

ESG Disclosure

KENEDIX
Office Investment Corporation

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II . Message from Executive Director

Kenedix Office Investment Corporation (KDO) and Kenedix Real Estate Fund Management, Inc. (KFM), the asset management company for KDO, have recognized the importance of ESG (Environmental, Social and Governance) considerations in real estate management and identified the enhancement of sustainability as one of the material topics for our business to realize a sustainable society as a corporate responsibility and established the sustainability and environmental policies aiming to reduce environmental burden and cooperate with stakeholders.

KDO has been proactively promoting green building by obtaining various external evaluations such as GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment, in which KDO early participated as a J-REIT and achieved “Green Star” for 10 consecutive years.

The mid-sized office buildings, the main investment focus of KDO, have more abundant tenant pool, so KDO can provide stable and attractive investment opportunities to unitholders. KDO is striving for real estate management that contributes to mid to long term profit for unitholders by conducting a regular customer satisfaction survey to improve tenant satisfaction.

Cordially,

Hiroaki Momoi
Executive Director
Kenedix Office Investment Corporation

III. Basic Policies and Promotion System on Sustainability, etc.

KDO and KFM have positioned initiatives on ESG (Environmental, Social and Governance) awareness as an important business management issue and KFM has established the following Sustainability Policies to promote initiatives on ESG.

Under Sustainability Policies, KDO and KFM are aiming to contribute to sustainable environment through the business activities. We environmentally make positive contribution to sustainability by reducing the negative impact to the environment through continuously reducing energy and water consumption, GHG emission and waste; and by eliminating and managing of hazardous materials to carry out the social mission of improving the environmental performance of properties we manage.

KDO and KFM have established the following environmental policies and had environment-friendly investment management operations in accordance with the policies.

In addition, Kenedix, Inc., the parent company of KFM, became a signatory to the “Principles for Responsible Investment (PRI)” supported by the United Nations. KDO and KFM share Kenedix Group’s philosophy, promote sustainability initiatives and aim for compatibility between sustainable growth and social responsibility under the commitment to responsible investment.

(i) Sustainability Policies

1. Contribution to sustainable environment

We make positive contribution to sustainability by reducing the negative impact to the environment through continuously reducing energy and water consumption, GHG emission and waste; and by eliminating and managing of hazardous materials to carry out the social mission of improving the environmental performance of properties we manage.

2. Commitment to diverse society

We contribute to realize the diverse society, considering the social impact of our properties. We endeavor to deliver built environment where safety, health and wellbeing and diversity of tenants and local community are secured.

3. Stakeholder engagement

We manage our properties as a responsible real estate asset management company by stressing the importance of engagement with our stakeholders such as investors, tenants, business partners, local communities and property management companies.

4. Attractive working environment

We aim to deliver attractive working environment by implementing measures to promote employees' health & wellbeing and diversity & equal opportunities. We develop capabilities of employees to help them achieve the best performance by providing various educational opportunities such as trainings.

5. Responsible organization

We ensure compliance and sound risk management in our entire business activities. We are committed to responsible property investment by a responsible organization by aligning with global ESG initiatives and proactively disclosing ESG information.

(ii) Environmental Policies

1. Compliance with Environmental Laws and Regulations

KFM will promote environment-friendly investment management operations by adhering to environmental laws and regulations.

2. Promotion of Energy Conservation Measures

KFM will systematically advance energy conservation measures at its managed properties, maintaining a strong awareness of the importance of natural and energy resources.

3. Reduction of Environmental Burden

KFM will undertake initiatives to reduce GHG and waste emissions as well as promote recycling at its managed properties, underscoring its commitment to alleviating its environmental burden. In addition, KFM will take sufficient care when handling harmful substances and environmental pollutants.

4. Disclosure of Environmental Information

KFM will work to disclose necessary information to a variety of concerned parties, including investors, tenants and business partners, in such areas as its environmental policies and measures.

5. Environmental Education

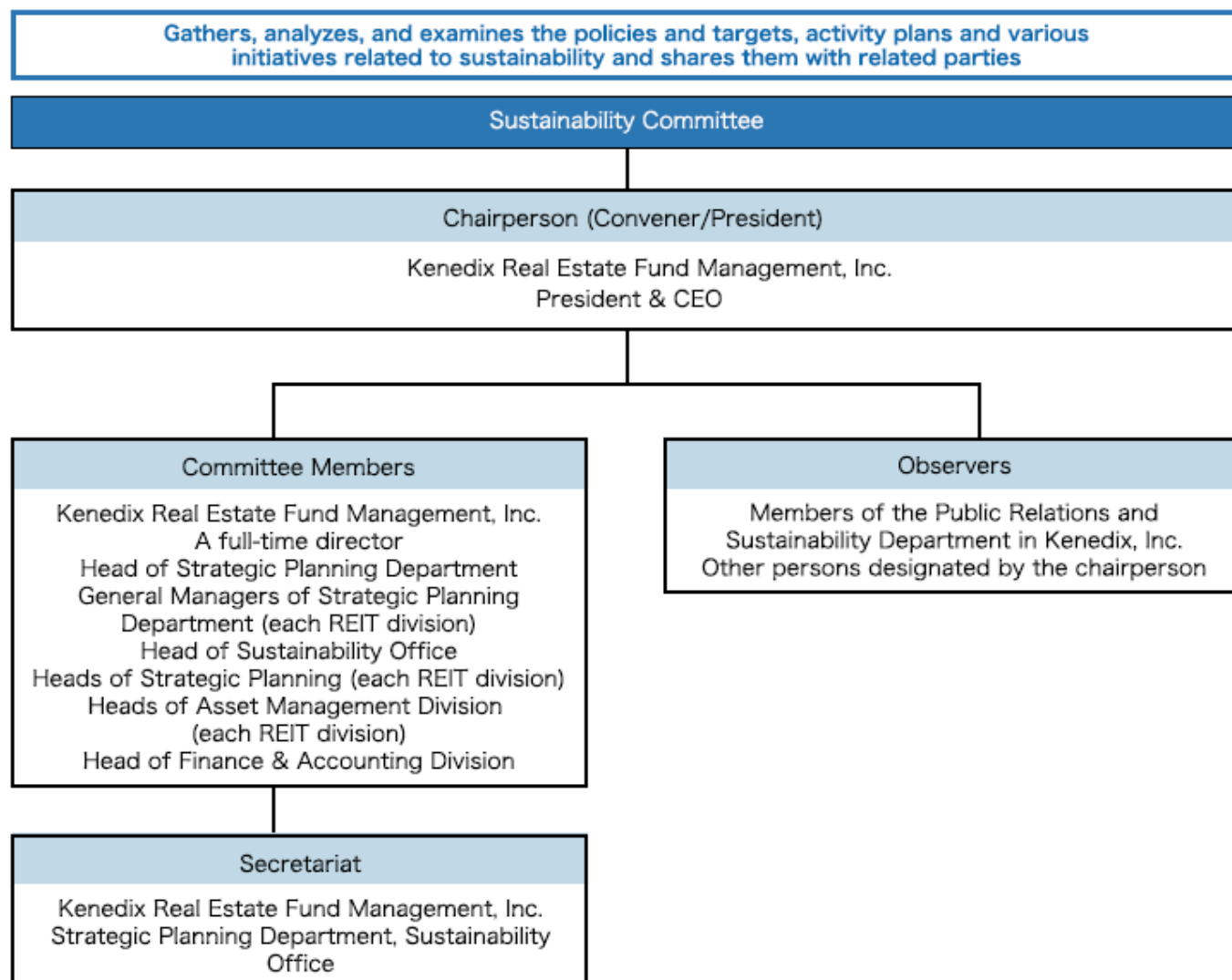
KFM will take steps to improve the environmental consciousness of its officers and employees through internal education.

(iii) Promotion System of Sustainability, etc.

Sustainability Committee

The initiatives for sustainability are promoted under the leadership of the Sustainability Committee established in KFM. The Sustainability Committee gathers, analyzes, and examines the policies and targets, activity plans and various initiatives, matters related to risk management, and other important matters related to sustainability or ESG for KDO and KFM, and shares them with related parties, with the aim of promoting initiatives for sustainability and ESG-related matters. The committee meets in principle, every 3 months, and the content reviewed is also reported to KFM’s Board of Directors with an independent external member, and to KDO’s Board of Directors with independent supervisory directors.

The Sustainability Committee is composed of the president & CEO (Chief Sustainability Officer), who is the chairperson of the Sustainability Committee, and as members, the committee is composed of Full-time Directors, the Head of Strategic Planning Department, the General Managers of Strategic Planning Department, who are in charge of each REIT division, the Head of Sustainability Office, the Head of Strategic Planning and the Head of Asset Management Division, who are in charge of each REIT division, and the Head of Finance & Accounting Division. In addition, the Head of Sustainability Office also serves as the Public Relations and Sustainability Department of Kenedix, Inc., the parent company of KFM. Under the unified policy of the entire Kenedix Group, a system has been established to promote initiatives related to sustainability and ESG across the board.

