Corporate Governance Report

Kenedix, Inc.

Last Update: December 27, 2018

Kenedix, Inc.
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The corporate governance of Kenedix, Inc. ("Kenedix" or the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

To ensure its sustainable growth and increased corporate value over the medium to long term by creating value from real estate, Kenedix has configured its corporate governance to strike an appropriate balance between independence and autonomy ("offensive" and "defensive" functions) and a strong sense of ethics. Kenedix accords one of its highest management priorities to employing an appropriate management system and a thorough internal control system, making positive and decisive management decisions based on appropriate processes, and ensuring their accountability.

Kenedix has established Corporate Governance Guidelines (the "Guidelines") in association with the basic views on corporate governance and posted these guidelines on its website (http://www.kenedix.com/eng/company/governance.html).

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company implements each principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Cross-shareholdings]
Each year, the Board of Directors verifies the effects of holding cross-shareholdings and their economic rationale and considers whether to continue or reduce cross-shareholdings. With regard to the exercise of voting rights, the Company judges whether to vote in favor of each proposal after gathering sufficient information, including through dialogue with the investee company, and giving consideration to those proposals.
Please refer to Article 20 Policy on Cross-Shareholdings of the Guidelines for details.

[Principle 1.7 Related-Party Transactions]
The Company has formulated "Related-party Transaction Rules." Related-party transactions are deliberated for such aspects as appropriateness and fairness by the Business Compliance Committee, composed of outside committee members who have no conflicts of interest with items that are to be deliberated or resolved. In addition, each quarter the content of such transactions is reported to the Board of Directors, which ensures the appropriate operations. In particular, transactions with a specified degree of importance, such as transactions with directors, are deliberated by the Board of Directors and, as necessary, disclosed appropriately.

Please refer to Article 17 System for Managing Related-Party Transactions of the Guidelines for details.

[Principle 2-6 Roles of Corporate Pension Fund as Asset Owner]
The Company does not manage corporate pension funds.

[Principle 3.1 (i) Company Objectives (e.g., business principles), Business Strategies and Business Plans]
Please refer to the Mission Statement, Corporate Mission, Long-term Vision, and Article 16 Status of Information Disclosure of the Guidelines. Please refer to the Medium-term Management Plan on the Kenedix's website (http://www.kenedix.com/eng/company/mission.html).
[Principle 3.1 (ii) Basic Stance and Basic Policy on Corporate Governance]
Please refer to Article 2 Basic Views on Corporate Governance and Article 3 The Company's Approach to the Corporate Governance System of the Guidelines.

[Principle 3.1 (iii) Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors]
The Nomination and Remuneration Advisory Committee, which has been established as an optional committee chaired by an outside director, deliberates remuneration and final decisions are made by the Board of Directors.
Please refer to Article 8 Nomination and Remuneration Advisory Committees and Article 11 Remuneration of Directors and Corporate Auditors of the Guidelines for details.

[Principle 3.1 (iv) Policies and Procedures in Appointments/Dismissals of the Senior Management and Nominations of Candidates for Directors by the Board of Directors]
The Nomination and Remuneration Advisory Committee, which has been established as an optional committee chaired by an outside director, deliberates appointments and nominations, and final decisions are made by the Board of Directors.
Please refer to Article 8 Nomination and Remuneration Advisory Committees, Article 9 Qualification for Directors and Nomination/Dismissal Procedures, and Article 10 Qualification for Corporate Auditors and Nomination/Dismissal Procedures of the Guidelines for details.

[Principle 3.1 (v) Explanations over Each Individual Appointment/Dismissal and Nomination with Respect to Appointments/Dismissals of Senior Management and Nominations of Candidates for Directors by the Board of Directors]
The reasons for the appointment/dismissal of each senior management and nomination of each candidate for director are explained in notices of the General Meeting of Shareholders.

[Supplementary Principle 4.1.1 Summary of Scope of Matters Delegated from the Board of Directors to the Management]
The Board of Directors endeavors to fulfill its responsibilities to stakeholders through decision-making on the execution of important operations and the exercise of appropriate monitoring functions and strives to ensure the Company's sustainable growth and increases in corporate value over the medium to long term.
Please refer to Article 4 Roles and Responsibilities of the Board of Directors of the Guidelines for details.

