

**KDX**

**KENEDIX**

Kenedix  
Real Estate  
Fund Management, Inc.

# Sustainability Report 2023

April 2023

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# Message from the President

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## To become a REIT management company that can gain unwavering trust and support

Kenedix Real Estate Fund Management, Inc. (KFM) was formed through a merger of two REIT management companies of the Kenedix Group in October 2013. KFM is entrusted with the management of three listed REITs and one private REIT consisting of Kenedix Office Investment Corporation, Kenedix Residential NEXT Investment Corporation, Kenedix Retail REIT Corporation and Kenedix Private Investment Corporation. KFM has grown into one of the leading REIT management companies in Japan with outstanding assets under management of more than 1 trillion yen.

KFM strives to maximize unitholder value through know-how backed by an abundant track record in real estate investment and management which the Kenedix Group has accumulated over the years and provision of high-quality services with experienced staff possessing high levels of expertise.

In addition, KFM recognizes the importance of ESG (Environmental, Social and Governance) considerations in real estate investment and management and positions the realization of a sustainable society as an important management issue. Particularly, KFM regards environmental considerations in property investment and management as a social duty of REIT management companies. Therefore, KFM has been set greenhouse gas emissions reduction targets for achieving carbon neutrality at all REITs that entrust KFM with management of their assets. KFM contributes to the realization of a sustainable society by proactively promoting environmentally friendly real estate investment and management.

KFM ongoingly aims to become a REIT management company that can gain unwavering trust and support from all stakeholders, including investors, tenants, business partners and employees, as well as whole society, including local communities, through the realization of securing stable revenue over the medium to long term, management of properties with high added value and contribution to the realization of a sustainable society.

We sincerely ask you for your continued support and encouragement.



Hikaru Teramoto,  
President & CEO, Kenedix Real Estate Fund Management, Inc.

# Initiatives for Sustainability

## Investment Corporations managed by the Kenedix Group

Kenedix Real Estate Fund Management, Inc. (the “Asset Management Company”) manages three J-REITs and one private REIT. Overviews and characteristics of each Investment Corporation are as follows.

(as of December 31, 2022)

KDX
KENEDIX
Kenedix Office Investment Corporation

Invests primarily in mid-sized office building in the Tokyo metropolitan area



No. of properties **99**    AUM **458.1** billion yen

Note: including silent partnership equity interest of 1.1 billion yen

**Characteristics and attractiveness of mid-sized office buildings**

**Large Number of Properties**  
Enable Selecting Excellent Properties

**High Liquidity**  
Enable Developing Flexible and Dynamic Investment Strategies

**Rich Tenant Base**  
Enable Expecting Relatively Stable Rental Revenue

**Favorable Rental Supply and demand**  
Enable Ensuring Property Competitiveness through Proper Property Management and Opearation

**Image of a typical mid-size office building**



Around 2 elevators

8-10 stories

Total floor area: 500-3,000 tsubo (roughly 1,650-9,900 m<sup>2</sup>)

Around 100-150 tsubo (roughly 330-500 m<sup>2</sup>) per floor of rental area

(as of December 31, 2022)

KDX
KENEDIX
Kenedix Residential Next Investment Corporation

Diverse investments in “spaces where people live and stay” with emphasis on residential properties



No. of properties **178**    AUM **296.7** billion yen

**Stability** : A portfolio composed mainly of “Residential Properties”

Profitability less affected by the economy and tenant diversification

Residential Properties

**Growth Potential** : Invest in “Healthcare” where potential growth is expected

Stable revenue from long-term and fixed lease agreements with operators

Healthcare Facilities

(as of December 31, 2022)

## KDX Kenedix Retail REIT Corporation

Invests mainly in shopping centers for daily needs as well as carefully selected distribution centers



No. of properties **70** AUM **269.3** billion yen

### First J-REIT to focus on shopping centers for daily needs

Retail properties located within residential districts or adjacent to major roads or streets, which provide daily goods and services

#### Retail trade area

Approximately 1 to 10 km radius (generally 3 to 5 km radius)

Customers predominantly from local areas

#### Operational features

Accommodate certain daily local retail needs

Strong customer traffic on both weekdays and weekends

#### Tenant composition

Various specialty stores to meet a range of day-to-day needs

Groceries, clothing and other daily goods and services

(as of December 31, 2022)

## KDX Kenedix Private Investment Corporation

Diverse investment in various asset types with focus on office buildings



No. of properties **19** AUM **142.8** billion yen

### Characteristics of Kenedix Private Investment Corporation

Unlisted open-ended REIT that aims to generate long-term stable income without direct impact from the financial and capital markets on the unit price

#### Long-term stable performance, an attractive feature of private REIT

Long-term stable track record since the beginning of operations in 2014

#### Portfolio designed to gain stable income over medium-to-long term

Pursuit stability and growth potential through a portfolio diversified with various asset types, including office buildings, logistics facilities, etc.

#### High transparency

Transparent management system and framework, such as establishment of the advisory committee and the fee structure linked to unitholders' value

# Initiatives for Sustainability

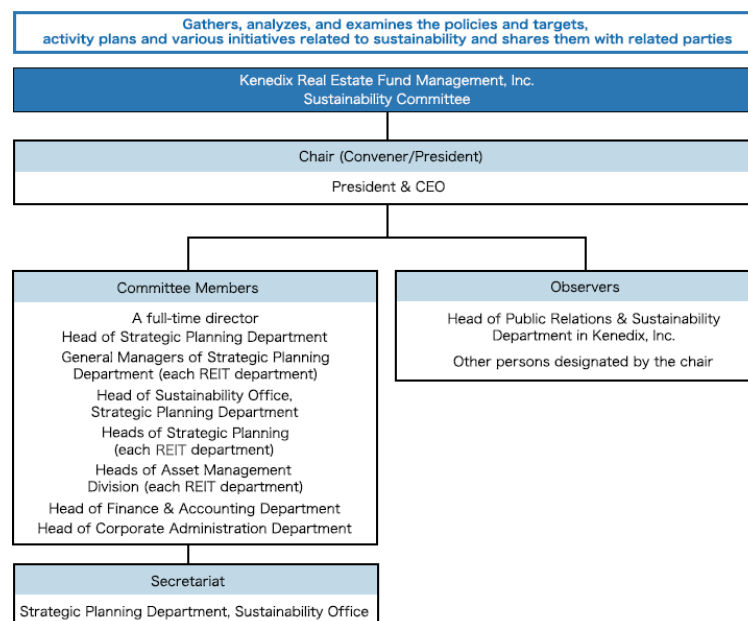
## Sustainability Promotion Structure

The initiatives for sustainability are promoted under the leadership of the Sustainability Committee established in the Asset Management Company.

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 each Investment Corporation and the Asset Management Company, 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 the Asst Management Company's Board of Directors with an independent external member, and to each Investment Corporation's Board of Directors with independent supervisory directors.

The Sustainability Committee is composed of the President & CEO (Chief Sustainability Officer), who is the Chair 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 Department, the Head of Sustainability Office, the Head of Strategic Planning and the Head of Asset Management Division, who are in charge of each REIT Department, the Head of Finance & Accounting Department, and the Head of Corporate Administration Department .

In addition, the Head of Sustainability Office also serves as a member of the Public Relations and Sustainability Department of Kenedix, Inc., the parent company of the Asset Management Company. Under the unified policy of the entire the Kenedix Group, an organizational structure has been established to promote initiatives related to sustainability and ESG across the board.



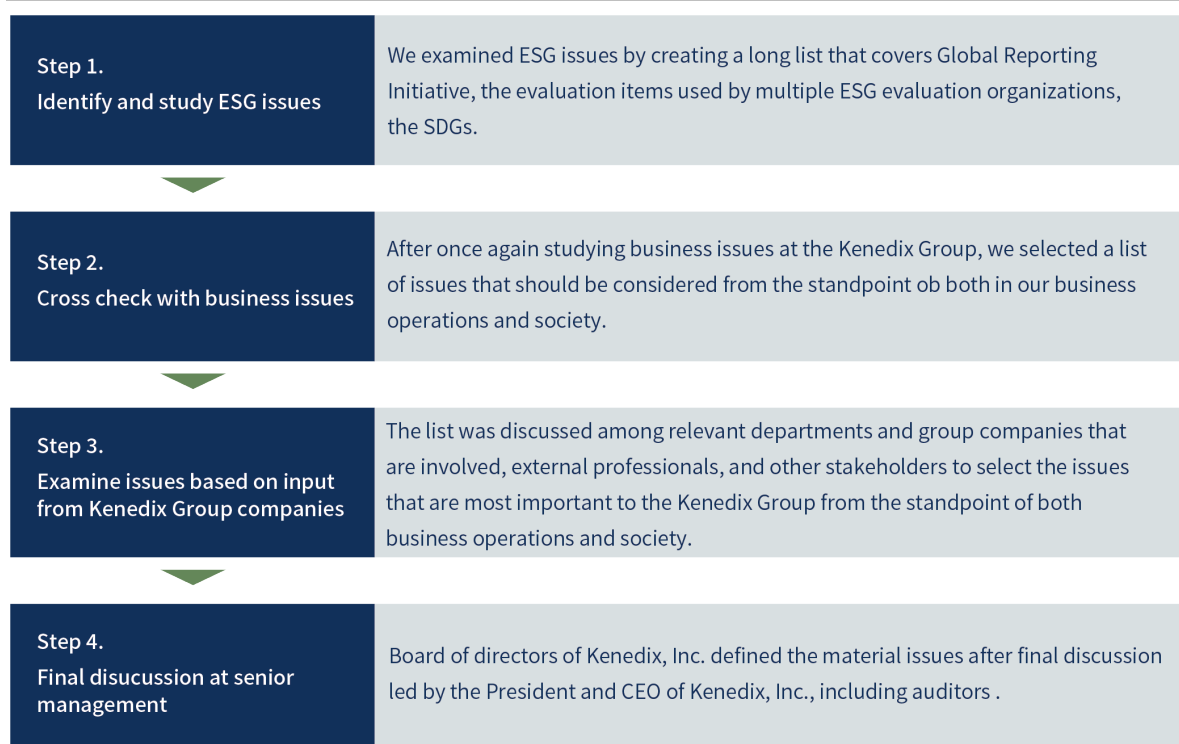
# Material Issues

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The Kenedix Group 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 initiatives that reflect the opportunities and risks associated with each issue. Furthermore, we intend to contribute to achieving the SDGs by carrying measures for our materiality.

## Process of defining material issues

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# Initiatives for Sustainability

## Material issues of the Kenedix Group

Key areas	Applicable SDGs	Material issues
Contribution to a Sustainable Environment	   	<ul style="list-style-type: none"> <li>Reduction of energy consumption and CO<sub>2</sub> emissions</li> <li>Reduction of water consumption and waste materials</li> <li>Collaboration with tenants for environmental initiatives</li> </ul>
Commitment to a Diverse Society	   	<ul style="list-style-type: none"> <li>Providing properties with environmental and social considerations</li> <li>Improving resilience/climate adaptation</li> <li>Initiatives for an aging society with fewer children</li> </ul>
Stakeholder Engagement	 	<ul style="list-style-type: none"> <li>Continuous improvement of customer satisfaction</li> <li>Community engagement</li> <li>Managing conflicts of interests</li> </ul>
Attractive Working Environment	    	<ul style="list-style-type: none"> <li>Recruiting, employee retention and career advancement</li> <li>Health and wellbeing of employees</li> <li>Diversity and equal opportunities</li> </ul>
Responsible Organization	 	<ul style="list-style-type: none"> <li>Compliance</li> <li>Risk management</li> <li>Commitment to responsible investments</li> </ul>



## Sustainability Policies

As material issues are defined, we have set Sustainability Policies to cover ESG issues comprehensively. The Kenedix Group will adhere to the Sustainability Policies as the basis for unified initiatives towards the material issues.

