of shareholders in the form of increased corporate value. Disclosure of compensation for individual Directors and Corporate Auditors is a matter of course and has never presented any inconvenience in the U.S. and Britain capital markets, which have brought high return to shareholders for the past twenty years, and this can be a basis for the introduction of the SAY ON PAY (scheme under which shareholders have the right to vote on compensation payments in general meetings). The shareholders making this proposal do not oppose paying high compensation in order to retain higher quality executives who will thereby increase the shareholder value. A similar proposal to this one made to Sony Corporation in 2007 was agreed to by its shareholders holding 44.3% of the voting shares and another similar proposal made to the general meeting of Mizuho Financial Group, Inc. in 2011 was agreed to by its shareholders holding at least 32% of the voting shares.

◇Opinion of the Kenedix Board of Directors

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

The Board of Directors would like to explain how the Company strengthens its corporate governance function before it discusses its policy on the Company Directors' compensation and the grounds for its objection to the proposal.

With regard to the Company's corporate governance structure, it has filed four independent directors/corporate auditors with the Tokyo Stock Exchange. These Directors comprise two Outside Directors and two Outside Corporate Auditors who satisfy the criteria lay down by the Exchange, having no potential conflict with the interests of general shareholders. These Outside Directors/Corporate Auditors proactively express their opinions at the Board of Directors' meetings, based on their professional expertise, significantly contributing to the effective discussions in the Board of Director's meetings. Also, should Proposal No. 1 be approved, three of the Company's six Directors will be Outside Directors, promising a more enhanced corporate governance function.

Next, we will explain how Kenedix executives are compensated. Continual recruiting of talented individuals and having them contribute to growth is extremely important in order to sustain growth as a competitive asset management company and increase shareholder value. In this light, the Company determines the Directors' compensation in line with the three fundamental rules as stated below.

(1) consistency with the interests of shareholders

(2) reflect the performance of the company and the individual

(3) contribution to the company's preservation and advancement as a going concern.

Specifically, shareholders approved resolutions at the 12th Ordinary General Meeting of Shareholders held on March 27, 2007 and the 16th Ordinary General Meeting of Shareholders held on March 29, 2011 to make compensation for Directors the sum of a fixed annual amount of not more than 0.2 billion yen (20 million yen for Outside Directors) and a variable amount that is not more than 3% of consolidated net income in the previous fiscal year (not more than 0.3% for Outside Directors). However, this compensation does not include salaries as employees for directors who also serve as employees. This

system is still in effect.

Compensation for Corporate Auditors is determined by discussions with each Auditor based on their activities and other factors.

As part of its initiative to establish a robust compensation structure that increases shareholder value, the Board brought up Proposal No. 4 for discussion.

Should Proposals No. 1 and No. 4 be approved in their original forms, the fixed portion of three full-time Directors' compensation, a component of the "fixed portion of annual remuneration valued at not more than 0.2 billion yen to be paid to the Company's Directors," will be revised to a combination of the fixed portion of compensation comprising monetary remuneration and the stock options, collectively valuing up to 180 million yen. The variable portion of compensation with the value will not exceed 3% of consolidated net income for the preceding fiscal year. These two proposals will also revise the compensation package for three Outside Directors to only the fixed portion of compensation of up to 20 million yen. These new compensation schemes are expected to forge much closer links between Directors' compensation and the Company's earnings together with the interest of shareholders.

For the disclosure of compensation for Directors and Corporate Auditors, Kenedix traditionally provides in its business report the total amount of compensation, etc. separately for all Directors and all Corporate Auditors and the numbers of Directors and Auditors.

The Company believes that handling of compensation disclosure is sufficient with regard to laws, regulations and business practices as well as from the standpoint of corporate governance.

Moreover, the Company recognizes the appropriateness of its current disclosure policy concerning Directors' compensation, which supports its corporate governance structure, including the high proportion of Outside Directors, to maintain a leading position amongst listed companies in Japan.

Kenedix remains committed to taking actions regarding the disclosure of information about compensation for Directors and Corporate Auditors as well as other subjects that are useful for shareholders and investors in Japan and other countries and will once again examine the disclosure of compensation for Directors and Corporate Auditors.