[Principle 4.8 Effective Use of Independent Directors]
Please refer to Article 5 Board of Directors Composition of the Guidelines.
Four of the ten Kenedix directors are independent directors who meet the Kenedix independence criteria. More than one-third of the Kenedix directors are independent directors.

[Principle 4.9 Independence Criteria for Independent Directors]
The primary standards used for judging independence are the requirements for outside directors prescribed by the Companies Act and the independence criteria set by the Tokyo Stock Exchange.
Please refer to Article 9 Qualification for Directors and Nomination/Dismissal Procedures and Article 10 Qualification for Corporate Auditors and Nomination/Dismissal Procedures of the Guidelines for details.

[Supplementary Principle 4.11.1 Position Concerning Composition of the Board of Directors]
The Company's Board of Directors is composed in consideration of diversity and balance of personnel necessary to conduct appropriate and swift decision-making and highly effective monitoring.
Please refer to Article 5 Board of Directors Composition, Article 8 Nomination and Remuneration Advisory Committees, and Article 9 Qualification for Directors and Nomination/Dismissal Procedures of the Guidelines for details.

[Supplementary Principle 4.11.2 Concurrent Posts Assumed by Directors and Corporate Auditors]
Information about concurrent posts of Kenedix directors and corporate auditors is in notices of the General Meeting of Shareholders and securities reports.

[Supplementary Principle 4.11.3 Analysis and Evaluation of Effectiveness of the Board of Directors as a whole]
To ensure its sustainable growth and increased corporate value over the medium to long term, the company analyzed and evaluated the effectiveness of the Board of Directors. The evaluation produced the following results and identified the following issues.

1. Method for evaluating effectiveness of the Board of Directors
   All directors and corporate auditors were asked to answer questions about the effectiveness of the Board of Directors (its composition, quality and quantity of deliberations, performance of the Board of Directors' management oversight duties, operations of voluntary committees, and other subjects) for the meetings held between March 2017 and March 2018 and to complete a questionnaire in which individuals provide comments and explanations. Questionnaire responses were then used by the representative director, full-time directors, outside directors and corporate auditors for a discussion about the effectiveness of the Board of Directors. Information obtained was provided to the Board of Directors to evaluate its effectiveness.

2. Analysis and evaluation results
   We have confirmed that discussions at meetings of the Board of Directors use the knowledge and experience of the directors and corporate auditors. The evaluation also shows that the directors and corporate auditors are properly fulfilling their roles and responsibilities concerning deliberations and decisions for specific agenda items and for the oversight of execution of important operations.
   Moreover, to improve the effectiveness of deliberations by the Board of Directors, outside directors and corporate auditors have received explanations prior to meetings of the Board of Directors since January 2017. These explanations include agenda items of the Board of Directors meetings as well as discussions of medium-term management plans, the operations of subsidiaries and other subjects. We have confirmed that these explanations are continuing to function as a method and opportunity for presenting this information.
   Consequently, the conclusion of this evaluation is that the effectiveness of the Board of Directors has been ensured based on the judgement that the Board of Directors are properly and effectively performing its roles and functions.

3. Future issues concerning the Board of Directors

The Board of Directors needs to continue maintaining the corporate governance system that it has established. In addition, the Board of Directors needs to improve its operations and upgrade discussions and expand opportunities for discussions concerning important matters, including the long-term management issues and growth strategies of the entire Kenedix Group.

[Supplementary Principle 4.14.2 Training Policy for Directors]
The Company provides directors and corporate auditors in a timely manner with the necessary information, training and opportunities to acquire knowledge in order to fulfill their roles and responsibilities required at the Company.
Please refer to Article 13 Policies for Training Directors and Corporate Auditors of the Guidelines for details.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
To promote dialogue with shareholders, the Company has a director in charge of IR and the Corporate Planning Department is designated as the department in charge of IR. The Company augments methods for dialogue by such means as holding briefings for institutional investors in Japan and overseas and for individual investors.
Please refer to Article 23 Policy for Constructive Dialogue with Shareholders of the Guidelines for details.