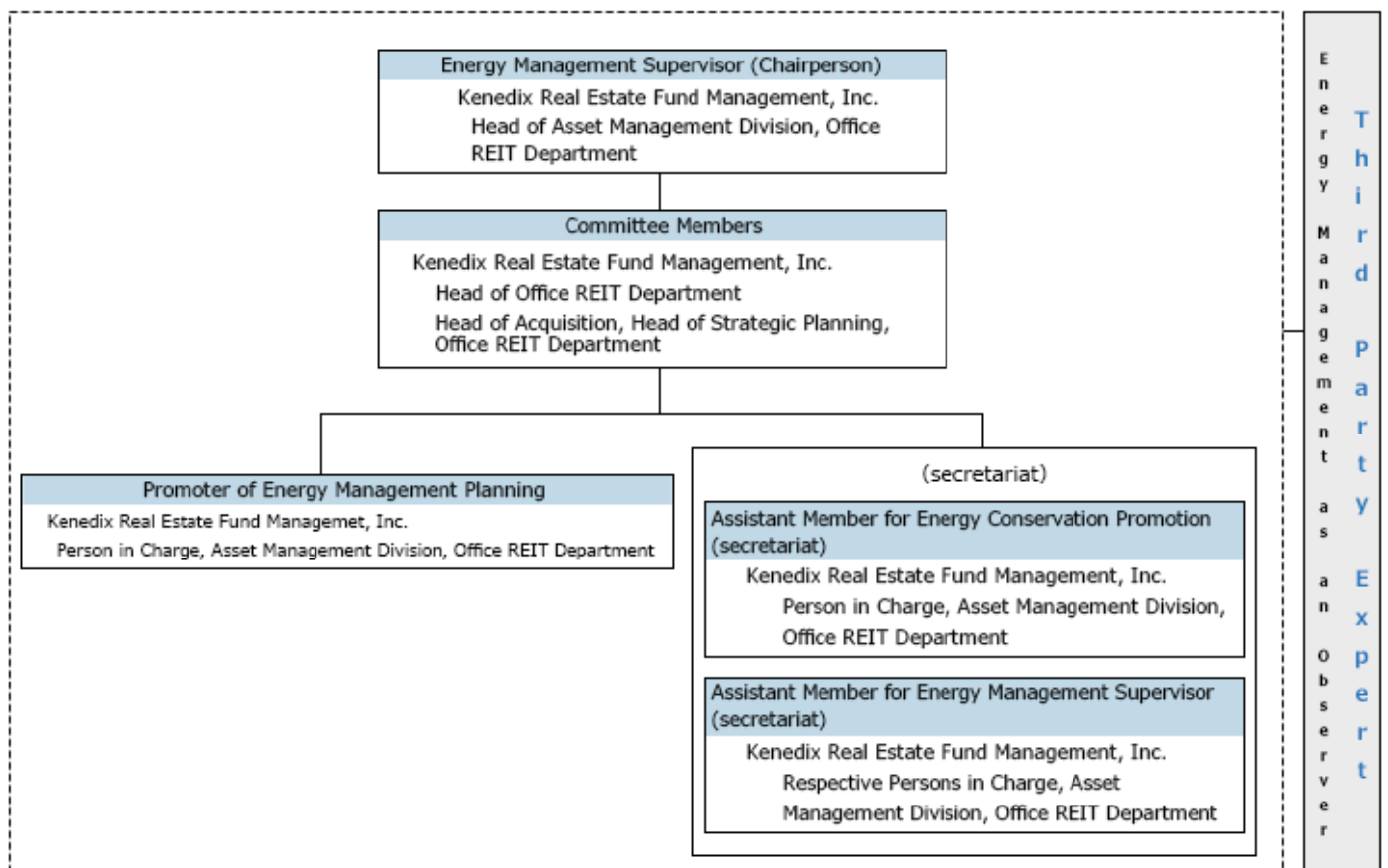


Energy Conservation Measures Committee

Energy Conservation Measures Committee considers policies, targets, approaches on energy conservation and monitoring of the progress, and especially takes care of initiatives to reduce energy consumption among sustainability issues. It is held regularly and is comprised by the Head of Asset Management Division, Office REIT Department as the chairperson of the Committee, and as members, the Director & COO, Head of Office REIT Department, the Head of Asset Investment Division and the Head of Strategic Planning Division. Additionally, a third party expert attends the Committee as an observer to advise and cooperate in promoting measures.

Establishing Energy Conservation Policies and Targets / Implementing Measures and Monitoring

Energy Conservation Measures Committee



Signing on to the Principles for Responsible Investment (PRI) by the Sponsor

Kenedix, Inc., the parent company of KFM, became a signatory to the Principles for Responsible Investment (“PRI”) supported by the United Nations. PRI is a set of principles established for the financial industry in 2006 under the leadership of the United Nations Secretary-General of the time, Kofi Annan. PRI encourages the incorporation of ESG issues (Environment, Social and Governance) into investment decision-making processes, with the aim to help companies enhance long-term investment performance and better fulfill their fiduciary duty. Kenedix Group promote sustainability initiatives together and aim for reinforcing its management base toward compatibility between sustainable growth and social responsibility under the commitment to responsible investment.

Signatory of:



Expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) by the Asset Management Company

Kenedix Real Estate Fund Management, Inc., the asset management company for the Investment Corporation (“the Asset Management Company”) expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and also joined the TCFD consortium, a group of domestic companies that support TCFD recommendations.

TCFD is an international initiative established by the Financial Stability Board (“FSB”) at the request of the G20 for the purpose of discussing the disclosures of climate-related financial information and the responses by financial institutions. TCFD publishes recommendations for companies to disclose their governance, strategy, risk management, and metrics and targets for climate-related risk and opportunities. Also, TCFD Consortium is a group of companies and financial institutions that support the TCFD recommendations. The consortium was established with a view to further discussion on effective corporate disclosures of climate-related information and initiatives to link disclosed information to appropriate investment decisions on the part of financial institutions and other organizations.

The Investment Corporation and the Asset Management Company will work to expand information disclosure based on TCFD and continue to actively promote ESG (Environment, Social and Governance) initiatives based on “Sustainability Policies” established by the Asset Management Company.



Signing on to the Principles for Financial Action for the 21st Century by the Asset Management Company






The Asset Management Company became a signatory to the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century (“the PFA21”). The PFA21 has been established by

drafting committee with participation of various financial institutions in October 2011 as the action guidelines of financial institutions who seek to fulfill their responsibilities and roles required for the formation of a sustainable society. Signing financial institutions will implement initiatives based on the seven principles below as much as possible based on their own businesses. It has been positioned as a starting point to collaborate without being restricted by business categories, scale or region. The Asset Management Company is ambitious to become a real estate asset management company that commits to responsible investment management through the practice of the PFA21.



(IV) Material issues of the Kenedix Group

Kenedix, Inc., the parent company of KFM has established material issues in order to identify subjects that are critical for achieving sustained growth of the Kenedix Group along with stakeholders and society. We will make commitment to find solutions to these issues both in business and society by making the initiatives associated with each issue. Furthermore, we intend to contribute to achieving the SDGs by carrying measures for our materiality.

Key areas and applicable SDGs	Material issues
<p>Contribution to a sustainable environment</p> 	<p>Reduction of energy consumption and GHG emissions</p> <p>Reduction of water consumption and waste materials</p> <p>Collaboration with tenants for environmental initiatives</p>
<p>Commitment to a diverse society</p> 	<p>Providing properties with environmental and social considerations</p> <p>Improving resilience/climate adaptation</p> <p>Initiatives for an aging society</p>
<p>Stakeholder engagement</p> 	<p>Continuous improvement of customer satisfaction</p> <p>Community engagement</p> <p>Managing conflicts of interests</p>
<p>Attractive working environment</p> 	<p>Recruiting, employee retention and career advancement</p> <p>Health and wellbeing of employees</p> <p>Diversity and equal opportunities</p>
<p>Responsible organization</p> 	<p>Compliance</p> <p>Risk management</p> <p>Commitment to responsible investments</p>

IV. [Environment] Environmental Initiatives

Engaging the social mission that is to improve the environmental performance of the properties we manage, we will lower the environmental impact by constantly reducing the negative environmental impact of these properties such as energy consumption, GHG emissions, water consumption and the generation of waste materials and having activities for the proper management of hazardous substances and reduction in their use, and make contribution to environmental sustainability with the following environmental initiatives in a proactive manner for increasing mid-long term profit.

(i) Acquisition of Environmental Certification

As a pioneer in J-REIT focusing on mid-sized office buildings, KDO will continue to advance environmental and energy conservation measures as well as efficient energy use for its own office buildings with the support of outside consultants and proactively acquire the following external certification and assessment to promote initiatives for sustainability.

GRESB Real Estate Assessment

GRESB (Global Real Estate Sustainability Benchmark) is an annual benchmark assessment established primarily by major European pension fund groups in 2009 that measures sustainability performances in the real estate sector.

GRESB attracts a lot of attention because leading institutional investors have joined the high-visibility survey and used GRESB to select and dialogue with investment targets. Therefore, there are many real estate companies, REITs and private funds worldwide that annually participate in the GRESB Real Estate Assessment.

Among many environmental certifications for individual real estate, GRESB is the only assessment that evaluates companies or funds, and GRESB Ratings assigned for participants, which is relative performance ranking (5 Stars are the highest).

KDO earned a "Green Star" designation for the tenth consecutive year by achieving high performance both in "Management Component" that evaluates policies and organizational structure for ESG promotion, and "Performance Component" that assesses environmental performance and tenant engagement of properties owned.

And acquired the highest "A" Level for Public Disclosure on ESG.



Number of and Total Floor Area Ratio of Green Certified Properties

	The number of properties	Floor area (m ²)	Ratio (%) (Note 2)
Green Certified Building (Note 1)	42	406,918.37	57.1
DBJ Green Building Certification	25	314,807.04	44.2
Certification for CASBEE for Real Estate	21	137,027.90	19.2
BELS Certification	4	42,466.91	6.0

As of September 30, 2021

Note 1: A property that has multiple environmental certifications is counted as one.

Note 2: The ratios are percentages of each floor area to the gross floor area of properties owned by KDO (712,623.20m², calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, etc.).

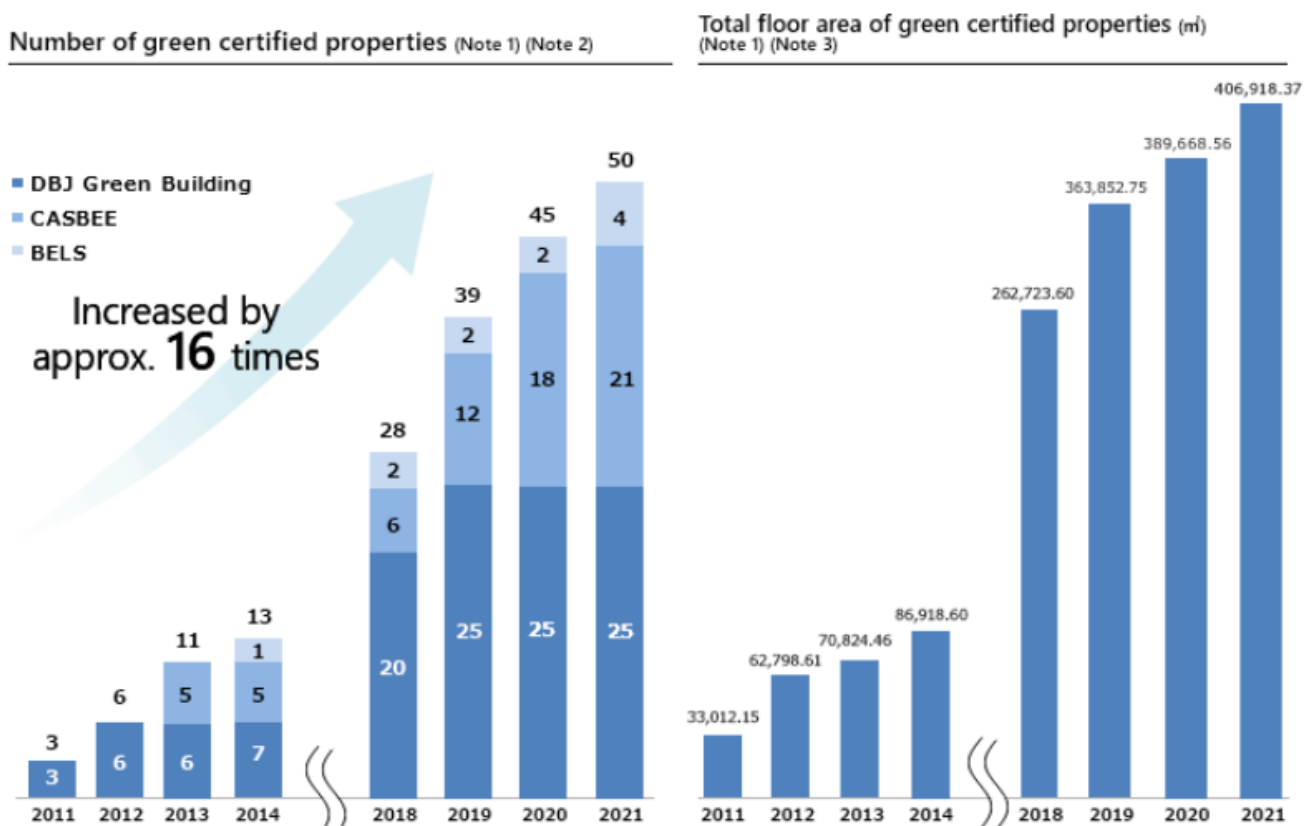
Changes in Number of and Total Floor Area of Green Certified Properties

As a result of actively acquiring certifications, the number of certified properties and the total floor area have steadily increased to 42 properties and 406,918.37 m² from 2011 to September 2021.