However, in the interest of recruiting highly independent Outside Directors going forward, the Company believes that there is no need to add a provision of such proposal to the Articles of Incorporation that requires the disclosure of compensation for all individuals regardless of its amount.

Consolidated Balance Sheet

(As of December 31, 2012)

(Millions of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	**28,536**	**Current liabilities**	**20,855**
Cash and deposits	13,813	Accounts payable — trade	134
Deposits held in trust	827	Short-term borrowings	2,192
Accounts receivable — trade	1,505	Long-term borrowings — due within one year	16,552
Real estate for sale	9,953		
Acquired non-performing loans	1,628	Corporate bonds — due within one year	19
Income taxes refundable	733		
Deferred tax assets	41	Accrued income taxes	412
Other	319	Other	1,543
Allowance for doubtful accounts	(286)	**Long-term liabilities**	**49,343**
Fixed assets	**97,733**	Bonds payable	3,428
Property and equipment	**80,937**	Long-term borrowings	41,429
Buildings and structures	27,156	Deferred tax liabilities	1,156
Land	53,721	Allowance for employees' retirement benefits	83
Other	59		
Intangible assets	**170**	Long-term security deposits	3,012
Goodwill	105	Other	233
Other	65	**Total liabilities**	**70,199**
Investment and other assets	**16,625**	**Net Assets**	
Investment securities	12,316	**Shareholders' equity**	**51,310**
Investment in capital	360	**Common stock**	**31,322**
Long-term loans receivable	548	**Additional paid-in capital**	**31,581**
Deferred tax assets	256	**Retained earnings**	**(11,593)**
Other	3,480	**Accumulated other comprehensive income**	**(486)**
Allowance for doubtful accounts	(337)	**Net unrealized holding gains/losses on other securities**	**(57)**
		Foreign currency translation adjustments	**(429)**
		Minority interests	**5,247**
		Total net assets	**56,071**
Total assets	**126,270**	**Total liabilities and net assets**	**126,270**

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

Consolidated Statement of Income

(From January 1, 2012 to December 31, 2012)

(Millions of yen)

Account title	Amount	
Revenue		**20,957**
Cost of revenue		**11,556**
Gross profit		**9,401**
Selling, general and administrative expenses		**3,563**
Operating income		**5,837**
Non-operating income		
Interest income	26	
Consumption taxes differential (after being offset by suspense payments and receipt)	98	
Other	134	259
Non-operating expenses		
Interest expenses	2,782	
Commissions paid	811	
Equity in losses of affiliates	146	
Other	28	3,768
Ordinary income		**2,328**
Extraordinary income		
Gain on sales of investment securities	179	
Gain on sales of fixed assets	741	
Other	4	925
Extraordinary loss		
Loss on sales of investment securities	1,221	
Loss on valuation of investment securities	2,634	
Loss on sales of fixed assets	1,287	
Impairment loss	3,223	
Loss on liquidation of subsidiaries and affiliates	3,827	
Other	193	12,386
Loss before income taxes and profit distribution to silent partners		**(9,132)**
Profit distribution to silent partnerships		0
Loss before income taxes		**(9,132)**
Current income taxes		891
Deferred income taxes		(203)
Loss before minority interests		**(9,821)**
Minority interests		306
Net loss		**(10,128)**

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

Consolidated Statement of Changes in Net Assets

(From January 1, 2012 to December 31, 2012)

(Millions of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of January 1, 2012	31,322	31,581	(1,289)	61,613
Changes in the fiscal year				
Net loss	—	—	(10,128)	(10,128)
Change of scope of consolidation	—	—	(175)	(175)
Net changes of items other than shareholders' equity	—	—	—	—
Total changes in the fiscal year	—	—	(10,303)	(10,303)
Balance as of December 31, 2012	31,322	31,581	(11,593)	51,310

	Accumulated other comprehensive income			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, 2012	(206)	(490)	(696)	10,518	71,435
Changes in the fiscal year					
Net loss	—	—	—	—	(10,128)
Change of scope of consolidation	—	—	—	—	(175)
Net changes of items other than shareholders' equity	149	60	209	(5,270)	(5,060)
Total changes in the fiscal year	149	60	209	(5,270)	(15,364)
Balance as of December 31, 2012	(57)	(429)	(486)	5,247	56,071