2. Capital Structure

Foreign Shareholding Ratio	50% and over

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
DAIWA CM SINGAPORE LTD. (TRUST A/C)	50,200,500	20.93
MSIP Client Securities	13,016,500	5.42
Japan Trustee Services Bank, Ltd. (Trust Account)	11,639,100	4.85
Chase Manhattan Bank GTS Clients Account Escrow	10,770,516	4.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,535,100	3.14
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,050,800	2.10
Japan Trustee Services Bank, Ltd. (Trust Account 2)	3,827,500	1.59
Japan Trustee Services Bank, Ltd. (Trust Account 1)	3,695,700	1.54
JPMorgan Chase Bank 385151	3,001,692	1.25
ITOCHU Corporation	3,000,000	1.25

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

(1) A Large Shareholding Report (amended report) that became available for public inspection on December 4, 2017 stated that ARA Real Estate Investors XVIII Pte. Ltd. and ARA Real Estate Investors IV Limited jointly owned Kenedix stock as follows on November 30, 2017. These two companies are not included in this list of major shareholders because Kenedix was unable to confirm the number of shares effectively held by them as of the end of 2017. The contents of the Large Shareholding Report are as follows.

Name	Address	Number of Shares Owned	Percentage (%)
ARA Real Estate Investors XVIII Pte. Ltd.	6 Temasek Boulevard, #16-02 Suntec Tower 4, Singapore	49,900,500	19.88
ARA Real Estate Investors IV Limited	KCS Chambers, PO Box 4051, Road Town, Tortola, British Virgin Islands	300,000	0.12
Total		50,200,500	20.00

(2) A Large Shareholding Report (amended report) that became available for public inspection on December 15, 2017 stated that Barclays Securities Japan Limited and Barclays Capital Securities Limited jointly owned Kenedix stock as follows on December 11, 2017. These two companies are not included in this list of major shareholders because Kenedix was unable to confirm the number of shares effectively held by them as of the end of 2017. The contents of the Large Shareholding Report are as follows.

Name	Address	Number of Shares Owned	Percentage (%)
Barclays Securities Japan Limited	6-10-1 Roppongi, Minato-ku, Tokyo, Japan	3,516,700	1.40
Barclays Capital Securities Limited	5 North Colonmade, Canary Wharf, London, United Kingdom	13,499,173	5.38
Total		17,015,873	6.78

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

-

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with the Board of Corporate Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Kenedix doesn't set a ceiling on the number of directors
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Yes
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shuhei Shiozawa	Academic											
Ko Sekiguchi	From another company											
Hiroki Yaze	From another company					△			○			
Koji Kotaka	Attorney											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Shuhei Shiozawa	○	Professor of Economics, Keio University	Mr. Shiozawa was appointed to use his extensive knowledge and experience as a professor of economics to provide advice and suggestions concerning oversight of the directors' execution of business operations from the standpoint of management that emphasizes the interests of shareholders. Mr. Shiozawa is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because he has no special interest with Kenedix managers or major clients. Therefore, a notice that he is an independent director was submitted.
Ko Sekiguchi	○	Professor of Kenichi Ohmae Graduate School of Business Director of General Incorporated Association DIA Japan Director of Solasto Corporation	Mr. Sekiguchi was appointed to use his extensive management experience at a global company and his specialized knowledge as a graduate school professor to provide advice and suggestions concerning oversight of the directors' execution of business operations from the standpoint of management that emphasizes the interests of shareholders. Mr. Sekiguchi is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because he has no special interest with Kenedix managers or major clients. Therefore, a notice that he is an independent director was submitted.

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hiroki Yaze	○	Representative Director of GINSEN co.,ltd. e: Mr. Yaze was an executive officer at Sumitomo Mitsui Banking Corporation, a major bank used by Kenedix, until June 2008. Mr. Yaze is no longer in a position to be influenced by Sumitomo Mitsui Banking Corporation because he left this bank about 10 years ago. h: Mr. Yaze is a representative director of GINSEN co.,ltd., an insurance agency with which Kenedix does business on a regular basis. In 2017, transactions with GINSEN were equivalent to less than 0.01% of the revenue of Kenedix.	Mr. Yaze has extensive experience in the finance industry at the working level and as a manager. He was appointed to use this knowledge and experience to provide advice and suggestions concerning oversight of the directors' execution of business operations from the standpoint of management that emphasizes the interests of shareholders. Mr. Yaze is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because he has no special interest with Kenedix managers or major clients. Therefore, a notice that he is an independent director was submitted.
Koji Kotaka	○	Representative of Koji Kotaka Law Office Outside director of Monex Group, Inc. Outside director of LINE Corporation	Mr. Kotaka has expertise as an attorney and considerable experience in the field of investment banking. He was appointed to use this knowledge to provide advice and suggestions concerning oversight of the directors' execution of business operations from the standpoint of management that emphasizes the interests of shareholders. Mr. Kotaka is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because he has no special interest with Kenedix managers or major clients. Therefore, a notice that he is an independent director was submitted.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Advisory Committees	Nomination and Remuneration Advisory Committees
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

Nomination and Remuneration Advisory Committees
Please refer to Article 8 Nomination and Remuneration Advisory Committees of the Guidelines.

[Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	Kenedix doesn't set a ceiling on the number of corporate auditors
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Mutual cooperation among internal audits, audits by corporate auditors, and accounting audits, and relationship with internal controls departments

When an audit discovers a significant item, the basic policy is for the corporate auditors and accounting auditors to hold a discussion about the matter in a timely manner.
On a regular basis, information is exchanged about the status of audits by the accounting auditors each quarter for the purpose of examining the suitability of auditing methods, results and other items.
Corporate auditors and accounting auditors audit subsidiaries, too. The basic policy is for corporate auditors to provide their opinions to accounting auditors when there is a matter that requires this action.
When the Internal Audit Department creates a proposal for a fiscal year internal audit plan, the opinions of the corporate auditors is obtained in advance and the status of these audits is then reported frequently.
The Internal Audit Department maintains relationships with internal control departments while exchanging opinions with the Board of Corporate Auditors, which includes outside corporate auditors, about the internal control system framework, the method used to perform audits and other subjects.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shintaro Kanno	CPA													
Haruo Funabashi	Other										○			

* Categories for "Relationship with the Company"

* "○" when the corporate auditor presently falls or has recently fallen under the category;
"△" when the corporate auditor fell under the category in the past

* "●" when a close relative of the corporate auditor presently falls or has recently fallen under the category;
"▲"when a close relative of the corporate auditor fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
k. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the corporate auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the corporate auditor himself/herself only)
m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Shintaro Kanno	○	Representative of CPA Shintaro Kanno Office	Mr. Kanno was appointed to use his knowledge gained from performing corporate audits of financial and accounting matters as a CPA in order to perform thorough audits of the execution of business operations. Mr. Kanno is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because he has no special interest with Kenedix managers or major clients. Therefore, a notice that he is an independent corporate auditor was submitted.
Haruo Funabashi	○	Representative Director of Sirius Institute Inc. j: Kenedix pays a membership fee for participation in a Corporate Ethics Research Seminar held by Sirius Institute Inc. In 2017, transactions with Sirius Institute were equivalent to less than 0.01% of the revenue of Kenedix.	Mr. Funabashi was appointed because of his career at the Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism that involved providing guidance to finance and real estate companies and his research accomplishments at the Sirius Corporate Ethics Research Seminar. Mr. Funabashi uses this knowledge to ensure that audits are performed from the standpoint of proper corporate governance. Mr. Funabashi is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because he has no special interest with Kenedix managers or major clients. Therefore, a notice that he is an independent corporate auditor was submitted.

[Independent Directors/ Corporate Auditors]

Number of Independent Directors/Corporate Auditors	6

Matters relating to Independent Directors/Corporate Auditors

As stipulated in Articles 9 and 10 of the Kenedix Corporate Governance Guidelines, the selection of independent outside directors and corporate auditors is based on the requirements for outside directors and corporate auditors in the Companies Act and the independence criteria established by the Tokyo Stock Exchange.
http://www.kenedix.com/eng/company/governance.html

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options

Supplementary Explanation

At the 12th General Meeting of Shareholders held on March 27, 2007, shareholders approved a resolution to establish a performance-linked remuneration program.

At the 18th General Meeting of Shareholders held on March 27, 2013, shareholders approved a resolution to distribute stock options to directors (except outside directors) while not exceeding the limit on remuneration, etc. for directors.
At the 20th General Meeting of Shareholders held on March 25, 2015, in accordance with rules for directors' stock compensation, shareholders approved a resolution to establish a performance-linked stock remuneration program for directors (except outside directors) in which Kenedix shares are distributed by a trust based on the achievement of performance goals and other factors.