Key areas	Sustainability policies
<b>Contribution to a Sustainable Environment</b>	Improving the environmental performance of the properties we manage is one of our social missions. We will lower the environmental impact and make contribution to environmental sustainability by constantly reducing the negative environmental impact of these properties, such as energy consumption, CO <sub>2</sub> emissions, water consumption and the generation of waste materials. We also have activities for the proper management of hazardous substances and reduction in their use.
<b>Commitment to a Diverse Society</b>	We contribute to the diversity of society while taking into account the social impact of our properties. We are committed to maintaining safety, confidence, good health, comfort and diversity regarding our tenants and the communities where we operate.
<b>Stakeholder Engagement</b>	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, communities and property management companies.
<b>Attractive Working Environment</b>	We aim to maintain an attractive working environment by implementing measures for employees' health and wellbeing and for diversity and equal opportunities. To enable employees to realize their full potential, we will provide a variety of training programs and other educational opportunities.
<b>Responsible Organization</b>	We have sound compliance and risk management activities in all of our business activities. We are committed to the principle of responsible property investments by a responsible organization by aligning our operations with global ESG initiatives and actively disclosing ESG information.

## Sustainability Policies -Contribution to a sustainable environment-

Improving the environmental performance of the properties we manage is one of our social missions. We will lower the environmental impact and make contribution to environmental sustainability by constantly reducing the negative environmental impact of these properties, such as energy consumption, CO<sub>2</sub> emissions, water consumption and the generation of waste materials. We also have activities for the proper management of hazardous substances and reduction in their use.

## Environmental Policies and External Ratings

### Environmental policies

The officers and employees of the Asset Management Company will undertake investment management operations in accordance with the following environmental policies. KFM supports the international goals set forth in the Paris Agreement and is committed to continuously make efforts to mitigate climate change. We also endeavor to contribute to the shift towards a circular economy by using resources efficiently.

#### 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 our 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 (Greenhouse gas), water consumption and waste emissions as well as promote recycling at its managed properties, understanding its commitment to alleviating its environmental burden. In addition, KFM will take sufficient care when handling harmful substances and environmental pollutants.

#### 4. Challenge to Achieve Net Zero GHG Emissions

To achieve Net Zero, KFM has established long-term targets for reducing GHG emissions of its REITs and will work internally and externally.

#### 5. 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.

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## 6. Environmental Education

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

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## External ratings

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### GRESB Real Estate Assessment

GRESB is a benchmark system for assessing the sustainability performance of the real estate sector, established in 2009 primarily by a group of major European pension funds. Leading institutional investors participate in the GRESB assessment to utilize it in implementing their real estate investment and management processes.

A high degree of attention has been paid to the GRESB survey, as it is used by institutional investors when they select investment targets and on other occasions. The GRESB survey, which is conducted each year, is participated in by many real estate companies, REITs and real estate private funds from around the world.

Numerous programs exist for the certification of environmentally responsible real estate. But the GRESB Real Estate Assessment is the only one that is a benchmark for individual real estate companies and funds. Comparative evaluations of overall scores on a global scale are used to determine GRESB ratings, which go from one to five stars.

Ratings for each Investment Corporation are shown below. All four were awarded a “Green Star” designation 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.

(as of December 31, 2022)

Kenedix Office Investment Corporation	Kenedix Residential Next Investment Corporation	Kenedix Retail REIT Corporation	Kenedix Private Investment Corporation
 GRESB ★★★★☆ 2022	 GRESB ★★★★☆ 2022	 GRESB ★★★★☆ 2022	 GRESB ★★★★☆ 2022

### Environmental certifications and evaluations

Each Investment Corporation has promoted to acquire external certification and evaluation by third parties for

## Environment (Contribution to a Sustainable Environment)

their properties to increase objectivity and reliability with respect to their initiatives to reduce their properties' environmental burden and boost medium- to long-term asset values. Certified rate of each Investment Corporation that have obtained environmental certifications are as follows.

- **Overview of environmental certifications and evaluations  
(Kenedix Office Investment Corporation)**

(as of March 31, 2023)

	Number of properties	Floor area (m <sup>2</sup> )	Ratio (%) <sup>(2)</sup>
<b>Green certified building<sup>(1)</sup></b>	<b>56</b>	<b>519,784.24</b>	<b>71.0</b>
DBJ Green Building Certification	26	330,858.31	45.2
★★★★ four stars	4	55,441.86	7.6
★★★ three stars	14	205,004.36	28.0
★★ two stars	8	70,412.09	9.6
Certification for CASBEE for Real Estate	34	233,842.51	31.9
S rank	11	105,026.90	14.3
A rank	23	128,815.61	17.6
BELS Certification	5	50,186.99	6.9
★★★★	1	7,720.08	1.1
★★★	3	35,139.28	4.8
★★	1	7,327.63	1.0

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 the Investment Corporation (732,278.00m<sup>2</sup>, calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, etc.).

- **Overview of environmental certifications and evaluations  
(Kenedix Residential Next Investment Corporation)**

(as of March 31, 2023)

	Number of properties	Floor area (m <sup>2</sup> )	Ratio (%) <sup>(2)</sup>
<b>Green certified building<sup>(1)</sup></b>	<b>15</b>	<b>126,285.74</b>	<b>18.7</b>
DBJ Green Building Certification	12	109,643.20	16.2
★★★★ four stars	4	24,307.60	3.6
★★★ three stars	8	85,335.60	12.6
Certification for CASBEE for Real Estate	6	74,758.33	11.1
S rank	3	32,707.64	4.8
A rank	3	42,050.69	6.2
BELS Certification	1	3,156.96	0.5
★★★	1	3,156.96	0.5

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 the Investment Corporation (675,993.90 m<sup>2</sup>, calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, etc., excluding land-only properties).

● **Overview of environmental certifications and evaluations  
(Kenedix Retail REIT Corporation)**

(as of March 31, 2023)

	Number of properties	Floor area (m <sup>2</sup> )	Ratio (%) <sup>(2)</sup>
<b>Green certified building<sup>(1)</sup></b>	<b>21</b>	<b>585,988.22</b>	<b>66.9</b>
DBJ Green Building Certification	8	232,082.88	26.5
★★★ three stars	8	232,082.88	26.5
Certification for CASBEE for Real Estate	12	305,029.39	34.8
S rank	9	222,469.50	25.4
A rank	3	82,559.90	9.4
BELS Certification	2	70,254.79	8.0
★★★★★	1	31,598.28	3.6
★★	1	38,656.51	4.4

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

Note 2: The ratio is the percentage of certified floor area to the gross floor area of properties owned by the Investment Corporation (875,695.65 m<sup>2</sup>, calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, excluding land-only properties).

● **Overview of environmental certifications and evaluations  
(Kenedix Private Investment Corporation)**

(as of March 31, 2023)

	Number of properties	Floor area (m <sup>2</sup> )	Ratio (%) <sup>(1)</sup>
<b>Green certified building</b>	<b>5</b>	<b>281,941.86</b>	<b>62.8</b>
DBJ Green Building Certification	1	63,419.60	14.1
★★★★ four stars	1	63,419.60	14.1
Certification for CASBEE for Real Estate	4	218,522.26	48.7
S rank	3	192,944.91	43.0
A rank	1	25,577.35	5.7

Note 1: The ratio is the percentage of certified floor area to the gross floor area of properties owned by the Investment Corporation.

For more details of each Investment Corporation's overview, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

## Reduction of Energy Consumption and CO<sub>2</sub> Emissions

### (Climate Change Initiatives)

#### Basic views

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 this agreement, one of the goals is to keep the increase in global average temperature to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. In addition, at COP26 in 2021, the Glasgow Climate Pact was agreed that the 1.5°C target remains in sight and scales up action on dealing with climate impacts., Each Investment Corporation and the Asset Manager recognize that efforts to climate change is the most important issue for our business activities and properties under management.

#### Support for TCFD recommendations

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 in October 2021.



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.

On the other hand, 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.

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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.

## **Governance**

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### **Governance structure for climate change**

The initiatives for sustainability are promoted under the leadership of the Sustainability Committee established in the Asset Management Company. For more details, please refer to "[Sustainability Promotion Structure](#)."

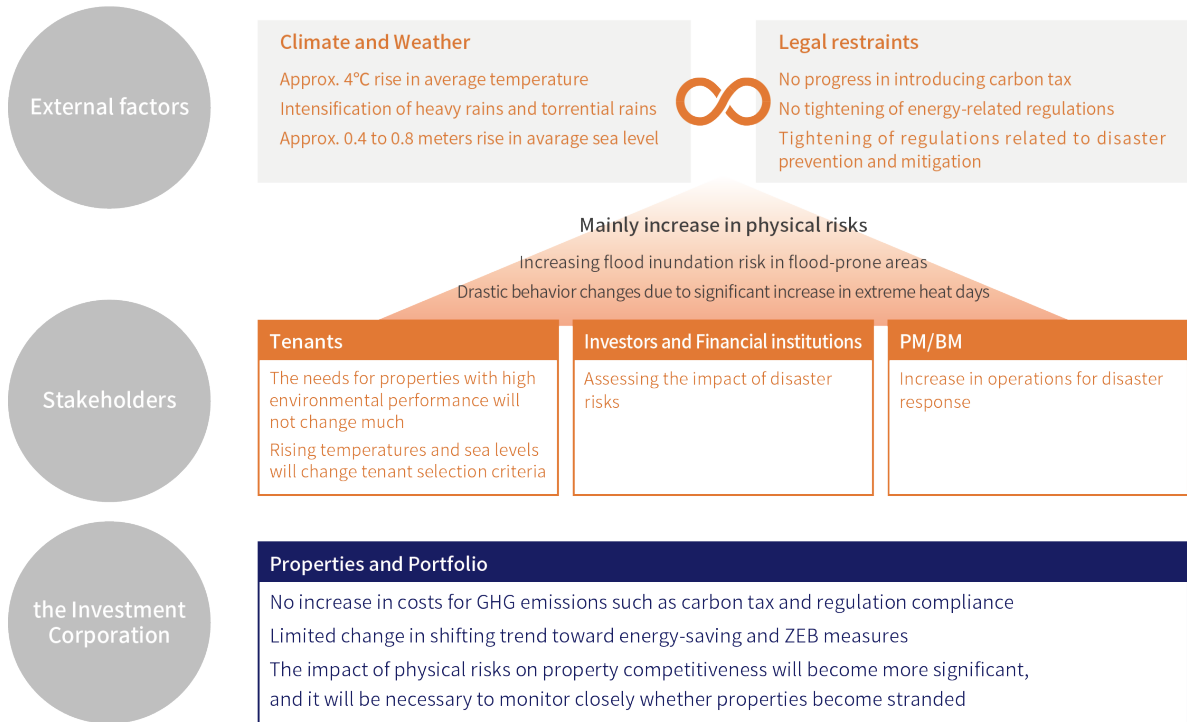
## **Strategy**

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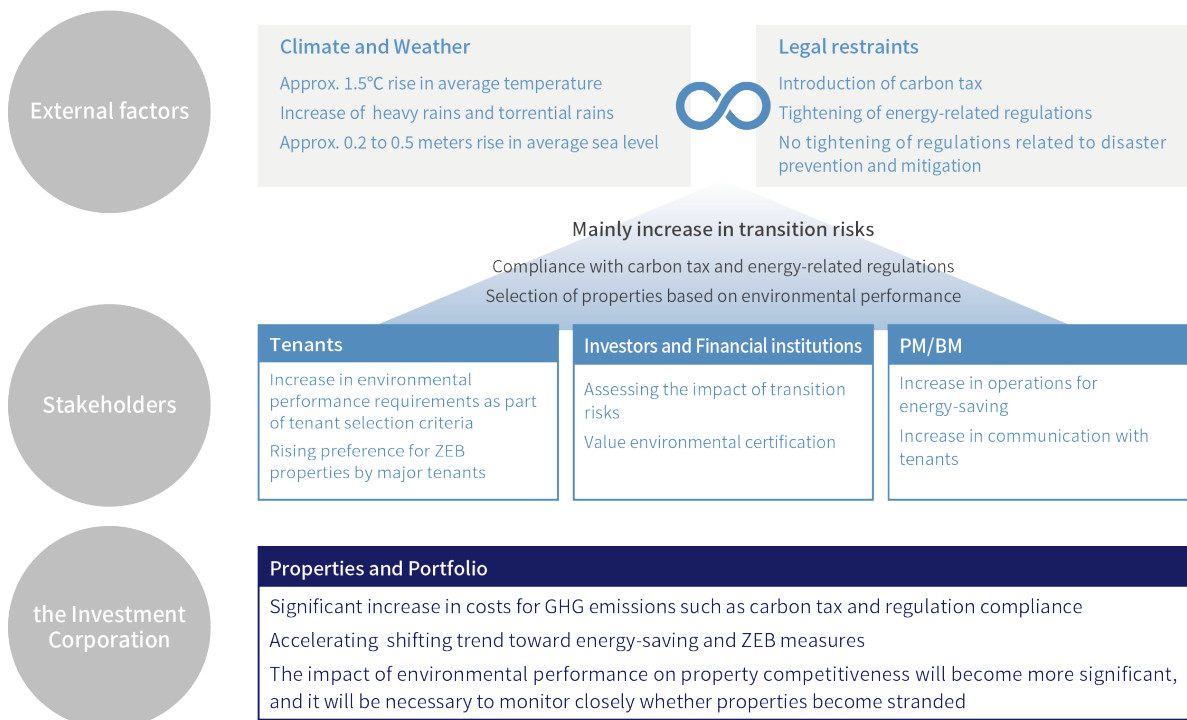
### **Scenario Analysis**

The Asset Management Company conducted a scenario analysis based on multiple world outlook in order to understand the risks and opportunities that climate change may pose to the Investment Corporations it manages in the future, and to proactively consider and respond to these risks and opportunities. World outlook of each scenario is provided below. The analysis was conducted with reference to future climate projections and energy trends published by international organizations.