Overall ratio of the number of green certified buildings is 44.2% in the portfolio and the green certified space is 57.1%.

(Note)

Note: As of September 30, 2021. Shinjuku 6chome Building (Land) is excluded from the calculation.



Note 1: The numbers in above graphs are calculated for KDO portfolio as of September 30, 2021.

Note 2: The property that has multiple certification and Assessment is counted as 1 property for each certification without name-based aggregation.

Note 3: The property that has multiple certification and Assessment is calculated based on total floor area of 1 property.

DBJ Green Building Certification

DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. (DBJ) for the purpose of supporting the properties which give proper care to environment and society (Green Building).

The program evaluates, certifies and supports properties which are required by society and economy. It makes comprehensive assessment of properties, while evaluating various factors which range from properties' environmental features to their communication with stakeholders, such as disaster prevention and proper care for surrounding communities. Furthermore, there are 5 levels, "five stars", "four stars", "three stars", "two stars", "one star" as the certification ranks.



Certification for CASBEE for Real Estate

CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives; the evaluation of the environmental quality and performance of buildings themselves and the external environmental impact of buildings.



BELS Certification

BELS (Building-Housing Energy-efficiency Labeling System) is the third-party certification system to rate houses and buildings in accordance with duty to make effort to label energy saving performance in the Act on Improving Energy Consumption Performance for Architectural Structures. Houses and buildings are evaluated based on the value of BEI (Building Energy Index) derived from the primary energy consumption based on the building energy consumption performance standard set by the government. The number of star shows an evaluation result ranging 1 to 5.



(ii) Characteristics and Strength of KDO

KDO aims to maximize unitholder profits, obtain stable earnings, and achieve sustainable growth in investment assets by mainly investing in and operating mid-sized office buildings in the Tokyo Metropolitan Area (Tokyo and its three neighboring prefectures: Kanagawa, Saitama and Chiba). For this reason, 87 properties or 91% of KDO portfolio is mid-sized office buildings (approx. 84% by acquisition price) and average age is approx. 24 years as of April 30, 2021. In general, large-sized office buildings are regarded as efficient and easy to achieve certifications, however KDO and KFM have achieved new acquisition and improvement with the level of environmental certifications at mid-sized buildings through refurbishment and environmental measures to improve energy efficiency with over 15 years of experience and knowledge in real estate asset management.

Refurbishment Case Studies: Certified as Green Building Standard or Improve Level of Green Certification

KDX Iidabashi Square



Fully renovated following the move-out of the tenant that had occupied the whole building (completed in April 2016)

- Review of floor plan for multi-tenants
- Upgrading of common/private area
- Introduction of grid ceiling in private area
- HVAC renewal to enhance energy efficiency
- Installation of LED lightings in common/private area
- Renewal of sanitation facilities to more water-efficient equipment and others



- Achieved “two stars” in DBJ Green Building Certification in October 2016
- **The rank improved to "three stars" in November 2018**
- BELS Certification “3 Stars”
- Occupancy rate reached approx. 50% about one month after the renovation and full about six months after. The building successfully filled vacancies at an excellent pace

KDX Yokohama Kannai Building



Conducted a large-scale renovation of common areas, etc. following the move-out of the tenants that occupied 5 floors (completed in April 2021)

- Installation of Low-E glasses and LED lighting in common areas
- Conducting regular tenant satisfaction surveys
- Adoption of vibration control systems, installation of emergency generators, etc.

- **The rank improved from “two stars” to “three stars” in June 2021.**

KDX Yokohama Building



Conducted a large-scale renovation as countermeasures against aging deterioration of the building and obsolescence of the design to raise competitiveness (completed in October 2016)

- Upgrading of common area
- Full renovation of rental conference rooms, community space, etc.
- HVAC renewal to enhance energy-efficiency
- Installation of LED lightings in common area, etc.

- Achieved “one star” in DBJ Green Building Certification in Oct. 2016. **The rank improved to “two stars” in November 2018**
- Increased newly contracted rents by 15% after the renovation

KDX Shinjuku Building



Restroom renovation was implemented for measures against aged deterioration and water-saving.

- All Toilets were renewed to high efficiency model to reduce water use from 16ℓ upon final completion per flush to 4.8ℓ after the renovation, resulted in water efficiency performance considerably improved than former equipment

- The rank of Certification for CASBEE for Real Estate has improved from initially acquired “A” to “S”

For the following properties, the rank of green certification has improved by implementing both software and hardware measures to enhance energy and water efficiency through LED introduction for lighting facilities and restroom renovation and improve customer satisfaction such as placing an emergency kit box in elevators and organizing tenant engagement activities for energy conservation.

KDX Iidabashi Square



DBJ Green Building
Certification
2 stars ▶ 3 stars
2016 ∞ 2018 ∞

KDX Yokohama Building



DBJ Green Building
Certification
1 star ▶ 2 stars
2016 ○ 2018 ∞

KDX Shinjuku Building



Certification for CASBEE for
Real Estate
A RANK ▶ S RANK



KDX Karasuma Building



Certification for CASBEE for
Real Estate
A RANK ▶ S RANK



KDO considers it important to seek to identify and improve the environmental performance of non-certified properties. Accordingly, KDO collects data on its whole portfolio (Note) and implements measures to improve efficiency.

As of September 30, 2021

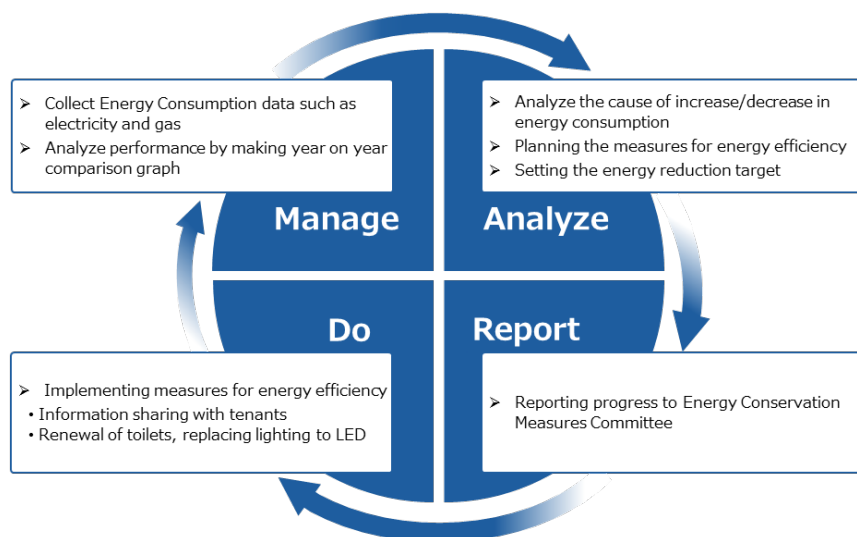
Note: The scope for above are buildings, where KDO has the authority to introduce and implement policies on operations on energy.

(iii) Reduction of Energy Consumption, GHG Emissions and Water Consumption (Initiatives for Climate Change, etc.)

Global warming, as the main factor for a climate change, has been the primal topic at international meetings so far and in 2015 Paris agreement has adopted a new framework in 18 years since Kyoto protocol in 1997. In this agreement, one of the goals is to keep the increase in global average temperature to well below 2°C above pre-industrial levels. Also, water scarcity derived from climate change and increase in human population is recognized as a serious issue globally.

Considering the recent increase of extreme weather condition, which we expect to have significant impact on operations of real estate asset management company and its properties, KDO and KFM have identified "reduction of energy consumption, GHG emissions and water consumption" as the material topic and committed to make contributions to sustainability of environment through continually reducing energy, GHG emissions and water consumption.

Process to Promote Energy Efficiency / PDCA Cycle



KDO has set reduction targets of energy consumption, etc. (medium- to long-term targets) as follows:

Reduction targets for energy consumption (medium- to long-term targets)