Recipients of Stock Options	Inside Directors / Employees

Supplementary Explanation

On April 23, 2013, the Board of Directors approved a resolution to distribute remuneration stock options to three directors and 45 employees.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

Remuneration of individual directors is disclosed only for directors who receive total remuneration on a consolidated basis of at least ¥100 million.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

[Policy for Determination of Remuneration Amounts for Directors and Corporate Auditors]

Kenedix considers ensuring the ongoing presence of excellent human resources who can contribute to its sustainable growth and increases in corporate value to be an important management priority. From this perspective, Kenedix's basic policies regarding the remuneration of directors, etc. are to 1) reflect their level of contribution to sustainable growth and increases in corporate value, 2) appropriately reflect corporate and individual performance and 3) share with shareholders any share price fluctuation risk.

The frameworks of remuneration for directors and corporate auditors are as follows.

(i) Director remuneration
Kenedix positions the remuneration of directors (excluding outside directors) as a sound incentive for achieving its medium- to long-term vision. Accordingly, from the perspectives of fixed and variable compensation, the applicable performance period and cash and shares (common interest with shareholders), there are three types of compensation: 1) cash remuneration as base remuneration (fixed portion), 2) cash remuneration linked with short-term operating performance (variable portion) and 3) share compensation linked with medium-term operating performance (performance-linked share compensation). Remuneration (variable portion) for outside directors consists only of a fixed amount of cash remuneration as base remuneration, from the perspective of their role and independence.

(ii) Corporate auditor remuneration
From the perspective of their role and independence, remuneration for corporate auditors consists only of a fixed amount of cash remuneration as base remuneration set within the scope of remuneration resolved at the General Meeting of Shareholders.

[Remuneration for directors]
The total amount of remuneration for the ten directors who were in office in 2017 was ¥494 million.
(These ten directors include two directors whose terms of office ended at the close of the 22nd General Meeting of Shareholders on March 29, 2017.)

[Executives with compensation of at least ¥100 million in 2017]

(Millions of yen)

			Total amount of remunerations, etc., by category		
	Total amount of remunerations, etc.	Company	Base remuneration	Performance-linked portion	Share compensation
Taisuke Miyajima (CEO & President)	237	Kenedix, Inc.	72	105	60

Note: Share compensation is the amount recognized as an expense in 2016. Individuals receive points based on achieving performance goals and other factors and a number of Kenedix shares based on those points is distributed to those individuals when they leave Kenedix.

[Supporting System for Outside Directors and/or Corporate Auditors]

Please refer to Article 12 Provision of Information to Independent Outside Directors and Independent Outside Corporate Auditors of the Guidelines.

Kenedix has submitted notices that all outside directors and outside corporate auditors are independent.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

Kenedix uses the "Company with a Board of Corporate Auditors" system as a corporation organization based on the Companies Act. The purpose is to combine the Board of Directors' decision-making and monitoring functions with respect to operational execution with the audit authority of the Board of Corporate Auditors. In addition to this organizational format, to augment the Board of Directors monitoring function and ensure governance with a high degree of transparency and fairness, Kenedix has established nomination and remuneration advisory committees as voluntary committees. The majority of these committees' members and their chairs are independent directors. Through these overlapping organizational formats, Kenedix has created a hybrid type of Board of Directors with the proper balance between decision-making and monitoring functions for operational execution and promotes sound corporate management that achieves both independence and autonomy.

The Board of Directors, which consists of ten directors including four independent directors, endeavors to fulfill its responsibilities to stakeholders through decision-making on the execution of important operations and the exercise of appropriate monitoring functions with the goals of ensuring Kenedix's sustainable growth and increasing corporate value.

The Board of Corporate Auditors, which consists of four corporate auditors including two independent outside corporate auditors, ensures corporate soundness and fulfills its responsibilities to stakeholders by conducting independent and highly objective audits of the execution of duties by directors and the status of the internal control systems of Kenedix and its subsidiaries. In addition, the Board supports Kenedix's sustainable growth and an increase in corporate value from the perspective of audits.

For roles and responsibilities of the Board of Directors, please refer to Article 4 of the Guidelines.
For roles and responsibilities of the Board of Corporate Auditors, please refer to Article 6 of the Guidelines.
For nomination and remuneration advisory committees, please refer to Article 8 of the Guidelines.