## World outlook in the 4°C Scenario



## World outlook in the 1.5°C Scenario





(Major reference sources)

	Transition risks	Physical risks
4°C Scenario	IEA (International Energy Agency) World Energy Outlook 2020 STEPS	IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report RCP8.5
1.5°C Scenario	IEA (International Energy Agency) NZE2050	IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report RCP2.6

### Financial Impact based on Scenario Analysis

The Asset Management Company examined the medium-term (2030) and long-term (2050) impacts of the risks, opportunities, and financial impacts for the Investment Corporation it manages for each of world outlook in the 4°C and 1.5°C scenario described above. The summary of the evaluation is as follows.

# Environment (Contribution to a Sustainable Environment)

Risks and Opportunities			Financial impact				Measures to address risks and opportunities	
Category	Factor		4°C Scenario		1.5°C Scenario			
			Medium term	Long term	Medium term	Long term		
Transition Risks and Opportunities	Policy and legal	<b>CO<sub>2</sub> emission regulation</b> Introduction of CO <sub>2</sub> emission regulations as a measure to comply with international frameworks incur costs and risks related to CO <sub>2</sub> emissions.	Increase in costs to improve energy efficiency of existing properties	Low	Low	Low	Mid	<ul style="list-style-type: none"> <li>Improvement of energy-saving in existing properties</li> <li>Establishment of GHG reduction targets</li> </ul>
		<b>Carbon tax</b> The introduction of carbon tax as a measure to comply with international frameworks incur costs and risks related to CO <sub>2</sub> emissions.	Increase in carbon tax costs	Low	Low	Mid	High	<ul style="list-style-type: none"> <li>Introduction of renewable energy</li> <li>Acquisition of non-fossil certificates, etc.</li> </ul>
	Technology	<b>Advancement of energy-saving and renewable energy technologies</b> Further technology advancement will result in lower installation costs and effective achievement of energy-saving and renewable energy.	Increase in costs due to introduction of new technology	Low	Low	Low	Mid	<ul style="list-style-type: none"> <li>Energy-saving in existing properties</li> </ul>
			Decrease in utility costs due to energy-saving, introduction of renewable energy, conversion to ZEB/ZEH, etc.	Low	Low	Low	Mid	<ul style="list-style-type: none"> <li>Acquisition of ZEB/ZEH properties</li> <li>Conversion of existing properties to ZEB/ZEH</li> </ul>
	Markets	<b>Evaluation by investors and financial institutions</b> Investors and financial institutions will value improvement of the environmental performance of properties.	Increase in financing costs due to low valuation	Low	Low	Low	Low	<ul style="list-style-type: none"> <li>Energy-saving in existing properties</li> <li>Acquisition of environmental certifications</li> <li>Improvement of engagement with investors and financial institutions</li> <li>Utilization of green finance</li> </ul>
			Decrease in financing costs due to high valuation	Low	Low	Low	Low	
<b>Focus on environmental certification</b> Environmental certification will be required for portfolio evaluation by investors and financial institutions as well as		Increase in cost of actions to improve evaluation	Low	Low	Low	Low	<ul style="list-style-type: none"> <li>Acquisition of environmental certifications</li> </ul>	
			Increase in acquisition costs of environmental certifications	Low	Low	Low	Low	

Physical Risks and Opportunities	Reputation	property selection by tenants.						
		<b>Tenant behavior change due to environmental orientation</b> Environmental performance of properties will become valued due to regulation compliance and changing preferences.	Low environmental performance properties becoming stranded	Low	Low	Mid	Mid	<ul style="list-style-type: none"> <li>• Energy-saving in existing properties</li> <li>• Acquisition of environmental certifications</li> <li>• Engagement</li> </ul>
			Maintain and improve occupancy rates by improving environmental performance	Low	Low	Mid	Mid	
		<b>Tenant behavior change due to disaster-prevention orientation</b> Disaster prevention aspect of properties will become valued due to increasing disasters caused by rising temperatures and sea level.	Low resilience properties becoming stranded	Mid	Mid	Low	Low	<ul style="list-style-type: none"> <li>• Due diligence on acquisition</li> <li>• Flood risk analysis of properties</li> <li>• Improvement of resilience</li> <li>• Engagement</li> </ul>
			Maintain and improve occupancy rates by improving resilience measures	Mid	Mid	Low	Low	
		Acute	<b>Intensification of heavy rains and torrential rains</b> The frequency of property damage will increase due to severe wind and extreme flood.	Increase in disaster recovery costs	Mid	Mid	Low	
Decrease in rental income during the recovery period	Mid			Mid	Low	Low		
Chronic	<b>Rise in sea level</b> Chronic rise in sea level.  <b>Rise in average temperature</b> Chronic rise in average temperatures.	Increase in costs to cope with sea level rise	Low	Low	Low	Low		
		Increase in utility costs during summer	Low	Low	Low	Low	<ul style="list-style-type: none"> <li>• Energy-saving in existing properties</li> </ul>	

※ The financial impact (low, mid, or high) of each scenario is formulated through discussions based on qualitative and quantitative perspectives at the Asset Management Company. The red color of the financial impact in each scenario represents risk items, and the green color represents opportunity items. This evaluation will continue to be reviewed and updated as necessary based on new external and internal factors that have arisen and close examination of the quantitative impact.

## Risk Management

### Risk Management System for Climate Change

Each REIT Department of the Asset Management Company and the Sustainability Committee identifies and evaluates the sustainability and ESG-related risks of the Investment Corporation and the Asset Management Company. These sustainability and ESG-related risks are managed on a daily basis by each department in

charge, and important risks are periodically analyzed and reviewed by the Sustainability Committee under the supervision of the chairperson of the Sustainability Committee, and are managed appropriately. In addition, these risks are integrated into the overall risk management of the organization by sharing them with related parties as necessary.

## Metrics and Targets

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### Metrics and Targets related to Climate Change

Reduction of energy consumption and CO<sub>2</sub> emissions is one of our material issues. The Asset Management Company and the Investment Corporation are making a contribution to environmental sustainability by using our business activities and property management operations in continuously cutting energy consumption and CO<sub>2</sub> emissions in order to lower our environmental impact.

The Investment Corporation sets reduction targets related to climate change and conducts ongoing monitoring and promotes initiatives that lead to a reduction in environmental impact. As a result of the scenario analysis, the Investment Corporation and the Asset Management Company are currently in the process of redefining the targets.

For reduction targets, etc. of each Investment Corporation, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

### Initiatives for the reduction of energy consumption and CO<sub>2</sub> emissions

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Each Investment Corporation and the Asset Management Company will address the issue of climate change through the reduction of energy consumption and CO<sub>2</sub> of the properties under management. Although the range of efforts differs depending on the use of the properties under management, the management period of the funds, investors, etc., each Investment Corporation has taken various approaches.

#### Conversion of various lighting fixtures to LED

Each Investment Corporation is actively promoting the reduction of bulb replacement costs and electricity consumption by converting lighting fixtures in common/tenant areas and emergency lighting fixtures (including emergency guide lights) to LED.

#### Remote Surveillance of Road Heating

Kenedix Residential Next Investment Corporation have installed remote surveillance system for road heating (snow melting equipment) at three properties located in Sapporo. The installations have results in significant reduction in the fuel costs melting snow.

### **Solar panel installation**

Kenedix Retail REIT Corporation installed solar panels at some of properties to decrease CO<sub>2</sub> emissions.



### **Switching to electricity from renewable source**

Kenedix Office Investment Corporation is switching to effectively renewable energy (certified as Non-Fossil Fuel Energy with Tracking Information) at some properties. As a result, GHG emission from electricity use at the introduced property after the date of application is expected to be substantially zero.



### **Education to employees on green building**

We provide annual sustainability training by external specialist to improve awareness and knowledge on sustainability for our employees. Also, it encourages our employees to acquire qualifications related to green buildings.

### **Green finance**

Kenedix Office Investment Corporation, Kenedix Retail REIT Corporation and Kenedix Private Investment Corporation want to contribute to the development of the domestic market using green finance. The green finance enables more committed efforts to improve sustainability and further contribution to development of the domestic market by financing opportunities to the universe of investors who take active stance towards ESG investment.

#### **What is a Green Finance?**

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

## Reduction of Water Consumption and Waste Materials

### Basic views

Although there is no imminent water supply crisis in Japan, climate change and population growth threaten the viability of water supplies worldwide. We recognize that ensuring water sources is critical to our business as well considering the steady increase in global water consumption.

Progress concerning the proper treatment of waste materials and the effective use of natural resources in Japan is continuing as people become increasingly aware of the importance of 3R (reduce, reuse and recycle) activities. Japan is focusing more and more on recycling resources as much as possible rather than mass consumption. Due to growing limitations on natural resources worldwide, there is a need for even more qualitative initiatives to go along with quantitative measures for lowering the volume of waste materials.

As an organization that provides asset management services for many types of properties which are used as a place to work or live, the Asset Management Company has significant obligations to use a diverse array of activities for using real estate to cut water consumption and the generation of waste materials.

The reduction of water consumption and waste materials is one of our material issues. We are constantly seeking ways to use our business activities and properties to cut water use and the amount of waste materials produced. We are also lowering our environmental impact and contributing to environmental sustainability by properly managing hazardous substances and eliminating their use wherever possible.

### Initiatives to reduce water consumption

#### Updating of water-efficient equipment

When scheduled maintenance and updates are performed at buildings we manage, we often install facilities that lower water consumption. Examples include water-efficient toilets, motion sensor faucets, water flow reduction plugs and rainwater tanks. Some of properties have introduced smart irrigation to facilitate watering plant and save water.

#### Rain garden at Yokohama Connect Square

Kenedix, Inc. has promoted a large-scale development project in the 37th district of the Yokohama Minato Mirai Central District in collaboration with partner companies. In this project, rainwater is first stored during rainfall and gradually infiltrated to recharge groundwater. The landscape changes with the weather and seasons.



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## Initiatives for reduction of waste materials

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### **Waste material reduction and sorting**

By cooperating with property management companies used for portfolio properties, we contact tenants of office buildings, retail facilities, residential properties and other properties to urge them to reduce the amount of waste materials and dispose of items properly for each category of waste materials.

### **Proper measures for hazardous substances, soil contamination and other materials requiring special handling**

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Before acquiring a property and in conjunction with other transactions, we thoroughly examine properties by receiving an engineering report that covers the building's structure and facilities, including environmental items. We also receive an earthquake probable maximum loss assessment, a soil contamination survey and other information. These activities ensure that the building complies with laws and regulations.

The engineering report includes a confirmation that a building is free of asbestos, PCBs and fluorocarbons. If any hazardous substances are discovered, appropriate actions are taken, such as by establishing counter-measures, managing or disposing of these substances, in accordance with laws and regulations.