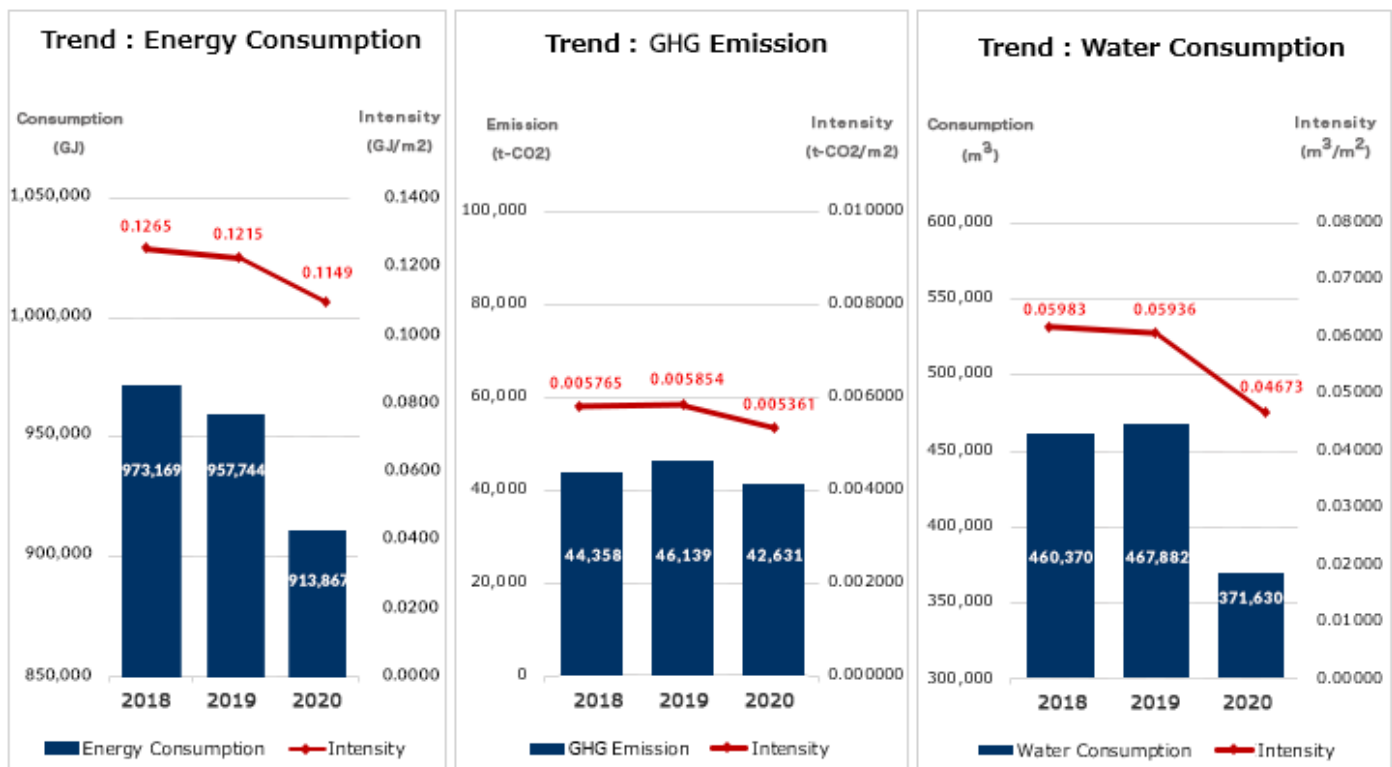
- Reduce the energy intensity by an annual average rate of 1% or more in five years in accordance with the Act on Rationalizing Energy Use (the Energy Saving Act)
- Set individual targets for properties subject to local regulations on measures to cope with global warming

KDO has established PDCA process as above to achieve the medium- to long-term target on reduction in energy consumption, and been monitoring and assessing performance on energy consumption at the "Sustainability Committee" held on regular basis and the "Energy Conservation Measures Committee" where an external consultant also attends.

Year on Year Comparison of Performance Data

The total floor area of the portfolio has increased from 664,402.77 m² as of April 30, 2016 to 712,623.20 m² as of September 30, 2021. The intensities for energy, GHG and water are all decreased for 2020, compared to those for 2017.

Items	2017	2018	2019	2020
Energy Consumption (GJ)	977,020	973,169	957,744	913,867
Intensity (GJ/m ²)	0.1284	0.1265	0.1215	0.1149
GHG Emission (t-CO ₂)	44,529	44,358	46,139	42,631
Intensity (t-CO ₂ /m ²)	0.005851	0.005765	0.005854	0.005361
Water Consumption (m ³)	463,546	460,370	467,882	371,630
Intensity (m ³ /m ²)	0.06091	0.05983	0.05936	0.04673



Reporting period: From April to March for each fiscal year

Scope: Buildings that KDO has the authority to introduce and implement policies on operations on energy

Intensity: Calculated by dividing the total consumption/emission amount by the total occupied floor area for each fiscal year

Measures to Improve Energy and Water Efficiency

Installation of LED lightings

- Converting lighting in common area, tenant area, etc. and emergency lights (including emergency guide lights) to LED to actively promote reduction of electricity expenses
- We will continue to convert lightings in tenant area by promoting Green Lease based on discussions with tenants in a planned way as well as in common area

The ratio of converting lighting in common area (Note)

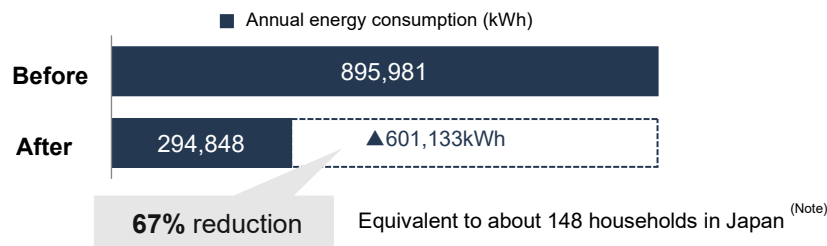
approx. **95%**

Note: The ratio is calculated for 90 buildings that completed the LED replacement (including those partially implemented and excluding Shinjuku 6chome Building (Land)) for common area as of the end of September 2021.



Energy reduction through LED lighting rental areas

In 32nd fiscal period (April 2021), 13 properties switched to LED lighting in rental areas, reducing annual power consumption by 67%.



Note: Calculated by KFM based on the "Annual Energy Consumption, Amount Paid, and GHG Emissions per Household (Nationwide)" obtained from the "FY2019 Statistical Survey on GHG Emissions in the Household Sector (Provisional Figures)".

Proactive introduction of water-saving equipment

- Upon renovation of KDX Iidabashi Square, toilets at all the floors of were renewed to high efficiency model to reduce water use from 13ℓ to 4.8ℓ
- Some of KDO's properties have introduced smart irrigation to facilitate watering plant and save water

The reduction ratio of water consumption (Note)

approx. **63%**

Note: The ratio is calculated based on the estimated reduction amount at time of design and not the actual consumption amount.

Status of Achievement Against Reduction Targets of Energy Consumption Intensity

We will reduce the energy intensity ^(Note) by an annual average rate of 1% or more in most recent five years in accordance with the Act on Rationalizing Energy Use (the Energy Saving Act) and set individual targets for properties subject to local regulations on measures to cope with global warming.

Average change in intensity over 5 years from FY2016 to FY2020 is 96.9% or 3.1% reduced from the target and we achieved the reduction target.

Note: Energy intensity is calculated by dividing total energy use equivalent to crude oil (kl/year) by total occupied floor area (m²/year).

The reduction ratio of energy intensity to the reduction target of 1% on 5-year average intensity (Note)

approx. **3.1%**

Certified as “Class S (Excellent Operator)” under Assessment System Through Classification of Business Operators”

Assessment system under which operators are classified by METI such as S (excellent operators) and A (operators expected to make further efforts) based on the contents of periodic reports based on Act on the Rational Use of Energy. For three consecutive years, KDO has achieved the target of “reducing the five-year average of energy intensity by 1% or more annually” and was evaluated as "S Class (Excellent operators).

FY2018	FY2019	FY2020
S	S	S

V. [Environment] Stakeholder Engagement to Improve Property Performance

As KDO and KFM are continuously making effort to realize sustainable environment, we think it is crucial to cooperate with our tenants who constantly use the properties. KDO and KFM are aiming to cooperate by taking initiatives to raise awareness and promoting green lease that allow both owner and tenant to share economic merit to achieve sustainable environment.

KDO and KFM have identified “tenant engagement to improve environmental performance “as material topic and been making contribution through promoting tenant cooperation and cooperating with other stakeholders such as property management companies who actually manage the building and employees in asset management companies who manages the properties.

Investment standards for the environment and geology

Regarding due diligence for new investments, KDO invests only the properties that indicate that hazardous substances are unlikely to exist in engineering reports and geographical history survey reports, etc., prepared by specialist contractors. Or even if the hazardous substances exist, KDO invests only if the hazardous substances are legally stored or treated in accordance with all laws and regulations, and that has the less possibility of operational failures is judged based on the investigation by the asset management company.

Issuance of Green Bonds

KDO has positioned sustainability improvement initiatives aimed at realizing a sustainable society as an important business management issue to fulfill its corporate social responsibility, and hope to contribute to development of the domestic green bond market by offering opportunities to the universe of investors who take active stance towards ESG investment with further strengthening our efforts to improve sustainability by issuing green bonds.

What is Green Bonds?

A bond issued by companies, local governments, or other organizations to raise funds for domestic and overseas green projects, which is a project contributing to environmental solution, is called green bond. As main characteristics of green bond, proceeds are allocated exclusively to green projects, and are tracked and managed in a reliable manner, ensuring transparency by reporting after the issuance of the bond.

New installation of fund-raising vending machines

Installed fund-raising vending machines in April 2020 in which a portion of the proceeds from the sales of the vending machines is used to support tree-planting activities through a public-interest foundation

KDO will continue to expand these new initiatives and deepen our active involvement to broaden the scope of our support in the future



Activities to Raise Tenant Awareness

We have prepared letters to tenants asking for reducing energy consumption, distributing manuals for office users and putting posters at each floor to raise awareness on energy efficiency.

※Eco-friendly paper including limestone materials are used for the posters .



Green Lease

KDO conducted LED lighting installation works for a part of a tenant office space at the expense of KDO based on the Agreement. A certain ratio of the highly reduced amount of electricity charges and maintenance costs (costs for exchanging fluorescent bulbs) has been paid from the tenants in return as Green Lease fee. Also, the ratio of Green Lease Contract is 19.7%^(Note) as of September 30, 2021.

The properties having introduced Green Lease contract

End of October 2018	End of September 2021
2 properties	9 properties
4 tenants	16 tenants

Note: The ratio of Green Lease contract is calculated by dividing total area of Green Lease contract by total leased area of properties having introduced Green Lease contract as of September 30, 2021.

What is Green Lease?

It is an agreement specifying that building owners and tenants shall cooperate with each other to reduce environmental burden. The agreement contains provisions to facilitate renovation toward more environmentally-friendly office buildings by reducing building owners' investment burden through sharing the economic merits generated as a result of energy-saving renovation works among building owners and tenants. It also contains an agreement to streamline operations for energy saving, water saving and enhancing indoor conditions.

Introducing Lease Agreement with Clause for Environmental Cooperation

KDO has promoted including clause to cooperate to improve environmental performance of the property, comfort and productivity of office tenant into its base contract.

Cooperation with Property Managers

KDO and KFM are engaging with property management companies to share our vision, policies of sustainability and when making contract with a new tenant, property managers explain these ideas to tenants to achieve their cooperation.

Education to Employees on Green Building

KFM provides annual sustainability training by external specialists to improve awareness and knowledge on green building for its employees. Also, it is encouraged its employees to acquire qualifications related to green building and there are four employees who are CASBEE Accredited Professionals for Real Estate as of September 30, 2021.

VI. 【Social】 Improving Resilience for Disaster, etc.

KDO and KFM have identified “Improving resilience (adaptability for disasters, etc.)” as material topic and been making various initiatives to be prepared for emergency situations in KDO’s own properties for the safety and security of tenants’ employees, visitors and local communities.

Emergency Kit Box in Elevator

KDO has been placing boxes of emergency kit in the elevators in case of disaster and machine trouble (94.7% of its buildings have the boxes as of September 30, 2021).



Distribution of Emergency Action Manual Handbook

We published a pocket-sized, portable emergency action manual handbook and distributed to tenants for emergencies including major earthquakes.