3. Reasons for Adoption of Current Corporate Governance System

Please refer to Article 3 The Company's Approach to the Corporate Governance System of the Guidelines.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	Notices of general meetings of shareholders are sent about three weeks prior to the meeting. The shareholders' meeting notice is posted on the websites of Kenedix and the Tokyo Stock Exchange about one week before notices are sent to shareholders.
Scheduling General Meetings of Shareholders Avoiding the Peak Day	Kenedix exercises care to avoid days with large numbers of general meetings of shareholders so that many shareholders can attend the meeting.
Allowing Electronic Exercise of Voting Rights	Shareholders are able to vote electronically. In addition, Kenedix participates in the Electronic Voting Platform.
Participation in Electronic Voting Platform	As explained above, Kenedix participates in the Electronic Voting Platform. In addition, Kenedix holds information meetings and uses other activities to explain shareholder proposals and other items in meeting notices. This includes many visits and phone calls to institutional investors in Japan and other countries.
Providing Convocation Notice in English	An English-language shareholders' meeting notice is posted on the websites of the Electronic Voting Platform, the Tokyo Stock Exchange and Kenedix.
Other	Kenedix holds a business strategy briefing after the General Meeting of Shareholders. The purpose is to give shareholders, chiefly individuals, an opportunity for a dialogue with senior management.

2. IR Activities

	Supplementary Explanations	Presentation by President
Preparation and Publication of Disclosure Policy	Basic Policy Kenedix is firmly committed to the timely disclosure of information. This commitment reflects the spirit and intent of stock listing regulations as well as the Kenedix Corporate Governance Guidelines: To realize effective corporate governance, Kenedix disseminates high-value-added information by disclosing its mission statement, corporate mission, long-term vision, management plans, and other financial and non-financial information in a fair and timely manner, providing it in a detailed yet easy-to-understand manner. Highlights of the Kenedix Timely Disclosure System The aim of timely disclosure is for publicly owned companies to supply important information to investors. Information is provided directly, broadly, and in a timely	

	manner to investors by using the media and other channels as well as TDnet. In addition, Kenedix has established separate voluntary disclosure standards. As a rule, even information that does not meet mandatory disclosure standards is disclosed if the information meets the voluntary standards. However, even information that meets the voluntary standards may not be disclosed due to considerations involving suppliers, clients and other aspects of business operations.	
Regular Investor Briefings for Individual Investors	Following the General Meeting of Shareholders, Kenedix holds a business strategy briefing.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Information meetings are held when first half and full-year results of operations are announced.	Yes
Regular Investor Briefings for Overseas Investors	Kenedix holds many one-to-one meetings with overseas investors and conducts overseas IR activities as needed.	Yes
Posting of IR Materials on Website	Kenedix posts major performance indicators, financial highlights, assets under management, financial reports, securities reports, presentations, business reports and other information on its website. This website also has an explanation of results of operations by the president with audio.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Planning Department is responsible primarily for IR and has staff members who perform IR activities.	
Other	Kenedix has numerous IR activities. For example, as needed, there are meetings that usually include the CEO & President at the offices of institutional investors in Japan and other countries.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Compliance Manual and Corporate Ethics Policy state that Kenedix is dedicated to contributing to social progress as a responsible corporate citizen as well as working for the benefit of investors with sincere actions concerning all customers and business partners.
Implementation of Environmental Activities, CSR Activities etc.	[Environmental Policies] The objective of the Kenedix Group is to contribute to society by investing funds in real estate in the best possible manner and by creating value from real estate. The operations of group companies comply with environmental laws and regulations for real estate and include measures to conserve energy and lower the environmental impact. In addition, there are training and other

	activities to make all group executives and employees more aware of environmental issues and initiatives. Kenedix also discloses information about environmental matters. In addition, Kenedix has established a Corporate Communications Department for the purpose of building a stronger infrastructure for achieving both sustained growth and social responsibility. This department is responsible for activities involving the environment, society and governance. More information (only in Japanese) about the Kenedix Group's environmental, charitable and community activities is available in the sustainability section of the Kenedix website. http://www.kenedix.com/eng/company/sustainability.html
Development of Policies on Information Provision to Stakeholders	Kenedix has established a disclosure policy and uses this policy for its disclosure activities.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

This section explains decisions at Kenedix concerning systems prescribed by the Ordinance of the Ministry of Justice that are needed for ensuring that directors exercise their duties in accordance with laws and regulations and the Articles of Incorporation and for ensuring that other activities are performed properly.