If a property we plan to acquire has soil contamination, we make the investment only after the completion of soil contamination counter-measures.

### **Brownfield Development at Yokohama Connect Square**

Kenedix, Inc. is promoting a large-scale development project in the 37th district of Yokohama Minato Mirai Central District in collaboration with our partner companies. For this project, we are contributing approximately 1 billion yen to take appropriate measures to deal with soil contamination such as removal of contaminated soil and installation of water shielding walls, etc.



## Collaboration with Tenants for Environmental Initiatives

### Basic views

Each Investment Corporation and the Asset Management Company have promoted many initiatives for the purpose of contributing to environmental sustainability by improving the environmental performance of managed properties and in other ways. Receiving the understanding and cooperation of the tenants of the properties we manage is also important. We have environmental education activities for tenants and a Green Lease program that allows both tenants and the building owner to benefit from the installation of energy-saving facilities. Activities like these make it possible to work with tenants to create a sustainable environment.

Collaboration with environmental initiatives is one of our material issues. We will continue to use joint activities with tenants, who are a key stakeholder category, for more contributions concerning environmental sustainability.

### Initiatives for collaboration with tenant

#### Environmental education programs for tenants

In the office building jointly managed by Kenedix Office Investment Corporation and Kenedix Private Investment Corporation, the ESG service “EaSyGo” has been introduced with the aim of creating a better living and business environment by visualizing and working to improve ESG for workers and the local community.



By encouraging workers to participate in ESG-related actions, we can not only raise awareness of environmental issues, but also visualize the social and economic effects, and expect to increase the value of the building itself.



Recently, tenant employees have been introduced and offered the opportunity to donate to the Toyosu Children's Cafeteria, a local voluntary association, through “EaSyGo.”

#### Green Lease agreements

Each Investment Corporation have entered into green lease agreements with some of their tenants.

#### What is a Green Lease?

It is 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 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.



# Biodiversity

## Basic views

Protecting biodiversity and using real estate projects to create urban areas are normally conflicting activities that involve trade-offs. Each Investment Corporation and the Asset Management Company have a commitment to managing real estate while giving substantial considerations for protecting biodiversity, which is critical to combating climate change. Biodiversity also plays a key role in the creation of pleasant environments for the tenants and residents of our buildings as well as everyone living in the surrounding areas.

## Promotion of greening

We plant bushes, flowering plants and other greening at building entrances, open areas of building sites, rooftops and other locations. Rooftop greening at retail facilities creates a relaxing space for people and has the added benefit of preventing the reflection of sunshine, which helps hold down summer heat in large cities.



KDX Residence Togoshi (greenery adds value to the entrance)



Blumer Maitamon (Entrance)



MONA Shin-Urayasu (Rooftop)



Unicus Ina (Wall greening)

## Consideration for Biodiversity

### Acquisition of JHEP Certification

Japan Habitat Evaluation and Certification Program (JHEP) provides a certificate to corporations for nature restoration efforts and nature-friendly development works. The Program reviews the nature restoration efforts based on the contribution for biodiversity protection, the representation of local community, and support toward healthy habitats for wildlife. JHEP was developed and has been administrated by Ecosystem Conservation Society-Japan.

Kenedix Residential Next Investment Corporation has received the “AA” ratings for KDX Residence Tsudanuma and KDX Residence Tsudanuma II.

## Environment (Contribution to a Sustainable Environment)

### **ABINC certification**

Hibiya Parkfront, which is where our head office is located, has received ABINC certification (urban/SC version) from the Association for Business Innovation in Harmony with Nature and Community (ABINC). This building, which Kenedix, Inc. developed as a joint venture, was received this recognition due to its measures to protect biodiversity.



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## Other Initiatives related to Environment

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Each Investment Corporation is engaged in various initiatives related to environment.

For more details, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

## Sustainability Policies -Commitment to a diverse society-

We contribute to the diversity of society while taking into account the social impact of our properties. We are committed to maintaining safety, confidence, good health, comfort and diversity regarding our tenants and the communities where we operate.

## Providing Properties with Environmental and Social Considerations

### Basic views

Providing properties with environmental and social considerations is one of our material issues. Through our investments in many types of properties, we are making a contribution to lowering the overall environmental impact of society, providing greater convenience and achieving other forms of progress.

### Investments in various types of properties through REITs

The three J-REITs where Kenedix, Inc. is the main sponsor specialize in specific categories of real estate. The operations of each one reflects the characteristics of its respective market sector, resulting in highly transparent asset management.

REITs are based on the premise that real estate will be owned and operated for a long-term. Therefore, investment and property management activities take into account environmental and social issues. Adopting this stance enables these REITs to help invigorate communities, provide greater convenience, supply pleasant and productive workplaces, and create safe and secure places to live.

REIT	Investment targets
<b>Kenedix Office Investment Corporation</b>	Mid-sized office buildings in the Tokyo metropolitan area where economic activities are densely integrated with abundant tenant demand and rich stocks of properties
<b>Kenedix Residential Next Investment Corporation</b>	Residential facilities and healthcare facilities where people live and stay
<b>Kenedix Retail REIT Corporation</b>	Neighborhood, community and other shopping centers for daily needs located within residential districts or adjacent to major roads or streets and distribution centers that deliver merchandise directly to consumers
<b>Kenedix Private Investment Corporation</b>	Invest mainly in office building located in the Tokyo metropolitan area. Diversify investment in real estate located outside of the Tokyo metropolitan area to mitigate regional unevenness risk.

## Investments in flexible / mixed use properties

Each Investment Corporation invests in large, multi-purpose properties such as “office buildings, residential properties and hotels designed to meet the needs of retail tenants on lower floors,” “properties with multi-uses, such as stores, medical clinics and private nursing homes, that are directly linked to a railway station.” By utilizing areas of our building sites set aside for public use and providing properties for a broad range of applications, we contribute to tenants and residents of our buildings as well as everyone living in the surrounding area.

In addition, concerning KDX Chofu Building, Kenedix Office Investment Corporation has acquired office wing of the building and Kenedix Retail REIT Corporation has acquired retail wing of the building, respectively. This is the first joint acquisition of a mixed-use property by group REITs.

## Flexible and agile response to existing buildings

Expertise acquired since the start of real estate securitization in Japan enables us to recognize the potential value of existing buildings we acquired in the real estate market and produce the greatest possible value by taking flexible and agile actions.

### KDX Iidabashi Building TurnKey Office Project

As part of the efforts to respond to diversifying office need, Kenedix Office Investment Corporation planned a space (TurnKey Office) that incorporates the idea of ABW (Activity Based Working) and allows for setting up and leasing office fixtures and business to be started promptly after the contract is concluded in KDX Iidabashi Building. Accumulating know-how through this initiative and considering adopting in other owned properties with needs.



### Appropriate renewal work

KDX Residence Tsurumi, which is owned by Kenedix Residential Next Investment Corporation, was constructed as a residence for families more than 30 years ago. We remodeled apartments as needed when they became vacant. The value is high due to the small number of apartment buildings designed for families. Updates for apartment configurations, kitchens and bathrooms quickly attracted new tenants and made it possible to increase the rent.



## Similar Functions of Retail Facilities and Logistics Facilities

In the retail facilities and logistics facilities managed by Kenedix Retail REIT Corporation (KRR), the boundaries between asset types are decreasing in line with the progress of e-commerce. In the portfolio managed by KRR, various initiatives are implemented without being bound by conventional frameworks, such as delivery of products from retail facilities, installation of lockers to pick up products at retail facilities, integration of logistics and retail facilities and leasing a portion of the land of retail properties to logistics operators.



## Conversion project of Kitera Town Aobadai

In acquiring Kitera Plaza Aobadai, Kenedix Retail REIT Corporation demonstrated its ability to acquire properties based on the premise of conversion, thereby differentiating itself from other competitors. This project was an advanced initiative for J-REIT, as it utilized the Kenedix group's tenant network to convert a sports club that had been affected by the Corona disaster into a shopping center for daily needs that have high Corona resistance and e-commerce resistance. Asanuma Corporation, the construction company, has been working on the renovation project under the concept of "ReQuality".

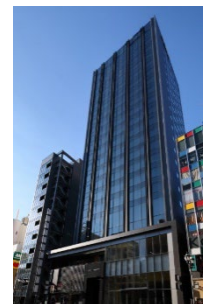


## Urban redevelopment projects

Kenedix Inc. takes part in urban redevelopment projects through its real estate development funds and other schemes.

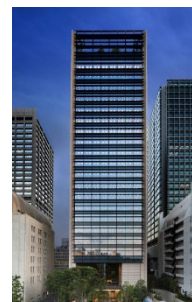
### Cooperation with Re-Seed

We are participating in a hotel redevelopment project in the Roppongi district of Tokyo and will operate the property after its completion. This is a joint project with Real Estate Sustainability & Energy Efficiency Diffusion Organization (Re-Seed), which promotes the construction of high-quality buildings that can withstand earthquakes and are environmentally responsible. The previous building was replaced by a quality structure with outstanding environmental and other characteristics. This project uses a sophisticated business structure. We received certification under the Real Estate Specified Joint Enterprise Act and are using a special business scheme designated by this act.



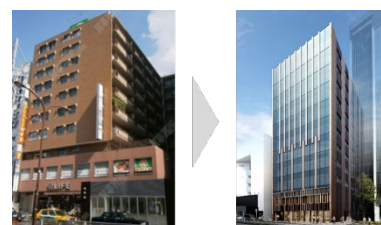
### Reuse of underground piles

At Kenedix, Inc., redevelopment projects in central Tokyo, the foundation piles of previous buildings have been reused in order to eliminate the cost of removal and replacement as well as the need to dispose of these piles. After a confirmation of their safety and structural integrity, existing piles have been used for the redevelopment of the Shinsei Bank head office site in Hibiya, hotel redevelopment projects in Roppongi and Ginza, and other projects.



### Urban redevelopment of aging condominium through condominium site sale program and real estate securitization scheme.

The number of aging condominiums and the shortage of manpower for management associations is expected to increase significantly. There are urgent needs to restrain deterioration, optimize the management and maintenance of condominiums in order to prevent harm to the surrounding area, and strengthen efforts to revitalize condominiums that are aging and difficult to maintain and repair.



Kenedix, Inc. has developed an office building after the dismantlement of the 50-year-old condominium with former earthquake-resistant standards in front of Kichijoji Station by utilizing "condominium site sale program" based on the Act on Facilitation of Reconstruction of Condominiums and real estate securitization scheme. This is the first Project in Japan utilizing a real estate securitization scheme to form a fund for the acquisition of the Existing Building. The project was made possible by procuring a non-recourse loan for the project to resolve cost issues and by inviting quality investor.

### On-site expansion of existing properties

Kenedix Retail REIT Corporation (KRR) has expanded a recycle store building at Roseo Mito, two restaurant buildings at Unicus Ina, and a restaurant building and a lounge building. KRR strives to enhance the value of properties through urban redevelopment.



## Investment in the CCRC project properties

The concept of CCRC (Continuing Care Retirement Community) originally originated in the United States, but the Japanese version of CCRC was devised to extend healthy life expectancy in Japan as well as to improve the environment as a regional revitalization.



Kenedix Private Investment Corporation owns retail facility located in regional city, which is promoting the CCRC project. The area includes multigeneration apartments, nursing homes with nursing care, kindergarten, and bakery café & community spaces in the parks.

In the area, an organization that works to enhance the attractiveness of the surrounding area has been formed. Kenedix Private Investment Corporation, in cooperation with the tenants and other members of the commercial facility through the organization to foster a community of diverse people and generations, promotes to increase the attractiveness of the region and create a related population.

## Social finance

Kenedix Residential Next Investment Corporation further enhances initiatives for sustainability through the issuance of bonds and borrowing, which are limited use that make a high degree of contribution to society, and also aims to contribute to the development of the domestic social finance market by providing investment opportunities to and collaborating with financial institutions who are proactively conducting ESG investment and financing. In December 2019, Kenedix Residential Next Investment Corporation has issued the J-REIT's first social bonds with total amount of 2 billion yen.