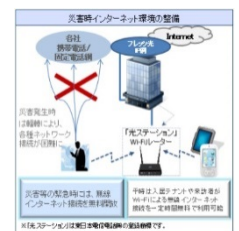
The handbook contains various helpful information in an emergency across 17 pages, such as response to major earthquakes, emergency relief activities and how to use AED, etc.



Free Access to Wi-Fi

Focusing on business continuity, "Hikari Station" Wi-Fi routers are installed at KDO’s own properties for the purpose of improving the internet environments to make them more disaster-resistant.

Free access to the internet via a wireless network is provided in case of an emergency to support tenants for business continuity. At ordinary times, tenants and visitors can access the wireless internet via Wi-Fi for a certain time for free.



Installation of AEDs

AEDs are installed approx. 99% of KDO’s own properties (as of September 30, 2021). They are available not only for the tenants but for neighboring communities as well, which is displayed on the AED stickers and registered in the administrative map. For jointly owned properties with third parties, they will be gradually introduced.



Cooperation with Property Management Companies

Regular meeting is held with property management companies to share the status and points to improve for each property regarding BCP measures. In case of emergency, KFM and PM companies are to communicate closely to identify the damage and decide actions to be taken.

In addition, KFM conducts regular performance evaluation of PM companies and communicate the result and points to be improved for their intense management.

Debt Financing Based on the DBJ Disaster Preparedness Rating

The DBJ Disaster Preparedness Rating is a financing scheme in which companies are assessed and screened for excellence in their initiatives to hedge against disaster and secure business continuity based on the proprietary assessment system developed by the Development Bank of Japan (DBJ), financing conditions for them are then determined in accordance with the assessment.

KDO has undertaken debt financing from the DBJ based on the DBJ Disaster Preparedness Rating in 2011, as the first J-REIT.



VII. [Social] Improving Tenant Satisfaction

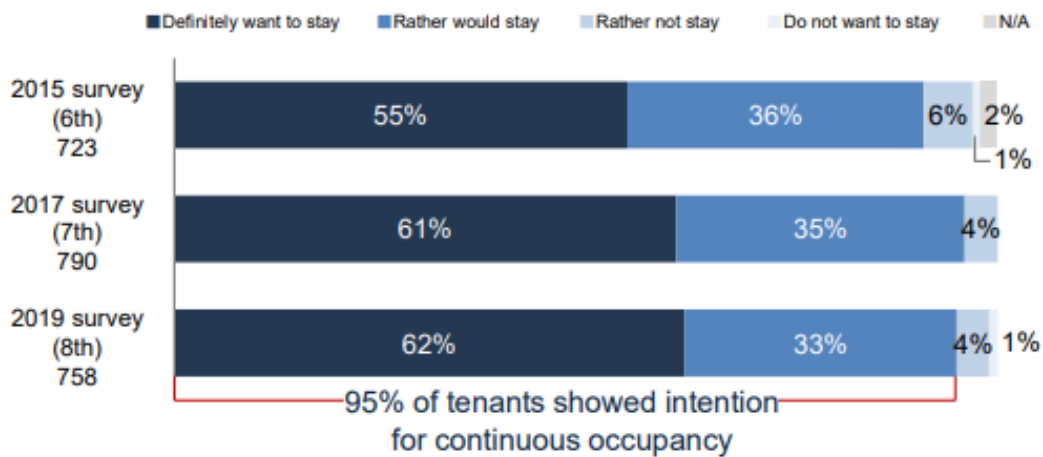
KDO and KFM have identified "Improving tenant satisfaction" as a material topic and tries to enhance customer satisfaction through managing its properties. To improve the quality of the properties and management performance, we work in cooperation with property management companies and building management companies.

Tenant Satisfaction Survey

Satisfaction survey for tenants in office buildings, i.e. the persons in charge of general affairs and employees, about building facilities and operational services, which is undertaken by a third party is conducted in every two years as a general rule.

Consecutive survey enables us to capture the tenant needs and quickly respond by renewal of facilities or implement refurbishment and receive strong intention to stay in the same building from tenants.

Intention for continuous occupancy



Renovation Work According to Tenant's Needs

Based on the outcome of the survey, appropriate replacement of equipment or renewal of facilities are undertaken, which increases tenant satisfaction. The action varies from entire renewal to partial replacement such as just for the entrance hall or the toilet and contribute to the improvement of tenant image and their convenience.



VIII. [Social] Contribution to Local Communities

KDO, KFM and Kenedix, Inc., the parent company of KFM, have identified “Community engagement” as material topic and taking various unique initiatives to make positive contribution to the local communities.

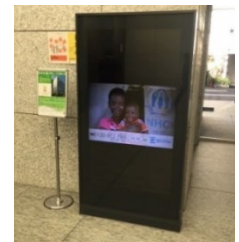
Cooperating with Communities in Bicycle Sharing

KDO has agreed to provide municipalities and its vendors with a part of land within site area of our office building and operated it as a port for bicycle sharing based on agreements. It is expected to make many positive impacts such as enhancement of attractiveness of city with improved convenience of movement, vitalization of community/tourism, measure to reduce left bicycles, reduction of GHG emissions with shift from automobile to bicycle, improvement of environmental awareness, promotion of health. We continuously monitor monthly operation status and use frequency.



Support for the Activities of Japan for UNHCR

KDO has been supporting Japan for UNHCR, which is the official support contact point in Japan on behalf of UNHCR, a refugee support organization of United Nations, by providing common areas of our properties as locations for fund-raising activities to support refugees, showing their advertising video on the digital signages of our properties both for free. The letter of appreciation was given by Japan for UNHCR to KDO.



Showing video to help refugees



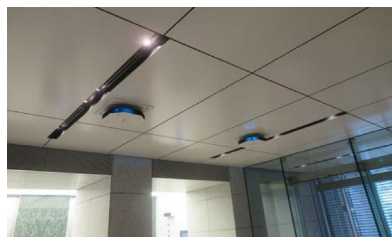
Awarding the letter of appreciation



KDO and KFM will continue to support efforts to achieve the SDGs (Sustainable Development Goals) by supporting the activities of Japan for UNHCR.

Infection prevention measures

Raise awareness about safety measures, put antiseptic solution at all properties and install UV-C disinfection upper air devices to prevent the spread of COVID-19 through tenant employees and visitors within the building. Also, KFM distributed anti-bacterial “mask spray” at its expense to the tenants occupying the properties entirely owned by KDO to encourage to wear masks and strengthen the relationship with the tenants.



Support from the Asset Management Company for infectious disease control

In May 2020, in response to concerns about the spread of COVID-19 among the elderly and the increasing severity of symptoms, the Asset Management Company distributed a total of 16,500 masks for free to residents and others at 24 healthcare-related facilities owned by Kenedix Residential Next Investment Corporation, which is managed by the Asset Management Company.

Received many words of appreciation for this initiative at a time of widespread anxiety of the spread of COVID-19.



Donation to Mindanao Children's Library

Support supplies are collected in KFM and Kenedix, Inc. and provided regularly to the Mindanao Children's Library. By providing shoes, clothing, and stationery that are no longer needed by each employee, we provide support through recycling. Each year, local children who have received support supplies send us warm messages.



Donation Through Matching Gift Program

KFM and Kenedix, Inc. have conducted "matching donation", the initiative that the companies add up the donation on the donation from employees of us for the 2016 Kumamoto earthquake, rainfall in July 2018, etc.



Recycling Calendars

Unused calendars are collected in KFM and Kenedix, Inc. to be distributed to elderly homes and social houses via social welfare corporations.



Social Contribution Initiatives by Kenedix, Inc.

High school student work experience

Kenedix, Inc. provided work experience opportunities for high school students. In addition to the tour of Kenedix, Inc.'s office, they learned about the structure of real estate, real estate funds, and the current status of women's empowerment.



Sponsorship of Hibiya Music Festival

The Hibiya Music Festival is a "borderless music festival that anyone can join for free," held at Hibiya Park where is a central park in Tokyo. Kenedix, Inc. co-sponsors the Hibiya Music Festival, which is held in the Hibiya Park next to our office.



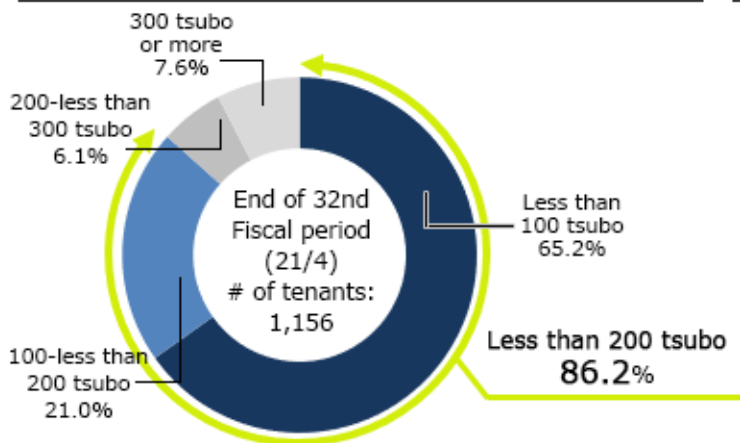
Donation and Support to Sports Organizations / Donation to orphanage

Activities for the support of sports include donations to the Japan Rowing Association and sponsoring the All Japan Ice Hockey Championships, we donate to children's homes.

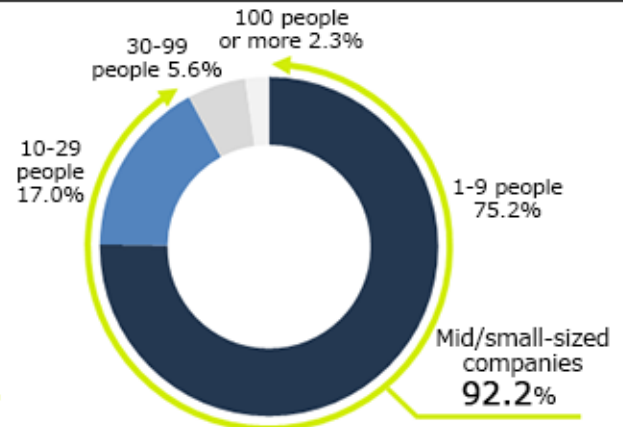
IX. [Social] Affordable Real Estate Leasing

KDO is mainly investing in and operating mid-sized office buildings in the Tokyo Metropolitan Area (Tokyo and its three neighboring prefectures: Kanagawa, Saitama and Chiba). 87 buildings, about 91% of KDO portfolio is mid-sized offices (approx. 84% by acquisition price) and among them, the tenants who leased less than 200 tsubo (about 660 m² as 1tsubo=3.3 m²) that KDO has been recognizing them as small and medium-sized enterprises, account for 86.2%. KDO and KFM are aiming to contribute through providing better working environment for those small to mid-sized companies that are the base of Japanese economy. (The ratios are as of April 30, 2021)

Breakdown of the number of tenants by leased floor area (Note)



Business office by the number of employees (Tokyo) (Source)



Note: Based on the number of tenants in each office building. Tenants leasing more than one property are counted as 1 tenant for each building without aggregating by name-base

Source: Compiled by KFM based on "2014 Economic Census for Business Frame Tokyo (revised results) (as of March 27, 2017)"

X. [Social] Human Capital Development

KDO is not allowed to hire employees under the provisions of the Act on Investment Trusts and Investment Corporations, and KFM's employees substantially manage its assets.