(1) System for ensuring that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

a) Compliance is a key element of management at Kenedix. There are a number of compliance rules and guidelines, such as a Compliance Manual and Corporate Ethics Policy, which serves as a code of conduct that requires all executives and employees to comply with laws and regulations, the Articles of Incorporation, and social standards for behavior.

b) Under the supervision of a director in charge of compliance and compliance officers, there are frequent compliance training programs at all departments conducted by the Compliance Department and the department managers to make everyone aware of the importance of compliance.

c) The Internal Audit Department works with compliance officers to perform internal compliance audits. The results are reported to the Board of Directors and the Board of Corporate Auditors.

d) Kenedix has a whistleblowing system that is operated by compliance officers to provide a direct channel for executives and employees to report activities that may violate laws and regulations and submit other reports.

(2) Systems for storing and managing information concerning the execution of duties by Directors

a) In accordance with document management rules, information about the execution of duties by directors is stored by using documents or electronic media and properly stored and managed.

b) These documents and electronic media shall be constantly available for inspection of all directors and corporate auditors.

(3) Rules and other systems for the management of the risk of losses for Kenedix

a) Kenedix has basic rules for risk management and designates the General Administration and Human Resources Department as the unit that is primarily responsible for risk management. The aims of risk management are to prevent problems, respond to emergencies and minimize losses in the event of a crisis. In addition, the manager of each department is responsible for risk management within the department. These managers perform proper risk management activities for their respective department's activities and implement measures for preventing problems and responding to a crisis.

b) The General Administration & Human Resources Department is responsible for risks associated with accidents, disasters and information security. Training and other activities are used to ensure the continuity of business operations.

c) The Internal Audit Department is responsible for auditing the risk monitoring activities of the General Administration and Human Resources Department.

(4) System for ensuring that directors perform their duties efficiently

a) The Board of Directors approves a management plan, reviews this plan every year and establishes performance targets and budgets for each business unit. In addition, the directors receive monthly performance reports and verify progress with respect to budgets in order to manage business operations efficiently.

b) In accordance with organizational rules, there is a framework for the proper and efficient operational execution of duties by the directors. In addition, Kenedix will use the corporate officer system for the purpose of strengthening the business execution function while speeding up decision-making involving management.

(5) System for ensuring that Kenedix Group business operations are performed properly

Kenedix has a compliance system and risk management system for the entire group. These systems reflect the business activities and scale of Kenedix and its subsidiaries and include the proper management of subsidiaries based on their characteristics as well as the importance of each subsidiary in relation to the entire Kenedix Group.

a) To prevent violations of laws and regulations, the Articles of Incorporation, and other guidelines, the Kenedix Group has a system of internal controls for compliance with the Financial Instruments and Exchange Act and other related laws and regulations.

b) The Kenedix director in charge of compliance is also the group compliance officer in order to clarify responsibility regarding the establishment of internal controls at Kenedix and its subsidiaries.

c) The Kenedix Internal Audit Department performs audits of Kenedix and its subsidiaries and submits audit reports to the appropriate managers of these companies and the department responsible for internal controls. This department then provides guidance and advice concerning internal control improvements as needed based on these reports.

d) As a rule, Kenedix sends one or more directors or corporate auditors, or both, to subsidiaries. Furthermore, related company management rules designate a department responsible for risk management and compliance and, to maintain close ties with the goals of Kenedix, require that the operations of subsidiaries reflect the goals of Kenedix. Additionally, Kenedix monitors the management of subsidiaries, including the execution of duties by directors, and the status of compliance and asks for documents and other information as required.

e) One or more subsidiaries may require special attention concerning its financial condition, including the risk of a loss, or other matters. In this case, the Corporate Planning Department is responsible for asking subsidiaries to perform risk management as well as for the comprehensive and centralized oversight of the Kenedix Group's overall risk exposure.

f) Kenedix respects the autonomy and independence of the management of subsidiaries. At the same time, to facilitate the proper and efficient management of the Kenedix Group, a department responsible for risk management and compliance oversees the operations of subsidiaries depending on the each company's business activities, scale and other aspects of operations. This oversight includes lines of command, the delegation of authority, decision-making processes and other organizational items. For example, Kenedix may recommend that a subsidiary establish or not establish a board of directors, may recommend individuals for election as directors and corporate auditors and may introduce management targets as needed.

g) Kenedix requires subsidiaries to establish a system to allocate an appropriate number of corporate auditors and compliance officers as well as a system that the Kenedix Internal Audit Department audits the execution of duties by the subsidiaries' directors, including the establishment and operation of a system of internal controls, depending on each company's business activities, scale and other aspects of operations.

h) Kenedix makes suitable and effective use of IT systems for the purposes of exchanging information with subsidiaries and performing business activities.