### What is a Social Bond?

Social bond refers to bonds for which the entire amount of the procured funds is allocated only to initial partial or full investment into new or existing eligible social projects or reflecting and is compliant with the four core requirements of the social bond principles (use of procured funds, evaluation and selection process of project, management of procured funds and reporting.)

## Improving Resilience

### Basic views

Becoming more resilient to natural disasters, including the effects of climate change, is one of our material issues. We use many activities at our properties to ensure the safety and security of tenants, residents, and everyone who uses these properties or lives nearby.



## Preparedness for natural disasters and other emergencies

### Emergency supplies

Emergency supplies are installed in some properties.

In some buildings owned by Kenedix Office Investment Corporation, elevators have emergency preparedness items for use in the event an elevator stops due to an emergency, power outage, malfunction or other reason.



At some properties owned by Kenedix Residential Next Investment Corporation, disaster readiness supplies such as food and drinking water are stored in the building manager's office or other locations that are easily accessible for residents.

In some properties owned by Kenedix Retail REIT Corporation, emergency supplies for employees are installed in the event of an emergency.

### Acquisition of ESG Properties Equipped with Emergency Batteries

Kenedix Residential Next Investment Corporation acquired properties with emergency batteries in each residential units to be well prepared for disasters.



### Disaster response vending machine

Some properties owned by Kenedix Residential Next Investment Corporation have disaster relief and SDGs promotion vending machines. In the event of a power outage due to disaster, etc. beverages in the vending machines can be provided free of charge as relief beverages.



### Distribution of emergency action manual handbook

Kenedix Office Investment Corporation 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 such as response to major earthquakes, emergency relief activities and how to use AED, etc.

In case of an emergency such as a major earthquake, Kenedix Retail REIT Corporation prepare an emergency response manual for some properties and distribute it to tenants. Various information



useful for emergencies such as response to a large earthquake, typhoon, heavy rain, etc. is summarized on 15 pages.

**Sustainable guide**

For the purpose of enabling the comfortable, safe and secure living of tenants, distribution of guides on sustainability containing information on initiatives on energy consumption, sorting of waste, and disaster preparedness.



**Installation of AEDs**

AEDs (Automatic External Defibrillator) are installed at some properties.

AEDs in office buildings owned by Kenedix Office Investment Corporation and retail facilities owned by Kenedix Retail REIT Corporation are available not only for the tenants but for visitors and local communities as well, which is displayed on the AED stickers and registered in the administrative map.



From October 2022, Kenedix Office Investment Corporation have held training sessions on how to use AED sequentially.

For those properties that are unable to secure a location for the training sessions, Connect Square (tenant relations system) have been used to encourage the use of web-based training on how to use AEDs.



**Verification of earthquake resistance**

Before acquiring a property and in conjunction with other transactions, each Investment Corporation receives an engineering report that covers the building, various equipment, environmental properties and other items. We use this report to confirm the building's resistance to earthquakes. If a building does not meet the standards, we complete the purchase only after the completion of seismic reinforcement work.

We also receive a probable maximum loss report prior to acquiring a building. This allows us to determine the maximum risk exposure associated with an earthquake.

**Initiatives for an Aging Society with Fewer Children**

**Basic views**

Japan's population has been declining since 2008 as the country's population becomes older and the number of

children falls. As the already large number of older people continues to climb, the shortage of healthcare facilities will become an even more serious problem. On the other hand, we also recognize that the wait-listed children for childcare facilities in urban areas due to women's advancement in society and lack of nursery teachers is also a social issue.

Initiatives for an aging society with fewer children are one of our material issues. We invest in residential facilities with healthcare and childcare facilities, and healthcare facilities and using other activities to meet the needs of Japan's aging population.

## Management of healthcare facilities

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Kenedix Residential Next Corporation (KDR) has invested in healthcare facilities and plans to continue these investments in order to help meet the growing demand for healthcare by purchasing and operating these facilities.

Healthcare investments cover a variety of business sectors. Acquisitions include fee-based homes for the elderly and serviced housing for the elderly as well as investments in senior living intermediate nursing home, which is a first for a J-REIT.



KDR is dedicated to growing along with the operators of properties it owns by providing the best solutions for their business and facility management issues and other needs. KDR fully understands the philosophy, business operations and other characteristics of these partners. Operators of properties fully understand KDR's investment philosophy, management policies and other guidelines. This mutual understanding results in business partner relationships that go well beyond the conventional boundaries of ties between a building owner and a tenant.

## Commitment to barrier-free access

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Office buildings, shopping centers and other real estate at the Kenedix Group have facilities for easy accessibility for everyone regardless of physical limitations.

## Other Initiatives related to Contributions to Society

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Each Investment Corporation is engaged in various initiatives related to contribution to society.

For more details, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

## Sustainability Policies -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, communities and property management companies.

## Continuous Improvement of Customer Satisfaction

### Basic views

The continuous improvement of customer satisfaction is one of our material issues. One key customer category is the tenants and residents of the properties we manage. We are also dedicated to increasing the satisfaction of J-REITs and private REIT investors. Most important to achieving customer satisfaction are the quality of the properties we acquire and the performance of our funds. We work closely with property management companies and other business partners in order to improve property quality and fund returns.

### Portfolio property customer satisfaction

#### Customer satisfaction survey

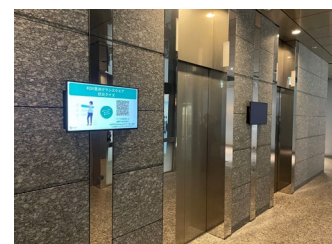
Each Investment Corporation conducts satisfaction survey for tenants about building facilities and operational services. Consecutive survey enables us to capture the tenant needs and quickly respond by renewal of facilities or implement refurbishment and receive strong intention to stay in the same building from tenants.

#### Renovations for greater convenience and value

Replacing equipment and renovating buildings in other ways in response to information received from the customer satisfaction surveys are critical to maintaining a high level of tenant satisfaction. Some projects are complete renovations and others involve spot support such as partial renovations. Performing renovations as needed at every property keeps every building looking its best and ensures the greatest possible convenience for tenants.

#### Introduction of digital signage and aroma diffusers

Aroma diffusers have been installed at the entrances of some properties managed by Kenedix Private Investment Corporation to enhance the image of the properties and tenant satisfaction. In addition, digital signage has been installed in elevator halls to share ESG-related information, such as disaster prevention-related content and information of public interest, including content linked with public agencies, as well as information on the energy consumption of the properties.



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## **Fund customer satisfaction**

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We hold regular meetings with the broad range of institutional investors all over Japan and overseas. Direct engagement with these investors gives them a better understanding of our funds and allow us to hear suggestions, requests and other thoughts of these investors.

In addition, each Investment Corporation provides information disclosure by distributing a financial results presentation video on its website for each fiscal period. These Investment Corporations also participate in information meetings for individual investors as needed in order to maintain direct lines of communication with these investors.

## **Engagement with business partners**

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To properly share information such as the status of properties and improvements, we meet on a regular basis with the property and building management companies that oversee our real estate holdings. When there is a natural disaster or other emergency, we use our close ties with these companies for quickly determining building damage and performing on-site management.

Each Investment Corporation periodically evaluates the performance of the property management companies they use and hold discussions about their performance. This creates an appropriate level of pressure on both parties to do their best at all times. With no obligations or restrictions involving affiliations with other companies or groups, the Asset Management Company has the flexibility to make investments and manage every property in the best possible way.

## Community Engagement

### Basic views

We have identified “Community engagement” as material topic and taking various unique initiatives to make positive contribution to the local communities.

### Community engagement through managed properties

#### Local events at retail facilities

Kenedix Retail REIT Corporation mainly invests in neighborhood, community and other shopping centers for daily needs and helps invigorate communities by using these shopping centers to host a variety of events.



Roseo Festival  
(Roseo Mito)



Summer Festival  
(Unicus Ina)



Kamisato Farmers Market  
(Unicus Kamisato)

#### Volunteer participation in community events

As part of its support for local activities, employees of the Asset Manager volunteered to participate in local summer festivals sponsored by operators of “Yuimaru Hijirigaoka” owned by Kenedix Residential Next Investment Corporation to promote interaction with local communities and residents.



#### Installation of sharing ports for bicycle sharing, etc.

Kenedix Office Investment Corporation has agreements with municipalities and the vendors to allow the use of part of an office building’s open area as a port for bicycle sharing. In addition to providing sites for bicycle sharing service, Kenedix Office Investment Corporation and Kenedix Private Investment Corporation provide sites for new electric kickboards’ sharing ports.



Also, other Investment Corporations provide a part of its properties as a rental cycle base and electric bike base for the purpose of providing services to residents and surrounding residents and reducing environmental impact.



#### Installation of EV Charging Station

Kenedix Residential Next Investment Corporation installed Electric Vehicle charging stations “Terra Charge” built by Terra motors for residents to accommodate widespread use of electric and plug-in hybrid vehicles.



TERRA MOTORS

### Supporting Japan for UNHCR

Kenedix Office Investment Corporation and Kenedix Retail REIT Corporation support the activities of Japan for UNHCR (United Nations High Commissioner for Refugees), which is the official contact for UNHCR, by providing free space such as common areas of their properties for UNHCR's campaign to support refugees.



UNHCR's campaign

### Supporting UNICEF

Kenedix Retail REIT Corporation supports the activity of UNICEF (United Nations Children's Fund) by providing common areas of its properties for their fund-raising campaign.



### SDGs event at our property

As part of its community contribution activities, Kenedix Retail REIT Corporation held an event to create a Christmas tree using local tenryu cedar trees at one of its property, Sun Street Hamakita. This event not only increased the interest towards local forestry industry, but also contributed to raising awareness to SDGs.



### Initiatives for art project

Kenedix Private Investment Corporation offers open space of its office building free of charge as a place to exhibit artworks for community-sponsored art events, providing workers and residents in the neighborhood with a place to relax and have fun.



### Clothing recycling event

"BRING," a clothing recycling project, was held at a commercial facility owned by Kenedix Retail REIT Corporation. The project encourages customers to help recycle their unwanted clothing and textiles and contribute to both sustainability and attracting customers to the facility.



## Community engagement by the Kenedix Group

### Community participation activities

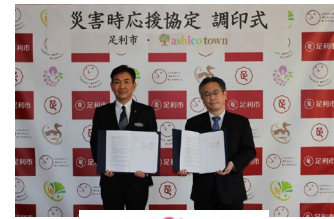
#### ● Calendar recycling campaign

The Kenedix Group calendar recycling campaign collects unneeded calendars for distribution by social welfare service organizations to senior care and other welfare facilities where the calendars will be used.

## Social (Stakeholder Engagement)

### ● Collaboration with local communities

Kenedix Retail REIT Corporation entered into agreements with Yoshikawa City, Ina Town, Konosu City and Ashikaga City under which a part of Unicus Yoshikawa, Unicus Ina, Unicus Konosu and Ashiko Town Ashikaga respectively, can be used as a temporary shelter at times of emergency.



Kawamachi Yahagi Mall is registered as a place where parents with infants can feed their babies and change diapers under the “Baby Station” project implemented by Chiba City.



### Education and academic support activities

#### ● High school student work experience

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



#### ● J-REIT study session for university students

We have provided opportunities for J-REIT study session for university students to learn basic knowledge about J-REITs and structures of real estate funds.



#### ● Donation to orphanage

As a part of our social contribution activities, we donate to children’s homes.

### Culture, art and sports support activities

#### ● 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. We co-sponsor the Hibiya Music Festival, which is held in the Hibiya Park next to our office.



#### ● Donations and support for sports

Activities for the support of sports include donations to the Japan Rowing Association and sponsor the All Japan Ice Hockey Championships.



### International exchange activities

- **Support for the Mindanao Children's Library**

The Kenedix Group donates supplies to the Mindanao Children's Library in the Philippines on a regular basis. Employees of group companies donate shoes, apparel, stationery supplies and other items that they no longer need. Children who receive these recycled items send a message of thanks to the Kenedix Group every year.



### Reconstruction support activities

- **Matching donations**

In the event of a disaster such as earthquake, heavy rain or typhoon, etc., the Kenedix Group conducts a matching donation program to support reconstruction activities. With this program, the Kenedix Group adds a certain amount to every donation that employees made to an eligible disaster relief charity.