KFM is operated by employees who are sent from the sponsor company, Kenedix, Inc. KDO and KFM have identified “Attracting and retaining talents, and developing their careers” as material topic and been providing various development programs and benefits to all of its employees to attract talents and organize a system where they can shine for a long term under the policy that human resources are crucial for sophisticated investment management. Number of personnel seconded from the sponsor (Kenedix, Inc.) to KFM (as of December 31, 2020): 101

(i) Attracting and Retaining Talents, and Developing Their Careers

As Kenedix group, including KFM, is promoting initiatives to develop capabilities of employees by providing trainings and educational programs to maximize individual productivity, employees receive the opportunities to discuss whether they are satisfied with their job or not and their career planning twice a year, that is used to improve the efficiency of the operation and distribution of personnel at the most desirable place.

Diverse Human Capital and Stable Employment

KFM is operated by employees seconded from its parent company, Kenedix, Inc., and utilizes the know-how, expertise, philosophy, and human networks cultivated by the Kenedix Group. In addition, KFM continues to recruit new employees so that it can secure appropriate human resources in a timely manner in accordance with business conditions and environmental changes, etc. (Newly recruited employees are hired by Kenedix, Inc. and seconded to KFM.

Also, to forecast hiring needs and proactively develop new pools of talent, Kenedix, Inc. has adopted a referral recruitment strategy (an employee placement system whereby current officers and employees are encouraged to recommend personnel suited to the Kenedix Group, such as acquaintances and friends) in February 2021 in addition to regular new graduate recruitment and mid-career recruitment.

Thus by securing various human resources, Kenedix, Inc. promotes sustainability management as a real estate asset management company.

Kenedix group have never conducted lay-offs or other employment adjustment since their establishment in 1995.

Training Programs to Encourage Employee’s Career Development

At Kenedix, Inc. where employees to be transferred to KFM are originally hired as new graduates, they are assigned to one-month entry training and then rotate several times in 5 year to make them grow up to human resources that have broad insight. Furthermore, to continuously improve the operational skills of employees, the company provides required training according to all employees by external specialist.

Percentage of executives and employees who received training: 85.1% (2019), 32.2% (2020)

Note: In 2020, the figure declined sharply due to the COVID-19 pandemic

Managerial/ Leadership Development Training

KFM utilizes the Kenedix, Inc. training programs and requires employees in managerial positions to attend external seminars on managerial and leadership development training.

Self-development program

Kenedix provides opportunities to all of its employees to attend seminars and trainings arranged by third parties to acquire specialist knowledge or skills required for their jobs

English training

For those who applied, the company provides the English training by teachers from educational institutions in which the trainees participate in discussion every week to improve their ability. Also online-speaking program is available so employees can flexibly utilize the opportunity.

Training program provided by Professor

For those who applied, the company provides the opportunities to participate in the training program provided by Professor Chihiro Shimizu who is specialized in big data analysis and real estate economics at Nihon University. Also, the company invites the professor for regular teach-ins for employees on real estate.



Study abroad program

The company provides opportunities to obtain broad range of knowledge, personal connection and international viewpoint for a short term by sending employees to study in overseas graduate school in order to develop management leader in next generation for future business development.

Encouraging to Obtain Professional Certifications

To keep the status of leading company with professionals that provide high quality services, it is encouraged for its employees to obtain recommended or supporting certifications to develop capability and career and improve organizational power by subsidizing the cost at Kenedix group.

Number of employees with certifications

(As of December 31, 2020)

Real estate notaries	164	Tax accountants	5
ARES (real estate securitization) certified masters	78	Chartered members of the Securities Analysts Association of Japan	15
Certified real estate consulting masters	23	Administrative scriveners	2
Certified building administrators	28	Judicial scriveners	1
Licensed senior architects	13	Administrative managers	12
Real estate appraisers	9	Condominium property managers	9
Certified public accountants (Japan)	6	Loan operations managers	14
Certified public accountants (USCPA)	2	Attorneys	2

Note: Calculated from group employees that directly hired by Kenedix, Inc.

Internal Job Announcement

Kenedix group has internal job application program to provide its employees with the opportunity to demonstrate the best of their ability and to exploit human resource within the company. Employees are allowed to apply for the jobs they wish and design their own career.

Evaluation System to Encourage Employee's Career Development

KFM conducts performance appraisals of all employees twice a year, in the middle of the year and fiscal year-end, thus periodically let employees set their goals, report on their results, and KFM hold interviews to feedback their evaluation. Through this process, KFM confirm the intentions of each employee toward career development and aligns business targets based on the suitability of the individual.

At the fiscal year end, all employees undergo an evaluation of achievement of contribution responsibility. The supervisor evaluates the performance of each employee in terms of their contribution responsibilities and the degree to which they have achieved them, and the results are fed back to the employee after reflecting the assessment results of the Personnel Evaluation Committee.

Employee satisfaction surveys

In 2021, the Kenedix Group, including KFM, conducted an external employee satisfaction survey for all employees. We are planning to continue conducting employee satisfaction survey going forward

Whistle-blowing System

Employees of KFM are obliged to submit reports as prescribed in Rules Concerning the Internal Reporting System in the event of a violation or suspicion of a violation of a law or regulation (including a violation of the Code of Conduct of KFM) and when it is impossible or extremely difficult to remedy a violation through conventional business practices. Individuals who submit reports, cooperate with the submission of reports or participate significantly in examinations of reports are protected by laws and regulations and the internal reporting system. Any negative consequences for individuals involved with internal reports are strictly prohibited. In addition, the whistle-blowing system stipulates that KFM must maintain confidentiality with respect to the information reported, and that information such as the name of the whistleblower must not be disclosed unless consented by the whistleblower.

(ii) Health and Wellbeing of Employees

KFM and Kenedix, Inc. have identified "Health and wellbeing of employees" as material topic and been promoting initiatives to maintain work/life balance, provide working environment that is pleasant and advantageous in soft and hard to maximize employee's ability. In addition, the company has prepared the non-salary benefits for all of its employees to reflect a variety of personal needs.

Work Style Reform

Kenedix, Inc. has been improving its working environment by encouraging employees to take paid holiday, reducing overtime work and introducing various internal rules to allow flex work style.

Promoting to take paid holiday

Ratio of the used portion of employees' annual paid holiday in Kenedix group was 71.2% in 2019 and 58.6% in 2020. On top of annual paid leave, there are an established system which promote employees to take consecutive holidays during summer, from Jul. to Sep. Managers in each department take the initiative in encouraging their subordinates to take long-term holiday and promoting an increase in the ratio.

Hourly paid leave

We have an hourly paid leave system that allows employees to choose a flexible working style. Annual paid leave, sick/injured childcare leave and elderly parent care extended leave can all be taken in one-hour increments.

Staggered working hours rule

We have adopted flexible start of working hours. Employees are allowed to choose the time they start working from 8 to 10 am by day to work according to their convenience.

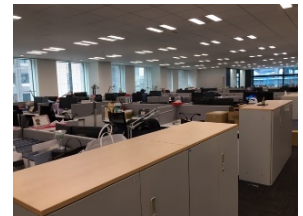
Initiatives to reduce overtime work

Managers in each department are monitoring working hours in their team and adjusting workload for employees to minimize overtime. If an employee was found to have worked more than certain hours, a check-up by doctor shall be arranged upon employee's request, reported to the Health Committee.

COVID-19 infection prevention measures

Business operation during the COVID-19 related crisis

In response to the spread of the new coronavirus infection from the beginning of 2020, we quickly expand a staggered working hours system and implemented teleworking system, which enabled us to smoothly transition to a company-wide teleworking system and build a continuous business operation system when the state of emergency was declared in April 2020.



After the emergency declaration is lifted in May 2020, we have continued the shift work style, such as introducing the use of shared offices on a trial basis and improving the office environment and infrastructure.

Under the state of emergency declaration in July 2021, the attendance rate is kept at around 30% to 50% in principle.

Health and Wellbeing

Kenedix group has been endorsing health management to support health of employees and preparing comfortable working environment through establishing rules as follows.

Health committee

Kenedix, Inc. has established health committee and organized monthly meeting to discuss and take measures to promote health and prevent disorder for its employees. Also the committee sends email every month to all employees on relevant topics to enlighten them on health and wellbeing.

Annual physical health checkup

All employees including contract employees are to receive annual physical health checkup by doctor on company cost.

Mental Health care

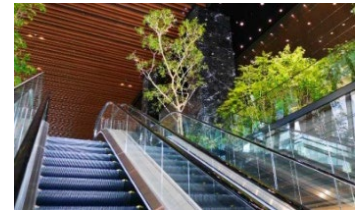
All employees have access to counseling service provided by the company where employees are allowed to report any personal issues or issues regarding the company to external counselors, in order to raise their mental literacy. Newsletter with relevant topics on mental health is sent every month to notify of this service. In addition, the company provides annual stress check to all employees including contract employees to prevent illness of which result are provided to each employee and, if necessary, checkup by doctor is arranged.

Positive Working Environment for Workers

KDO and KFM are located at "Hibiya Parkfront", the building Kenedix, Inc. participated in its development. The transportation of the building is excellent since it is directly connected to 2 metro stations, Kasumigaseki and Uchisaiwaicho, through the neighboring building. Taking advantage of its rare location near Hibiya Park, abundant trees are planted inside and outside the building under the concept of an "office in the park". In addition, by providing services and facilities to support office workers, the building has become an ideal office where "people can feel nature and work comfortably".

<Harmonization with the nature of Hibiya Park>

In order to harmonize with Hibiya Park, the landscape was developed for greening with over 100 plants and trees. Trees and plants are also placed inside the building to achieve park-like comfortable space in the building.



Escalator from entrance on the ground floor to the office lobby on the 2nd floor

<Hibiya Centrum unified with landscape in Hibiya Park>

To protect biodiversity, over 100 kinds of trees and plants were selected after thorough examination of landscape in Hibiya Park. The area has become the oasis for tenants and workers from the nearby office.