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

Non-consolidated Balance Sheet

(As of December 31, 2012)

(Millions of yen)

Assets		Liabilities	
Account title	Amount	Account title	Amount
Current assets	**12,568**	**Current liabilities**	**15,936**
Cash and deposits	7,905	Accounts payable — trade	12
Accounts receivable — trade	71	Short-term borrowings	2,192
Money invested in real estate for sale	783	Long-term borrowings — due within one year	13,394
Prepaid expenses	47		
Income taxes refundable	526	Accounts payable — other	25
Short-term loans to subsidiaries and affiliates	2,736	Accrued expenses	80
		Accrued income taxes	71
Other	521	Deposits received	98
Allowance for doubtful accounts	(23)	Other	60
Fixed assets	**84,955**	**Long-term liabilities**	**14,868**
Property and equipment	**83**	Long-term borrowings	14,395
Buildings	50	Long-term borrowings payable to subsidiaries and affiliates	256
Tools, furniture and fixtures	19		
Lease assets	12	Allowance for employees' retirement benefits	79
Intangible assets	**32**		
Software	14	Other	137
Lease assets	17	**Total liabilities**	**30,804**
Other	0	**Net Assets**	
Investment and other assets	**84,839**	**Shareholders' equity**	**66,831**
Investment securities	5,605	**Common stock**	**31,322**
Stocks of subsidiaries and affiliates	9,260	**Additional paid-in capital**	**31,581**
Other securities of subsidiaries and affiliates	55,979	Capital reserve	31,581
		Retained earnings	**3,928**
Investment in capital	317	Other retained earnings	3,928
Long-term loans to subsidiaries and affiliates	15,230	Retained earnings carried forward	3,928
		Valuation and translation adjustments	**(112)**
Other	1,045	**Net unrealized holding gains/losses on other securities**	**(112)**
Allowance for doubtful accounts	(2,599)		
		Total net assets	**66,718**
Total assets	**97,523**	**Total liabilities and net assets**	**97,523**

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

Non-consolidated Statement of Income

(From January 1, 2012 to December 31, 2012)

(Millions of yen)

Account title	Amount	
Revenue		
Revenue on Asset Management Business	2,887	
Revenue on Real Estate Investment Business	361	
Revenue on Real Estate Lease Business	1,619	**4,868**
Cost of revenue		
Cost of revenue on Asset Management Business	569	
Cost of revenue on Real Estate Investment Business	678	
Cost of revenue on Real Estate Lease Business	2,838	**4,086**
Gross income		**782**
Selling, general and administrative expenses		1,411
Operating loss		**(629)**
Non-operating income		
Interest income	552	
Dividends income	591	
Other	48	1,192
Non-operating expenses		
Interest expenses	950	
Provision for doubtful accounts	2,103	
Commissions paid	255	
Other	8	3,317
Ordinary loss		**(2,753)**
Extraordinary income		
Gain on sales of investment securities	178	
Other	2	181
Extraordinary loss		
Loss on valuation of investment securities	2,634	
Loss on sales of investments in other securities of subsidiaries and affiliates	1,243	
Loss on liquidation of subsidiaries and affiliates	2,585	
Other	370	6,833
Loss before income taxes		**(9,406)**
Current income taxes	5	
Deferred income taxes	0	5
Net loss		**(9,411)**

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

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2012 to December 31, 2012)

(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, 2012	31,322	31,581	13,340	76,243
Changes in the fiscal year				
Net loss	—	—	(9,411)	(9,411)
Net changes of items other than shareholders' equity	—	—	—	—
Total changes in the fiscal year	—	—	(9,411)	(9,411)
Balance as of December 31, 2012	31,322	31,581	3,928	66,831

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gains/losses on other securities	Total valuation and translation adjustments	
Balance as of January 1, 2012	(192)	(192)	76,050
Changes in the fiscal year			
Net loss	—	—	(9,411)
Net changes of items other than shareholders' equity	79	79	79
Total changes in the fiscal year	79	79	(9,332)
Balance as of December 31, 2012	(112)	(112)	66,718

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