## Managing Conflicts of Interests

### Basic views

The real estate operations of the Kenedix Group encompass a broad spectrum of stakeholders as well as a large number and variety of properties owned by various investment funds. The immense scale of these activities creates the risk of conflicts of interest. Preventing this problem requires managing assets while exercising care to prevent conflicts involving transactions between their funds and other activities.

Managing conflicts of interests is one of our material issues. The Kenedix Compliance Manual has policies for specific measures aimed at preventing these conflicts and protecting the assets of the Kenedix Group. We have compliance and other training programs for reinforcing the commitment of employees to prevent conflicts of interests.

## Other Initiatives related to Stakeholders

Each Investment Corporation is engaged in various initiatives related to stakeholders.

For more details, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

## Sustainability Policies -Attractive working environment-

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We aim to maintain an attractive working environment by implementing measures for employees' health and wellbeing and for diversity and equal opportunities. To enable employees to realize their full potential, we will provide a variety of training programs and other educational opportunities.

## Recruiting, Employee Retention and Career Advancement

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### Basic views

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Recruiting, employee retention and career advancement is one of our material issues. We have many programs to develop the skills of our people and are always seeking ways to upgrade training and other educational activities so that all our employees can realize their full potential. The Investment Corporations is not allowed to hire employees under the provisions of the Act on Investment Trusts and Investment Corporations, and the Asset Management Company's employees substantially manage its assets.

### Workforce diversity and stability

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

By securing various human resources, Kenedix, Inc. promotes sustainability management as a real estate asset management company. The Kenedix Group have never conducted lay-offs or other employment adjustment since their establishment in 1995.

### The number of personnel seconded from the sponsor (Kenedix, Inc.) to the Asset Management Company

as of December 31, 2022

117

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### Human capital development system

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At Kenedix, Inc. where employees to be transferred to the Asset Management Company are originally hired as new graduates, they are assigned to one-month entry training and then rotate several times in a five-year term to make them grow up to human capital that have broad insight. Furthermore, to continuously improve the

operational skills of employees, the company provides external seminars that are structured for specific job categories, such as managers, mid-level employees and new employees.

**Percentage of executives and employees who received training:**

2020	2021	2022
32.2%	93.4%	82.9%

(Note) In 2020, the figure declined sharply due to the COVID-19 pandemic. The figure rebounded in 2021 by utilizing online training.

Examples of human capital development programs by position and level

	Senior associate, Associate, and Junior	Senior manager, and Manager	Head of team	Head of department, and Vice head of department
<b>Training program by position</b>	New employee training		Officer training	
<b>Business skills, Self-development support</b>	Online training tool			
	External seminar			
	English language training			
	Self-development program/Encouraging people to obtain professional certifications			
<b>Training program by theme</b>	IT and DX literacy training			
	Compliance training/Fraud prevention training/Harassment training			
	Study abroad program			

**Training programs**

**English language training**

The Kenedix Group provides English language training by teachers from educational institutions to employees who apply for these classes. Students participate in discussions every week. An online-speaking program is also available so employees can utilize this opportunity with more flexibility.

**Job-specific skill development training**

The Kenedix group provides seminars arranged by a third party for specific job categories, such as managers, mid-level employees and new employees to give them opportunities to acquire the skills required at each level.

**Self-development program**

The Kenedix group reimburses employees for the cost of external seminars, classes and other educational

activities for acquiring the knowledge and skills required for their job.

### Study abroad program

The Kenedix group provides opportunities to obtain a broad range of knowledge, personal connections and international viewpoints by sending employees to study in oversea graduate schools where they acquire skills to become the next generation of management.

### IT and DX literacy training

Literacy training on AI, IT, etc. is conducted for all executives and employees, including contract employees, with the aim of sharing basic knowledge on DX throughout the company for the promotion of DX in the Group.

## Encouraging people 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 various certifications to develop capability and career and improve organizational power. All executives and employees, including contract employees, are eligible to receive full subsidies for registration, maintenance, and renewal costs of recommended or supported certifications, with the aim of promoting skill development and career formation of employees who are the future leaders of the company and improving the vitality of the organization. In addition, additional incentives are provided for the acquisition of certain recommended certifications to promote the acquisition thereof by executives and employees.

### Number of employees with certifications

(as of December 31, 2022)

Real estate notaries	79	Certified real estate consulting masters	11
ARES certified masters	37	Chartered members of SAAJ	6
Licensed senior architects	6	Certified public accountants	2
Real estate appraisers	2	Certified public accountants (USCPA)	2
Certified building administrators	12	Tax accountants	1

## Internal job application program

The 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 capital within the company. Employees are allowed to apply for the jobs they wish and design their own career.

## Evaluation system to encourage employees' career development

Employees make their goal setting and performance evaluation. Managers hold interviews with each employee to discuss his/her performance and career opportunities at the beginning, half year, and the fiscal year end.

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.

## Engagement survey

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We conduct regular engagement surveys every year as a measure to make the Kenedix Group a rewarding place to work and a company of choice for our employees. By measuring employee satisfaction, we are working to strengthen engagement by continuously examining improvement measures to realize an attractive workplace. Based on the results of the survey, we take organizational issues seriously, analyze them, and respond to them.

	2022
Engagement rating	BBB
Engagement score	55.4

\* We have changed survey companies since 2022.

## Introduction of investment unit ownership program

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We have introduced investment unit ownership program for each of the three listed REITs (Kenedix Office Investment Corporation, Kenedix Residential Next Investment Corporation and Kenedix Retail REIT Corporation) managed by the Asset Management Company. for the original regular employees and senior executive officers of Kenedix, Inc.

The purpose of the introduction of the program is to promote welfare benefits by providing opportunities to acquire the Kenedix group REITs' investment units and facilitating their wealth building as well as to enhance unitholder value over the medium to long-term by promoting further alignment of interests with the Kenedix group REITs' unitholders. In addition, the program provides a certain percentage incentive for contributions to each investment unit ownership, which also contributes to the welfare of employees.

## Health and Wellbeing of Employees

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### **Basic views**

The health and wellbeing of employees is one of our material issues. To enable employees to maintain the proper balance between work and their private lives, we have activities involving workplace facilities, working styles and other measures that take into consideration the health and wellbeing of employees and create a pleasant and productive environment. There are also various programs that reflect a variety of personal needs.

### **Work style reform**

We have been improving how people do their jobs by encouraging employees to take paid time off, reducing overtime and introducing various systems to allow flexible working formats.

#### **Promoting the use of paid vacation days**

On top of annual paid leave, we have a program that allows employees to take consecutive days off in July, August and September. Department managers encourage the people they supervise to go on an extended vacation and to use all of their annual leave.

#### **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**

We have a staggered working hours system that allows employees to start work in the morning at any time between 8:00 and 10:00.

#### **Initiatives to reduce overtime**

Department managers supervise working hours and adjust workloads of employees to minimize overtime. If an employee has worked more than a certain number of hours, a check-up by doctor is arranged upon the employee's request.

### **Health and wellbeing**

We have health management activities to support the physical and mental health of employees and maintain a pleasant working environment.

#### **Health committee**

The Kenedix Group has a Health Committee that performs surveys and studies concerning the health of employees and prevention of problems. The committee meets monthly to discuss activities and issues involving employees' health. In addition, the committee performs educational activities by distributing to all employees a

monthly message about their health and wellbeing.

### Annual physical check-up

All employees including contract employees receive an annual examination by doctor at the company's expense.

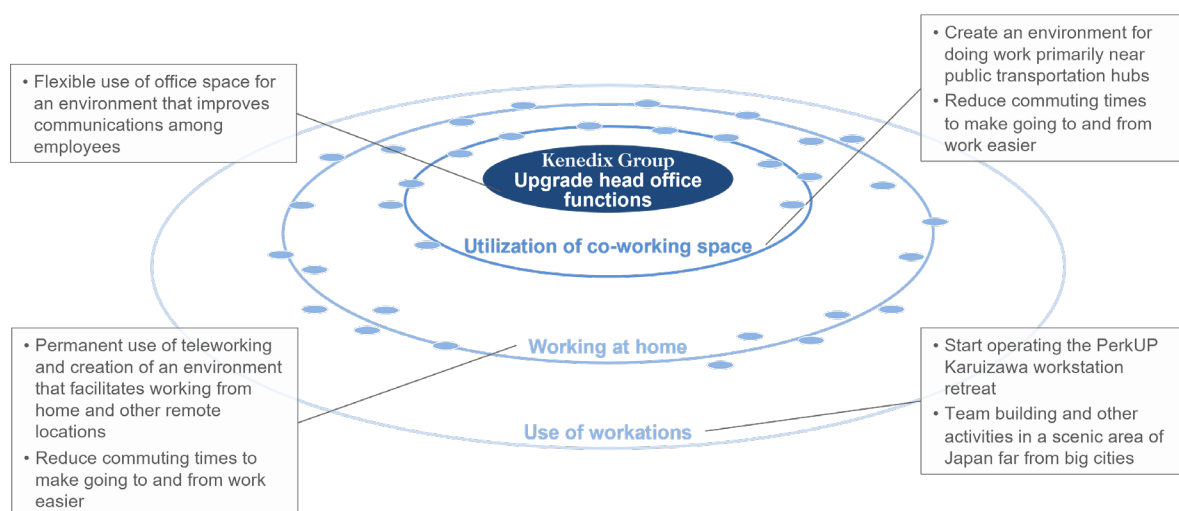
### Mental health care

All employees have access to an external counseling service provided by the company. Individuals can discuss any personal or job-related issues with counselors. Every month, all employees receive messages with topics about mental health and other information so that everyone is aware of these issues and the counseling service.

In addition, the company performs annual stress check-ups for all employees. Individuals receive the results and can arrange a check-up with a doctor if necessary.

### Diverse working styles

We make the working environment more flexible and provide a variety of working styles and options to suit each individual.

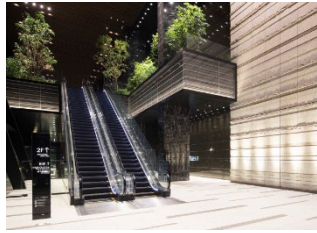


### Pleasant working environment

Hibiya Parkfront, which Kenedix, Inc. developed as a joint venture, is in a prime location that faces Hibiya Park and has direct access through adjacent buildings to the Kasumigaseki and Uchisaiwaicho subway stations. This building was designed to create the atmosphere of offices within a park. There is a large amount of greenery inside and outside the building as well as a variety of services and equipment for the support of office workers. The result is a new concept for an ideal office environment where people can feel they are surrounded by nature and are able to do their jobs in comfort.

- **In harmony with Hibiya Park's natural environment**

As plans for the property called for planting vegetation to harmonize with the adjacent Hibiya Park, more than 100 types of plants are used in the building. Greening is not limited to the area surrounding the building but also extends to the interior to create a park-life environment.



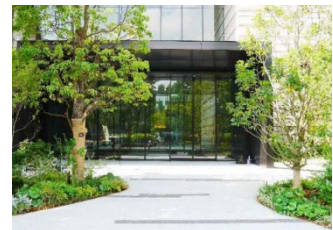
1F Entrance hall



21F Sky garden

- **The Hibiya Centrium links the building with the greenery of Hibiya Park**

To help preserve biodiversity, Hibiya Centrium has about 100 types of plants that were selected based on a survey of the vegetation in neighboring Hibiya Park. This spacious area full of greenery is one of the building's most popular places among not only tenants but also neighboring office workers.



Hibiya Centrium

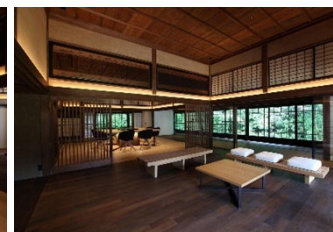
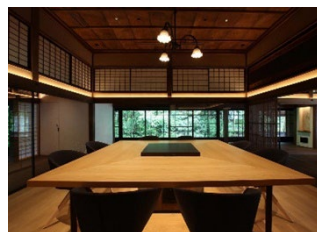
### **Interaction among employees in a communication room**

Located adjacent to working space, the communication room is a place employees can use for a break, a small meeting or any other purpose, being the hub for communication among employees.