(6) System for the assignment of employees to assist corporate auditors when requested, matters concerning independence of these employees from directors, and matters for ensuring the effectiveness of instructions to these employees from corporate auditors

a) The corporate auditors can submit orders to members of the Internal Audit Department for necessary matters to perform auditing activities.

b) Employees who receive orders from a corporate auditor for necessary matters to perform auditing activities ("corporate auditor assistants") cannot receive instructions or orders from directors regarding the corporate auditor's orders.

c) For evaluation and transfers of corporate auditor assistants, the director in charge of human resources must submit a report to the full-time corporate auditors and receive that auditors' consent.

d) Kenedix makes all executives and employees aware that corporate auditor assistants follow the orders and instructions of corporate auditors.

(7) System for reports by directors and employees to corporate auditors, system for reports to the Kenedix corporate auditors by individuals who have received reports from subsidiary executives, employees and others, system to ensure no negative consequences for individuals who have submitted a report to a corporate auditor, and system for ensuring effective audits

a) Directors and employees must promptly report to the corporate auditors the status of business operations each month as well as items which may have a significant effect on Kenedix or its subsidiaries performance, the results of internal audits, reports received through the whistleblowing system and other information.

b) Directors and employees must quickly and accurately respond to requests from the corporate auditors for reports concerning the operations of Kenedix and its subsidiaries.

c) The full-time corporate auditor and the Board of Corporate Auditors hold regular meetings with the president of Kenedix to exchange information for confirming the status of how business operations are performed and other items.

d) Executives and employees of subsidiaries must submit prompt and accurate reports when requested by a Kenedix corporate auditor for information about how business operations are performed. In addition, if there is a violation of a law or regulation or other event that may result in significant losses or other damage to Kenedix or its subsidiaries, this event must be reported immediately to the Kenedix department that oversees subsidiaries or to the Kenedix Internal Audit Department and Kenedix corporate auditors. The Kenedix whistleblowing system is also for the use of the executives and employees of subsidiaries. Results of investigations of information received through this whistleblowing system are reported to the Kenedix Board of Directors and Board of Corporate Auditors.

e) Kenedix prohibits any negative consequences for Kenedix Group executives and employees who have submitted a report to corporate auditors because the report was submitted. All group executives and employees are made aware of this rule.

(8) Policy concerning prepayment or reimbursement procedure for expenses resulting from execution of duties by the corporate auditors and the treatment of other expenses or debt resulting from execution of duties by the corporate auditors

When Kenedix receives a request from a corporate auditor for the prepayment of expenses or other form of expense payment involving the execution of that auditor's duties, the responsible department examine the request and promptly make the payment or process the debt. However, the request is rejected if the examination determines that the expense or debt was not required for that corporate auditor's duties. In addition, there are no budgetary limits on payments for expenses and other items resulting from the performance of duties by the corporate auditors.

(9) Fundamental approach to eliminating anti-social forces and status of measures

a) The Kenedix Group refuses to have any relationship at all with anti-social forces that are detrimental to social order and sound business activities. There is an organizational response to the anti-social forces in a unified manner by all executives and employees.

b) The Compliance Department is responsible for activities to block anti-social forces. Kenedix has a manual and performs training concerning this matter. Kenedix also provides information to subsidiaries, assists subsidiaries establish policies for dealing with anti-social forces and supports subsidiaries in other ways. The aim is to prevent any relationship with anti-social forces.

c) When an improper demand is received from an anti-social organization, the Kenedix individual responsible for preventing these requests takes the lead in working with the police, attorneys and other external parties for the purpose of firmly rejecting this demand.

2. Basic Views on Eliminating Anti-Social Forces

Please refer to 1. Basic Views on Internal Control System and the Progress of System Development, (9) Fundamental approach to eliminating anti-social forces and status of measures.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

Not applicable.

2. Other Matters Concerning Corporate Governance System

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