Hibiya Centrum

Communication Room

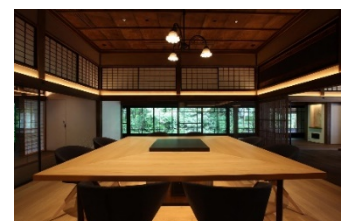
Right next to the working space, Communication Room is placed where employees are allowed to use freely for taking break, a small meeting or any other purpose, being the hub for communication among employees.



Communication Room

Use of workcations

We started the operation of PerkUP Karuizawa as a base for team building and other activities in a scenic area of Japan far from big cities.



Off-site Meeting

Every December, off-site meeting has been held in which all employees are invited to listen to presentation by management executive or lecture by outside specialist. This occasion is used to give awards to the projects and promote communication among employees.

Support for Group Activities Outside of Work

The company subsidizes for group activities such as futsal or golf, which help employees make personal connection beyond his/her job scope.

Internal exchange during the COVID-19 related crisis

As the spread of the new coronavirus infection has made it difficult to hold off-site meetings and other opportunities for interaction, we have used online tools to conduct a variety of internal exchanges. In addition to distributing messages from the presidents and videos of project commendations, we solicited a wide range of proposals from employees regarding matters inside and outside the Group's business with a view after the COVID-19 related business and launched projects to realize them.

(iii) Diversity and Equal Opportunities

KFM and Kenedix, Inc. have identified "Diversity and equal opportunities" as material topic and been promoting initiatives to create working environment that all employees appreciate diversity such as respect for race, religion, sex, age, sexual preference, disabilities or nationality and respect for human right to maximize their productivity.

Respect for Human Right, prevention of all forms of discrimination and harassment

We have stipulated respect for human rights and prohibition on discrimination and harassment on its "Compliance Manual" and provided compliance trainings to raise awareness. In addition, training on dealing with harassment is provided for managers.

Encouraging Female Employees

The female participation in Kenedix group has been increasing year by year as ratio of female employees in 2017 reached 30% and the first female board member was assigned in March 2018. To activate the company and be prepared for limited working capital in Japan, we provide support for female worker to enable them to maximize their performance by preparing rules and systems their having children.

Male/female ratio in KFM: 71.0% / 29.0%

Male/female ratio of management in KFM: 100.0% / 0.0%

Employment program for seniors

From the perspective of revitalizing the workplace through the participation of diverse employees and effectively utilizing human resources in response to the future decline in the working-age population, we have established a system for rehiring employees who have reached retirement age of 60 until the age of 65. Under this system, we expect that the knowledge and expertise of our senior employees, who have been at the forefront of the real estate asset management industry since its dawn, will be passed on to the organization.

Support for Employees Through Their Life Event

We have prepared various programs to support employees to work through their life event such as having children or nursing elderly.

Childbirth and childcare

We have a number of programs for women during a pregnancy, such as time off for medical check-ups, working hours that avoid times when trains are most crowded, and days off for good health. At childbirth and afterward, we provide time off for women and their husbands.

Employees can receive time off for the care of a baby or when a preschool age child is sick or requires other care. We also offer flexible working time so employees can care for family members. For example, employees can limit overtime and late-night assignments, reduce working hours, or use staggered hours. There is also a subsidy for expenses for child-related transportation needs before and after work and a discounted babysitter service. As a result, return rate of female employees from maternity leave has been 100% since 2015 for three consecutive years.

Nursing elderly

Employees taking care of an elderly parent or other relative can use extra days off or extended leave. We also limit overtime and late-night assignments, reduce working hours, or use staggered hours so that an individual can fulfill family responsibilities. Support for nursing care goes beyond requirements by providing more than the legally mandated time off and special days off to care for an elderly parent or other relative.

XI. Governance

(i) Governance

Governance of KDO

In addition to the General Meeting of Unitholders, which is composed of unitholders, the organization of KDO consists of the Board of Directors, which is composed of an Executive Officer and Supervisory Directors, and an Independent Auditor. For details, please refer to “Status of Board of Directors” below. The number of supervisory directors must be the number of executive directors plus one or more.

The Board of Directors of KDO is required to meet at least once every three months. In actual operations, Board of Directors meetings are held about once a month in principle.

At Board of Directors meetings, the Executive Director reports on the operational status of the Asset Manager and the General Administrator., The directors and employees of the Asset Manager and the General Administrator also provide detailed reports on the status of business execution as needed. The Independent Auditor is EY Ernst & Young ShinNihon LLC.

The Executive Director is responsible for the execution of KDO’s businesses and is authorized to take any judicial or out-of-court actions with respect to KDO’s operations. The Supervisory Directors have the authority to supervise the execution of duties by the Executive Director.

Status of Board of Directors

Candidates for directors are elected by resolution at the General Meeting of Unitholders provided there are no causes for disqualification as stipulated in the Act on Investment Trust and Investment Corporations (the “ITA”) and other laws and regulations (Articles 98 and 100 of the ITA and Article 164 of the Ordinance for Enforcement of the ITA).

Title	Name	M/F	Tenure	Attendance at Board of Directors meetings	Reason of appointment
Executive directors	Jiro Takeda	M	3 years and 5 months	100% (15/15)	Sufficient knowledge and experience of financial industry and real estate
Supervisory Director	Shiro Toba	M	16 years and 4 months	100% (15/15)	Sufficient knowledge and experience as a certified public accountant; no conflicts of interest with KDO and the Asset Manger
Supervisory Director	Yoshihiro Morishima	M	9 years and 6 months	100% (15/15)	Sufficient knowledge and experience as a Licensed Real Estate Appraiser; no conflicts of interest with KDO and the Asset Manger

Supervisory Director	Takahiro Seki	M	7 years and 7 months	100% (15/15)	Sufficient knowledge and experience as a lawyer; no conflicts of interest with KDO and the Asset Manger
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Note: Tenure is as of September 30, 2021. Attendance at Board of Directors meetings is for 2020.

Remuneration of Board of Directors

The criteria and timing of payments of remuneration to KDO's directors are as follows.

(1) KDO shall pay monthly remuneration to executive directors at an amount decided by the Board of Directors, up to an amount equivalent to 800,000 yen per month for each executive director, no later than the last day of the relevant month.

(2) KDO shall pay monthly remuneration to supervisory directors at an amount decided by the Board of Directors, up to an amount equivalent to 500,000 yen per month for each supervisory director, no later than the last day of the relevant month.

The actual amount of remuneration is as follows.

Title	Name	Total amount of remuneration (April 2020 to March 2021)
Executive Director	Jiro Takeda	4.2 million yen
Supervisory Director	Shiro Toba	4.2 million yen
Supervisory Director	Yoshihiro Morishima	4.2 million yen
Supervisory Director	Takahiro Seki	4.2 million yen

Note: As of September 30, 2021.

Remuneration of Independent Auditor

KDO shall pay remuneration to Independent Auditor at an amount decided by the Board of Directors, up to an amount equivalent to 12 million yen for each accounting period subject to the audit, no later than the last day of the month following the month in which all audit reports required under the ITA and other laws and regulations for the relevant accounting period are received.

The actual amount of remuneration is as follows.

Title	Name	Total amount of remuneration (May 2020 to April 2021)
Independent Auditor	EY Ernst & Young ShinNihon LLC	25.6 million yen

The Independent Auditor communicates appropriately and conducts appropriate audits through discussions with KDO and KFM and accounting audit reporting, which are conducted each fiscal year.

Operational structure

KDO has entrusted the management of its assets to Kenedix Real Estate Fund Management, Inc. (“KFM”), in accordance with the provisions of the Investment Trust Act. KFM manages KDO’s assets under an asset management contract with KDO.

The organizational chart of KFM is as follows.

<https://www.kdo-reit.com/en/about/asset.html>

Asset management fee

The management fee paid by KDO to the Asset Manager is based on the following calculations as stipulated in KDO’s Articles of Incorporation. KDO aims to align the interests of unitholders and the Asset Manager by introducing an asset management fee structure linked to the amount of distributions per unit and unit performance.

Asset Management Fee I	Total assets × 0.13%
Asset Management Fee II	Distribution per unit (Note 1) × 23,000
Asset Management Fee III	Increase in distribution per unit (Note 2) × Number of outstanding investment units × 10%
Acquisition Commission	Acquisition price × 0.5% (0.25% for acquisition from related parties)
Sale Commission	Sale price × 0.5% at a maximum
Merger fee	Appraisal value of assets to be succeeded × 1.0% (maximum)

Note 1: When there is a loss carried forward, obtained by dividing the amount calculated by subtracting loss carried forward from income before income taxes before Asset Management Fees II and III by the number of outstanding investment units as of the end of relevant fiscal period.

Note 2: Obtained by subtracting simple average of DPU for the most recent 4 fiscal periods from DPU. If the amount subtracted does not exceed zero, Asset Management Fee III shall be zero.

Kenedix Group’s investment in KDO (same boat investment)

Kenedix, Inc. holds 6,258 units in KDO as of June 2, 2021 (1.46% of the total units issued and outstanding).

This aligns Kenedix Group’s interest with KDO’s unitholders’ interests

(ii) Compliance

Compliance is one of the highest management priorities of Kenedix Real Estate Fund Management, Inc. (“the Asset Manager”), which is the asset management company of KDO. The Asset Manager has a framework whereby compliance activities are promoted under the leadership of the Board of Directors, Compliance Officer and Compliance Committee.

As an asset manager for multiple REITs, we have a social obligation to use our business to produce value. Constant and extensive compliance activities are essential for increasing the value of our business in terms of both quality and quantity.

Board of Directors (KFM)

The Board of Directors determines the basic policy for compliance activities as well as other basic items concerning compliance. The Board of Directors can ask the Compliance Officer and Compliance Committee to submit reports as needed concerning the status of compliance activities.

The Compliance Officer submits proposals for the establishment of a compliance manual and a compliance program, as well as revisions. These proposals are first examined and approved by the Compliance Committee. The proposals then go to the Board of Directors for final approval. As a rule, a compliance program is established for every fiscal year and the Compliance Officer promptly submits progress reports to the Board of Directors. In addition, the Compliance Officer submits internal audit reports and clerical accident reports in a timely manner or periodically.

The Board of Directors makes decisions on appointments of the following important positions regarding the management of REIT assets by the Asset Manager. Individuals who are selected must have outstanding character and knowledge along with the skills needed to perform the assigned duties. In addition, the outside members of the asset management committees of each department must be certified real estate appraisers and the outside member of the Compliance Committee must be either an attorney or a certified public accountant.

- (1) Outside member of the Compliance Committee
- (2) Outside members of the asset management committees of each department
- (3) Compliance Officer

Compliance Officer

The Compliance Officer works on the establishment of compliance system in the Asset Manager and the creation of a corporate culture that abides by laws and regulations, as well as rules.

The Compliance Officer ensures that the necessary relevant documents are prepared in conjunction with the presentation of such an agenda as the establishment/change of management guidelines and asset management plans for the respective departments and the acquisition of individual assets, and conducts preliminary examinations regarding whether there are any serious problems in terms of compliance, such as the violation of laws and regulations.