### **Use of workcations**

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



## **Other initiatives**

### **Employees meeting**

As the spread of the new coronavirus infection has made it difficult to hold off-site meetings and other opportunities for interaction, we promote internal exchanges through employee meetings using online tools. All employees of Kenedix group participate in the meetings and share various topics such as messages from the president, introductions of each department, and awards for projects implemented during the fiscal year in order to promote friendship.



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### **Proposal Project**

We have implemented a project to solicit a variety of proposals that will contribute to the achievement of the Mid-term Management Plan from all employees of the Kenedix group. Winners are selected through employee voting, etc., and those proposals deemed desirable to be promoted as a project are promoted toward realization with resources, etc., provided by the company.

“Kolet,” the newly built single-family properties for rent, was commercialized through this proposal project.

### **Support for group activities outside of work**

The company subsidizes activities such as futsal or golf that help employees make personal connections outside the workplace.

### **Certification of health & productivity management outstanding organizations**

Through the implementation of various initiatives related to health management, etc., we have been certified as a “health & productivity management outstanding organization 2023 (large enterprise category)” by Nippon Kenko Kaigi, which recognizes organizations that practice excellent health & productivity management.

The certified health & productivity management outstanding organizations recognition program is a program that recognizes large corporations, small and medium-sized companies, and other corporations that practice particularly excellent health management as "organizations that think about employee health management from a managerial perspective and engage in it strategically," based on initiatives that meet local health issues and health promotion initiatives promoted by Nippon Kenko Kaigi.



## Diversity and Equal Opportunities

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### **Basic views**

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The Asset Management Company has established diversity and equal opportunities as one of its material issues. We promote various initiatives related to diversity, equity & inclusion. Also, we welcome diversity regarding race, religion, creed, gender, age, sexual orientation, disabilities and nationality and respect the rights of individuals. We are dedicated to operating workplaces where all people at the Kenedix Group can realize their full potential.

### **Respect for human rights, prevention of all forms of discrimination and harassment**

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The Kenedix Compliance Manual clearly states that we will respect human rights and reject all forms of discrimination and harassment. There are compliance and other training programs to be certain that everyone at the Kenedix Group understands and observes these standards.

We recognize the ILO (International Labor Organization) declaration on fundamental principles and rights at work, including the elimination of discrimination, prohibition of forced labor, prohibition of child labor, freedom of association, and the right to collective bargaining, as important social issues, and we are also working to prevent overwork and pay wages that exceed the minimum wage. In addition, we are thoroughly prohibiting harassment, and we provide training for managers on how to deal with harassment.

### **Promotion of women employees' activities**

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We believe that it is important to revitalize the workplace through the participation of a diverse range of employees. In addition, from the perspective of effectively utilizing human resources to cope with the future decline in the working-age population, we are particularly promoting the activities of women. In order for women to realize their full potential, we have established a workplace environment that is easy for women to work in, as well as systems to support childbirth and childcare, and we aim to become a company where women and their families can play an even more active role.

#### **Topics: Women's Activity Promotion Project**

As a result of an internal proposal project, we have established a new project team for the promotion of women's activities across the Kenedix Group. This project conducted a company-wide questionnaire on women's activities to summarize the issues and future measures to be taken by the company, and conducted training for all employees, executives, managers, and female employees on diversity to foster understanding of diversity in the company. In addition, based on these trainings and other activities, the Kenedix Group executives formulated the "Kenedix Declaration of Conduct for the Promotion of Female Advancement and Improvement of the Workplace Environment."

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## **Kenedix Declaration of Conduct for the Promotion of Women Advancement and Improvement of the Workplace Environment**

Each and every one of our employees is the source of our corporate value. We respect the abilities of all employees and aim to create a workplace environment where they can work with peace of mind.

- 1) We will create a workplace where all employees, regardless of gender, occupation, or age, can improve their skills and fully demonstrate their individual abilities.
- 2) We will create a workplace where employees can respect each other and freely and openly exchange opinions regardless of hierarchy, departments, age, or gender.
- 3) We will provide opportunities for motivated women employees to gain a wide range of work experience.

### **General business owner action plan based on the law for the promotion of women's activity**

In order to create an employment environment in which all employees, regardless of gender, can improve their skills and fully demonstrate their individual abilities, we have established the following action plan.

#### **● Targets**

- 1) Increase the percentage of female employees in management positions to at least 15% by the end of 2025, with a view to achieving 20% by the end of 2030.
- 2) Continue to have 100% of female employees take childcare leave, and increase the number of male employees taking childcare leave.

#### **● Initiatives**

- 1) Training and career support for female employees
  - Promotion of measures through the Women's Activity Promotion Project
- 2) Creation of a workplace environment for flexible and efficient work and leave styles
  - Introduce a permanent telework system
  - Promote flexible and efficient work styles by use of PerkUP Karuizawa, shared offices, etc.
  - Promote the use of various types of leave, including annual paid leave
- 3) Establishment and dissemination of an environment that facilitates the use of childcare leave
  - Promote internal awareness of childcare-related programs
  - Gathering information on case studies of other companies, etc.

## **Employment system for seniors**

As one way to increase diversity, we have a system that allows employees who have reached the official retirement age of 60 to return to work until the age of 65. This program also helps maintain a sufficient number of people as Japan's working age population declines. With experience dating back to the start of real estate

asset management in Japan, these older workers have considerable knowledge they can pass on to others.

### **Support for childbirth, childcare and senior nursing care**

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We have prepared various programs to support employees so they can remain at the Kenedix Group while spending time for personal needs such as childbirth and childcare or caring for an aging parent.

#### **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 during a pregnancy. 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.

#### **Senior nursing care**

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.

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## Other Initiatives related to Attractive Working Environment

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Each Investment Corporation is engaged in various initiatives related to attractive working environment.

For more details, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

## Sustainability Policies -Responsible organization-

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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.

## Governance

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### Governance of the Investment Corporation

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In addition to the General Meeting of Unitholders, which is composed of unitholders, the organization of each Investment Corporation consists of the Board of Directors, which is composed of an Executive Officer and Supervisory Directors, and an Independent Auditor. The number of supervisory directors must be the number of executive directors plus one or more.

The Board of Directors of each Investment Corporation 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 Management Company 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.

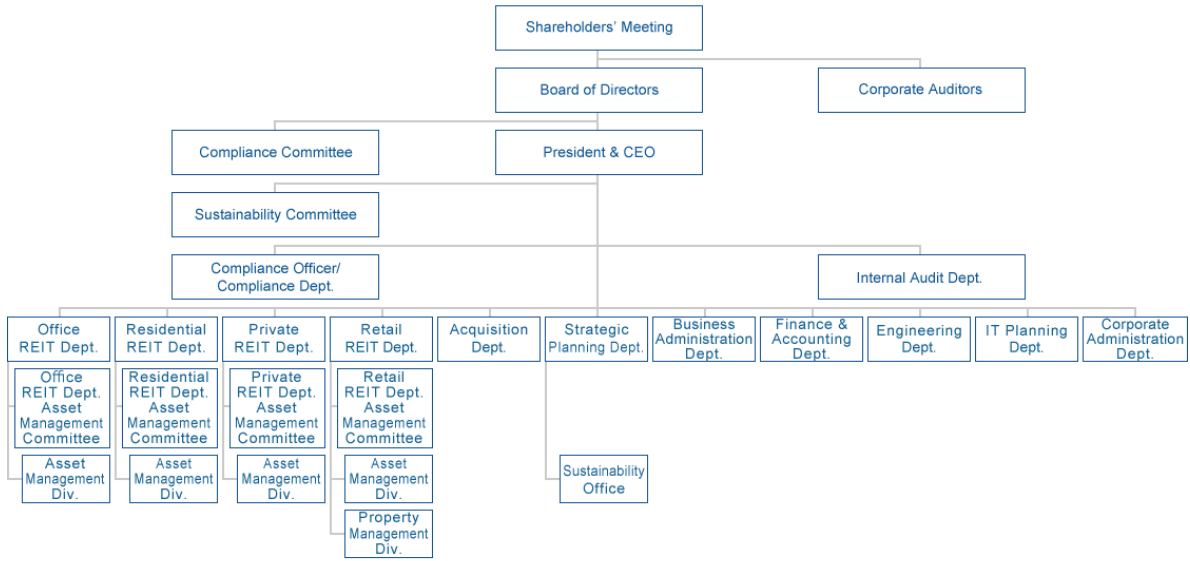
The Executive Director is responsible for the execution of each Investment Corporation's businesses and is authorized to take any judicial or out-of-court actions with respect to each Investment Corporation's operations. The Supervisory Directors have the authority to supervise the execution of duties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

### Operational structure

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Each Investment Corporation has entrusted the management of its assets to the Asset Management Company, in accordance with the provisions of the Investment Trust Act. The Asset Management Company manages each Investment Corporation's assets under an asset management contract with each Investment Corporation.

The organizational chart of the Asset Management Company is as follows.



## Compliance

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### Basic views

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Strict compliance with laws, regulations and other guidelines is positioned as a vital element of the management of each Investment Corporation and the Asset Management Company based on the awareness that compliance problems are a significant risk regarding business operations.

We have a responsibility to use business operations to create the types of value that meet social requirements. We have extensive and constant compliance programs in order to achieve qualitative and quantitative improvements of the value of our business operations.

By implementing a rigorous compliance program, we are determined to contribute to economic and social advancement and, as a result, earn the admiration of investors and the trust of the public.

Compliance is one of our material issues and the entire group has a strong commitment to compliance.

### Board of Directors (KFM)

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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 Management Company. 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



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## **Compliance Officer**

The Compliance Officer works on the establishment of compliance system in the Asset Management Company 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 Management Company 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 composed of President & CEO, Compliance Officer, full-time directors and external committee members, and 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 KFM. As chairperson of this committee, the Compliance Officer supervises all items concerning compliance at the Asset Management Company.

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 Management Company manages the assets of each Investment Corporation under a discretionary asset management contract with each Investment Corporation. In this role, the Asset Management Company establishes asset management guidelines, investment policies, related party transaction rules, distribution policies, disclosure policies and other basic policies regarding the asset management of each Investment Corporation.

For the asset management of each Investment Corporation, the Asset Management Company 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 the Investment Corporation's Board of Directors and based on this resolution, the agreement of the Investment Corporation's Executive Director. However, this requirement does not apply for certain types of transactions.

### **Responding to anti-social forces**

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The Asset Management Company 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 Management Company has a resolute stance for refusing to deal with criminal and other anti-social forces.

The Asset Management Company confirms that buyers and sellers of properties, tenants, business partners, and other transaction counterparties are not anti-social forces. In addition, the Asset Management Company 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 Management Company is taking concrete actions for the purpose of preventing relationships with anti-social forces.

### **Measures against money laundering and terrorist financing**

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The Asset Management Company 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 policy**

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We have established specific policies in The Employment Regulations and Compliance Manual regarding not engaging in money laundering, embezzling, fraud, theft or other criminal activity. In addition, we strictly prohibit the acceptance of bribes or other improper activities, directly or involving a third party, by the staff of the Kenedix Group 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 Management Company 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

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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**

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The Kenedix group has a whistleblowing system for the prevention and rapid discovery of incidents caused by violations of laws and regulations and other improper conduct, the improvement of self-cleansing processes, the control of reputational risk exposure, and the retention of public trust. Our whistle-blowing policy applies to all the employees including directors, full-time employee, elderly employee, contact employee, part-time employee, assigned / temporary employee from the other company, and former employee left within 1 year of the termination date.

### **Reporting, investigation and disciplinary processes**

If violation of law (including internal company policies) occurs or could occur and if the matter has not been satisfactorily resolved by ordinary procedures, the company accepts reports, declarations, and consultations from internal and external contacts. Anonymous reporting is also accepted.

The person in charge of handling whistleblowing shall conduct fair and impartial investigation. The respondent will be provided with the opportunity to present a defense and the fair hearing is held with relevant persons in compliance with the obligation of confidentiality.

The person in charge of handling whistleblowing reports all results from investigations to the director in charge of compliance and the president, as well as to the board of directors and the council of corporate auditors, including the results of notifications to the whistleblower. The head of the department to which the accused belongs take appropriate action such as immediate order to stop action in violation of law.

Based on the report, disciplinary action and all the other appropriate measures to correct such as criminal prosecution, claims for damages or measures to prevent recurrence shall be taken.

### **Prohibition of unfair treatment**

Whistleblowers and those who cooperate with them, as well as those who cooperate with investigations based on the reports, are subject to protection under the whistleblowing system and the Whistleblower Protection Act, and any unfair treatment against the whistleblower are prohibited.

## **Internal audits**

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The Asset Management Company conducts internal audits every year, utilizing outside experts to enhance the internal control function.

The Head of the Internal Audit Department of the Asset Management Company 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 Management Company 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 Management Company 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 2022

Training content	Date of training	Attendance rate
Prevention of Conflicts of Interest between Investment Corporations	Apr. 2022	96.7%
Management of information related to the management of investment corporations	Jul. 2022	96.0%
Fiduciary Duty as an Asset Management Company (Input)	Aug. 2022	98.4%
Fiduciary Duty as an Asset Management Company (Case Study)	Oct. 2022	98.5%
Prevention of insider trading	Dec. 2022	97.2%

## Policy for Customer-Oriented Business Conduct

The Asset Management Company 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 Management Company 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>

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## **Managing conflicts of interests**

Managing conflicts of interest is one of our material issues. The Compliance Manual and other internal rules, etc. has specific policies for the prevention of these conflicts and protection of the company's assets. Compliance and other training programs give employees a thorough understanding of conflicts of interest and how to prevent them. In addition, we have Related Party Transaction Rules that include processes for making decisions, basic views concerning these transactions and other guidelines. The objective is to prevent transactions with related parties (executives, major shareholders and others) and between these related parties from being detrimental to shareholder value.

### **Proper information management among the Kenedix Group**

The Kenedix Group provides asset management services for a large number of investment corporations and funds on behalf of investors. Kenedix, Inc. has signed a memorandum with the Asset Management Company and the Investment Corporations managed by the Asset Management Company and with Kenedix Investment Partners, Inc. concerning the provision of real estate and other information by Kenedix, Inc. The proper provision of information by Kenedix, Inc. and group companies along with the determination of the types of support supplied by the Kenedix Group (and disclosure of this information) ensures the transparency and suitability of the operations of funds and other similar entities.

### **Rule concerning conflicts of interest among REITs**

Since the Asset Management Company manages three J-REITs and a private REIT, it has established a pipeline committee, that is chaired by the Compliance Officer, and adopted internal guidelines in order to prevent the improper allocation of acquisition opportunities as well as prohibition of concurrent serve as several general managers of REIT management departments, and thus, managing conflicts of interests among the REITs.

By managing these rules appropriately and smoothly, it strives to implement appropriate measures for conflicts of interest, such as preventing arbitrary distribution of real estate sales information and preventing conflicts of interest among the investment corporation managed by the Asset Management Company.

## Risk Management

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### Basic views

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Risk management is one of our material issues. There are many activities for the proper oversight and control of risk factors.

### Risk management system

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The Asset Manager stipulates risk management policies, risk management divisions, risk management methods, etc. in its "Risk Management Rules" for the purpose of ensuring sound management and appropriate risk management as an investment management company.

The main risks are defined as investment management risk, real estate management risk, financial risk, legal compliance risk, administrative risk, system risk, and business continuity risk, and a separate management department is designated for each risk.

Each risk management department continuously monitors the status of each risk and, in the event that a significant risk has materialized or is likely to materialize, promptly submits a proposal to the Board of Directors regarding the nature of the risk and the policy for dealing with it.

Each risk management department reviews the items, contents, and response policies of each risk approximately once every two years. The Board of Directors, fully aware of the location and nature of these risks, will oversee the formulation of risk management policies and the development of an appropriate risk management system considering the strategic objectives.

The Board of Directors shall fully recognize the importance of the risk management department and shall take appropriate measures to ensure that the risk management policy is well known within the Asset Management Company. The Board of Directors will also hold discussions on the risk management system as necessary. The Compliance Officer will oversee the practical management of each risk and support the role of the Board of Directors.

### Crisis and disaster response system

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Kenedix, Inc. has Crisis Management Rules and Disaster Response Rules for natural disasters, incidents, accidents and other problems that have a major impact on business activities or society overall and are detrimental to corporate value. The General Administration and Human Resources Department is responsible for crisis management and disaster response activities. This department establishes an emergency response headquarters to take actions as needed when problem occurs.

In accordance with the Kenedix Group Business Continuity Plan, disaster response drills are held periodically, there are measures in place to resume business operations quickly following a disaster or other problem, and

other measures to be prepared for a crisis. We periodically reexamine this plan and make revisions as needed.

We also use the following measures to be prepared for a disaster.

1. Storage of disaster response kits with food, water and other supplies for executives and employees at business sites
2. A safety confirmation system for quickly determining the status of executives and employees after a disaster
3. Back-up servers in several locations to protect data

## **Information security**

The Asset Management Company has established "Information Protection Rules" and strives for proper information management and protection of information in the Asset Management Company by stipulating management methods, management systems, etc. for information handled on business.

For information security management, the Compliance Officer is designated as the "Chief Information Officer" to oversee the Asset Management Company's information.

In addition, the information manager in each department is the head of the department, who is responsible for the management of information in each department and ensures that directors and employees of the department in charge are informed of and comply with the information management system.

### **Protection of personal information**

The Compliance Manual contains specific standards for the handling of personal information and other internal information. The Asset Management Company also conducts compliance and other training programs for employees to be certain that everyone has a strong commitment to protecting personal information.

In addition, each Investment Corporation and the Asset Management Company have established "Personal Information Protection Policy," "Personal Information Protection Rules," "Basic Policy on the Management of Specific Personal Information," etc. to protect and properly manage personal information.

## Commitment to Responsible Investments

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### Basic views

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A commitment to responsible investments is one of the Kenedix material issues. We are committed to building a stronger infrastructure for achieving both sustained growth and social responsibility.

### Signing on to the PRI

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The 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 comprises six principles.

The 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.

*Signatory of:*



Kenedix, Inc., the parent company of the Asset Management Company, has signed on to the PRI and is ambitious to become a real estate asset management company that commit responsible investment through the practice of PRI.

### Signing on to the PFA21

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The PFA21 (Principles for Financial Action for the 21st Century) 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 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.



Kenedix, Inc. and the Asset Management Company have signed on to the PFA 21 and are ambitious to become a real estate asset management company that commits to responsible investment through the practice of the PFA21.

### The Kenedix group's investment in group REITs

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Kenedix, Inc. holds a portion of the investment units of three listed REITs and one private REIT managed by the Asset Management Company. This aligns the Kenedix group's interest with unitholders' interests of each REIT.



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## Other Initiatives related to Governance

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Each Investment Corporation is engaged in various initiatives related to governance.

For more details, please refer to the following link.

- > [Kenedix Office Investment Corporation](#)
- > [Kenedix Residential Next Investment Corporation](#)
- > [Kenedix Retail REIT Corporation](#)
- > [Kenedix Private Investment Corporation](#) (only in Japanese)

# Relevant Data

## Relevant Data (Employment)

	2019	2020	2021	2022
Number of employees (average age) <sup>*1</sup>	99 (42.1)	93 (42.4)	101 (41.9)	116 (42.1)
Men (average age)	70 (42.2)	66 (42.0)	70 (41.6)	76 (42.1)
Women (average age)	29 (42.1)	27 (43.2)	31 (42.6)	40 (42.0)
Pct. of females in employees	29.3%	29.0%	30.7%	34.5%
Number of employees [consolidated]	339	347	351	367
Average number of consecutive years at the Kenedix Group <sup>*1</sup>	6.9	7.1	6.7	6.3
Men	6.7	6.9	6.7	6.6
Women	7.6	7.7	6.6	5.7
Difference ((Women–Men) / Men)	13.4%	11.6%	-1.5%	-13.6%
Number of newly hired employees <sup>*2</sup> (new graduate hires / mid-career hires)	11 (5/6)	15 (3/12)	30 (5/25)	44 (3/41)
Men (new graduate hires / mid-career hires)	8 (5/3)	12 (3/9)	23 (5/18)	25 (2/23)
Women (new graduate hires / mid-career hires)	3 (0/3)	3 (0/3)	7 (0/7)	19 (1/18)
Pct. of women in newly hired employees (new graduate hires / mid-career hires)	27.3% (0%/50.0%)	20.0% (0%/25.0%)	23.3% (0%/28.0%)	43.2% (33.3%/43.9%)
Number of managers <sup>*1</sup>	20	25	29	32
Men	20	25	29	29
Women	0	0	0	3
Pct. of female managers	0%	0%	0%	9.4%
Number of directors <sup>*1</sup>	6	7	7	7
Men	6	7	7	7
Women	0	0	0	0
Pct. of female directors	0%	0%	0%	0%

\*1 These figures are based on individuals who belong to the Asset Management Company.

\*2 These figures are based on individuals who are working at the Kenedix group companies and employed directly by Kenedix, Inc.

## Relevant Data (System Use, etc.)

	2019	2020	2021	2022
Number of employees using childbirth leave <sup>**1</sup> (Men / Women)	4 (0/4)	2 (0/2)	5 (0/5)	4 (0/4)
Number of employees using childcare leave <sup>**1</sup> (Men / Women)	3 (0/3)	8 (2/6)	8 (0/8)	9 (2/7)
Pct. of employees returning to work after childcare leave <sup>**1</sup> (Men / Women)	100% (-/100%)	100% (-/100%)	87.5% (-/87.5%)	100% (100%/100%)
Number of employees using shortened working hours for childcare <sup>**1</sup> (Men / Women)	1 (0/1)	1 (0/1)	0 (0/0)	1 (0/1)
Number of employees using staggered working hours for childcare <sup>**1</sup> (Men / Women)	7 (1/6)	6 (3/3)	9 (3/6)	8 (3/5)
Number of employees using sick/injured childcare leave <sup>**1</sup> (Men / Women)	2 (0/2)	1 (0/1)	0 (0/0)	0 (0/0)
Number of employees using elderly parent care extended leave <sup>**1</sup> (Men / Women)	0 (0/0)	0 (0/0)	0 (0/0)	0 (0/0)
Number of employees using elderly parent care single-day leave <sup>**1</sup> (Men / Women)	4 (0/4)	3 (0/3)	1 (0/1)	0 (0/0)
Number of employees using shortened working hours to care for an elderly parent <sup>**1</sup> (Men / Women)	0 (0/0)	0 (0/0)	0 (0/0)	0 (0/0)
Number of employees using staggered working hours to care for an elderly parent <sup>**1</sup> (Men / Women)	2 (1/1)	2 (1/1)	1 (1/0)	1 (1/0)
Average number of days of paid leave used <sup>**1</sup>	12.7	10.4	9.4	10.6
Pct. of paid leave used <sup>**1</sup>	71.2%	58.6%	54.5%	63.9%
Overtime hours, per month, per person <sup>**1</sup>	17.3	14.3	18.1	22.7
Training expense per employee <sup>**1</sup>	¥29,461	¥30,944	¥59,606	¥65,933
Pct. of employees receiving a health check-up <sup>**1</sup> 1	100%	100%	100%	100%
Number of work-related fatalities <sup>**1</sup>	0	0	0	0

\*1 These figures are based on individuals who are working at the Kenedix group companies and employed directly by Kenedix, Inc.

## Editorial Policy

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The purpose of this publication is to provide all stakeholders with information about the sustainability policies and activities of the Kenedix Group. We hope this information gives you a better understanding of our commitment and goals involving sustainability.

### Publication Date

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April 2023

### Period Covered by This Report

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January 1, 2022 to December 31, 2022

Some information concerns activities prior to 2022.

### Scope of Reporting

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Kenedix Real Estate Fund Management, Inc.

Kenedix Office Investment Corporation

Kenedix Residential Next Investment Corporation

Kenedix Retail REIT Corporation

Kenedix Private Investment Corporation

### Guideline Used for Reference

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GRI (Global Reporting Initiative) "GRI Standards"