The Compliance Officer also administers matters regarding compliance in the Asset Manager as a chairperson of the Compliance Committee. Specifically, the Compliance Officer is assigned with duties such as drafting and improvement

of compliance manuals and compliance programs, as well as periodical instructions and trainings to executives and employees and the inspection of compliance with laws and regulations, based on compliance programs.

Compliance Committee

The Compliance Committee, which is chaired by the Compliance Officer, examines and reaches decisions about matters involving all aspects of compliance activities.

As chairperson of this committee, the Compliance Officer supervises all items concerning compliance at the Asset Manager.

The Compliance Committee examines all other important matters involving compliance and reaches decisions, which are reported to the Board of Directors.

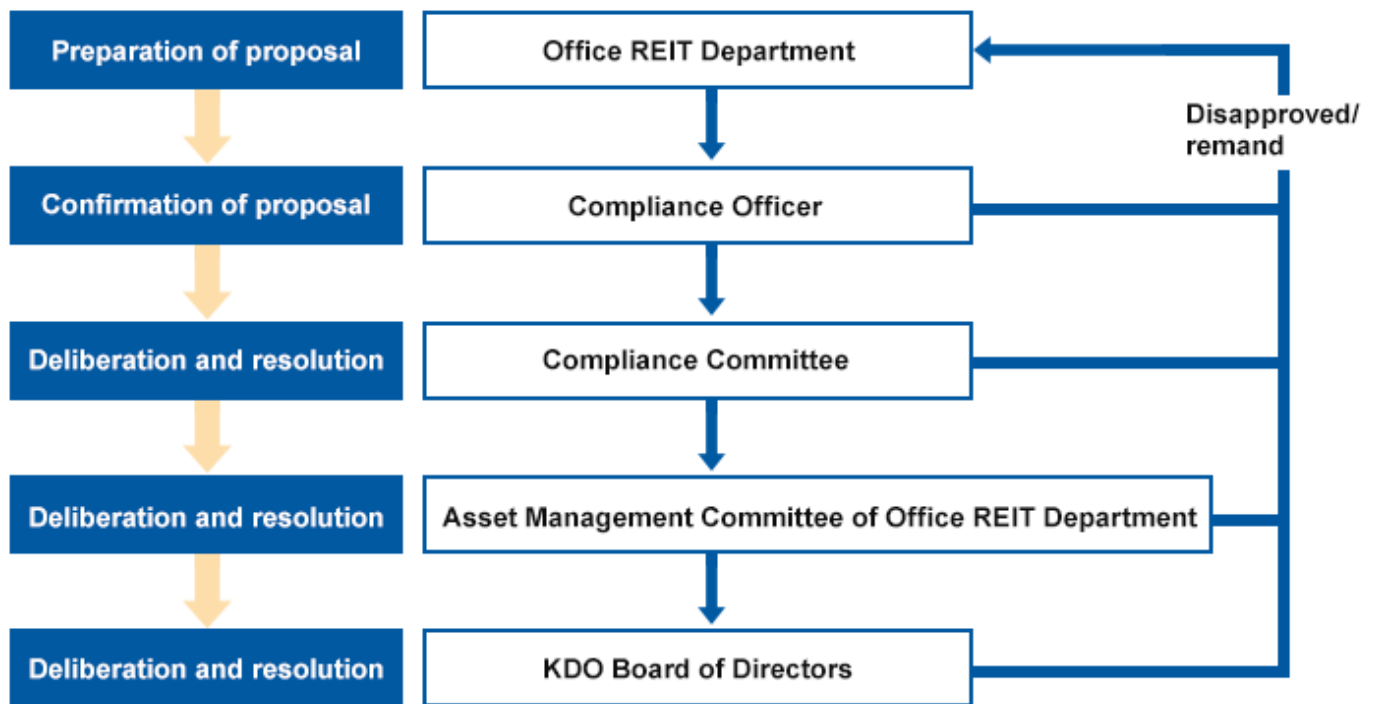
The compliance manual and compliance program proposals submitted by the Compliance Officer are examined and approved by the Compliance Committee. The proposals then go to the Board of Directors for final approval. As a rule, a compliance program is established for every fiscal year and the Compliance Officer promptly submits progress reports to the Board of Directors.

The decision-making process

The Asset Manager manages the assets of KDO under a discretionary asset management contract with KDO. In this role, the Asset Manager establishes asset management guidelines, investment policies, related party transaction rules, distribution policies, disclosure policies and other basic policies regarding the asset management of KDO.

For the asset management of KDO, the Asset Manager prepares an asset management plan and other documents (in addition to the asset management plan, medium-term and annual business plans) in accordance with the asset management guidelines. Based on the investment policy stipulated in the asset management guidelines and the related party transaction rules, properties to be acquired or sold are selected and the transactions are subsequently executed.

Transactions with related parties as prescribed in the Investment Trust Act and related parties as prescribed in the Related Party Transaction Rules require the approval of KDO Board of Directors and based on this resolution, the agreement of the KDO Executive Director. However, this requirement does not apply for certain types of transactions.



Note: Transactions within the scope of insignificance criteria are excluded from the decision-making process above. Such transactions are executed upon approved by the Asset Management Committee.

Responding to anti-social forces

The Asset Manager has prepared a Manual for Responding to Anti-social Forces and the Prevention of Transfers of Criminal Proceeds. To reject relationships of any kind with anti-social forces, the Asset Manager has a resolute stance for refusing to deal with criminal and other anti-social forces.

The Asset Manager confirms that buyers and sellers of properties, tenants, business partners, and other transaction counterparties are not anti-social forces. In addition, the Asset Manager requires all contracts to include provisions for refusing to deal with anti-social forces and performing confirmations in accordance with the Act on Prevention of Transfer of Criminal Proceeds when conducting transactions. Consequently, the Asset Manager is taking concrete actions for the purpose of preventing relationships with anti-social forces.

Measures against money laundering and terrorist financing

The Asset Manager has prepared a Manual for Responding to Anti-social Forces and the Prevention of Transfers of Criminal Proceeds and properly performs confirmations in accordance with the Act on Prevention of Transfer of Criminal Proceeds when conducting transactions. These activities are used to confirm the identities of transaction counterparties as well as their attributes, business activities and purpose of the transaction. Risk identification, evaluation and reduction measures are implemented from the perspective of the risk-based approach specified in the Guidelines Concerning Money Laundering and Financing of Terrorism of the Financial Services Agency.

Ethics and anti-corruption measure

The Employment Regulations and Compliance Manual of the Asset Manager state that the Asset Manager will not tolerate money laundering, embezzling, fraud, theft or other criminal activity. In addition, the Asset Manager strictly prohibits the acceptance of bribes or other improper activities, directly or involving a third party, by the staff of the Asset Manager in connection with their duties. If any activity of this type is discovered, disciplinary action will be taken based on the Employment Regulations.

Furthermore, the Asset Manager has established rules concerning entertainment outside the company, whether an employee received or provides this hospitality, for the purpose of preventing hospitality that goes beyond normal social standards. To prevent improper activities, employees are required to receive approval before providing meals or other hospitality to others. The implementation of these guidelines is subject to internal audits. The most recent internal audit concerning entertainment and other hospitality took place in fiscal 2020.

Whistle-blowing system

Employees of the Asset Manager are obliged to submit reports as prescribed in Rules Concerning the Internal Reporting System in the event of a violation or suspicion of a violation of a law or regulation (including a violation of the Code of Conduct of the Asset Manager) and when it is impossible or extremely difficult to remedy a violation through conventional business practices. Individuals who submit reports, cooperate with the submission of reports or participate significantly in examinations of reports are protected by laws and regulations and the internal reporting system. Any negative consequences for individuals involved with internal reports are strictly prohibited. In addition, the whistle-blowing system stipulates that KFM must maintain confidentiality with respect to the information reported, and that information such as the name of the whistleblower must not be disclosed unless consented by the whistleblower.

Internal audits

The Head of the Internal Audit Department of the Asset Manager prepares an internal audit plan, which complies with the Internal Audit Rules, as a person in charge of internal audits. After the plan is approved by the Board of Directors, audits are performed in accordance with the plan. Internal audit reports accurately reflecting issues found and raised during audits are prepared. The person in charge of internal audits shares such an internal audit report with the President & CEO and the Board of Directors without delay. Departments that were audited establish a plan for making improvements without delay, factoring in the significance of issues raised, and take the necessary actions. The person in charge of internal audits appropriately oversees progress with improvements at departments that were audited, confirms that improvements have been completed and reflects these activities in the subsequent internal audit plan. To confirm the suitability of the business processes of the Asset Manager or for some other reason as needed, the Board of Directors or the person in charge of internal audits can, at their discretion, ask for an external audit by outside experts.

Compliance training

To ensure that everyone is aware of the importance of compliance, the Asset Manager provides compliance training for new employees when they first join the company as well as for all executives and employees, including temporary employees.

Compliance training held in 2020

Training content	Date of training
Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations and financial regulation	January 2020
Harassment prevention	March and August 2020
Managing conflict of interests	July 2020
Information management	September 2020
Response in the event of accidents and administrative errors	October 2020
Counteracting anti-social forces and measures to prevent money laundering	November 2020

Policy for Customer-Oriented Business Conduct

The Asset Manager is firmly committed to the asset management of each REIT with the objective of maximizing value for investors. As part of these activities, the Asset Manager has adopted the Principles for Customer-Oriented Business Conduct announced on March 30, 2017 by the Financial Services Agency and has established policies for activities that comply with these principles.

For details, please visit the following website:

<https://kenedix-fm.com/en/kokyaku.html>

(iii) Risk Management

The Asset Manager has established Rules for Risk Management for the purposes of ensuring the soundness of its management and properly managing risk as a company that manages investments. These rules specify a risk management policy, risk management department and risk management methods.

Risk at the Asset Manager are investment management risk, real estate management risk, financial risk, legal compliance risk, administrative risk, IT system risk, and business continuity risk. A department is designated for the management of each one of these risk factors.

The designated risk management departments constantly monitor the status of their respective risk categories. If a significant problem occurs or may occur, the department managing that risk category promptly submits information about the problem and a course of action to the Board of Directors.

All departments responsible for risk management perform a reexamination once every two years concerning the risk items, details and policies for responding to these potential problems.

After acquiring a sufficient understanding of the locations and nature of risk factors, the Board of Directors establishes a risk management policy based on strategic goals and supervises the establishment of a suitable risk management infrastructure.

Based on a sufficient understanding of the importance of the risk management department, the Board of Directors determines a suitable policy and activities to ensure risk management policies are understood throughout the Asset Manager. In addition, the Board of Directors holds discussions concerning the risk management structure as needed. The Compliance Officer supports the role of the Board of Directors by supervising the practical management of each risk.