# Corporate Governance Report

**Kenedix, Inc.**

Last Update: April 2, 2020

Kenedix, Inc.
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Securities Code: 4321
http://www.kenedix.com

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 Audit and Supervisory Board Members 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 Audit and Supervisory Board Members 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 4.9 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 Audit and Supervisory Board Members 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 Audit and Supervisory Board Members]
Information about concurrent posts of Kenedix directors and Audit and Supervisory Board members 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 higher 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 Audit and Supervisory Board members 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 2018 and March 2019 and to complete a questionnaire in which individuals provide comments and explanations. Questionnaire responses were then used by the directors, and Audit and Supervisory Board members 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 Audit and Supervisory Board members. The evaluation also shows that the directors and Audit and Supervisory Board members are properly fulfilling their roles and responsibilities concerning deliberations and decisions for specific agenda items and for the oversight of execution of important operations.
   In addition, we have confirmed that the provision of supplementary materials prior to Board of Directors meetings in addition to the documents submitted at these meetings has resulted in more thorough discussions of agenda items and improved the board's effectiveness.
   We have reexamined the standard for agenda items submitted at the Board of Directors. For agenda items that have been reclassified from items requiring decisions to items that are only reported, we have confirmed that the reporting method must be improved in order to provide more tightly focused reports.
   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 Kenedix Corporate Governance Guidelines were established in January 2016. Since then, the Corporate Governance Code has been revised and more than half of the members of the Board of Directors have changed. We will reexamine the roles and functions of the Board of Directors and take actions aimed at making the corporate governance system even stronger in order to maintain a sound base for sustainable growth and higher corporate value over the medium to long term.

[Supplementary Principle 4.14.2 Training Policy for Directors]

The Company provides directors and Audit and Supervisory Board members 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 Audit and Supervisory Board Members 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 | 30% and over |

**[Status of Major Shareholders]** Updated

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|---|---|---|
| DBS Bank Ltd. 700152 | 42,671,800 | 19.34 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 12,420,700 | 5.63 |
| MSIP Client Securities | 11,196,510 | 5.07 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 8,657,400 | 3.92 |
| Daiwa CM Singapore Ltd. (Trust Account) | 8,569,500 | 3.88 |
| Northern Trust Co. (AVFC) Re Fidelity Funds | 5,020,300 | 2.27 |
| kabu.com Securities Co., Ltd. | 4,742,959 | 2.15 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 3,684,700 | 1.67 |
| SSBTC Client Omnibus Account | 3,662,340 | 1.66 |
| JP Morgan Chase Bank 385151 | 3,522,696 | 1.59 |

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

Supplementary Explanation Updated

(1) A Large Shareholding Report (amended report) that became available for public inspection on November 15, 2019 stated that ARA Real Estate Investors XVIII Pte. Ltd. owned Kenedix stock as follows on November 15, 2019. This company is not included in this list of major shareholders because Kenedix was unable to confirm the number of shares effectively held by it as of December 31, 2019.
The contents of the Large Shareholding Report are as follows.

| | |
|---|---|
| Name: | ARA Real Estate Investors XVIII Pte. Ltd. |
| Address: | 5 Temasek Boulevard, #12-01 Suntec Tower 5, Singapore |
| Number of Shares Owned: | 47,983,700 shares |
| Percentage: | 21.30% |

## 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 Audit and Supervisory Board |

**[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 | 9 |
| 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 | | | | | | | | | | | |
| Hiroki Yaze | From another company | | | | | △ | | | △ | | | |
| Koji Kotaka | Attorney | | | | | | | | | | | |
| Shinzo Hara | From another company | | | | | | | | | | | |

* 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/Audit and Supervisory Board member
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/Audit and Supervisory Board members 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) Updated

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---|---|---|---|
| Shuhei Shiozawa | ○ | - | Mr. Shiozawa was appointed to use his extensive knowledge and experience as an economist to provide advice and suggestions concerning management that emphasizes the interests of shareholders from the standpoint of overseeing the directors' execution of business operations.<br><br>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. |
| Hiroki Yaze | ○ | 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 more than 10 years ago.<br><br>h: Mr. Yaze was an executive officer of GINSEN co.,ltd., an insurance agency with which Kenedix does business on a regular basis. In 2019, 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 insight as a manager. Based on this knowledge and experience, he has provided advice and suggestions concerning management that emphasizes the interests of shareholders from the standpoint of overseeing the directors' execution of business operations.<br><br>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. |

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---|---|---|---|
| Koji Kotaka | ○ | - | Mr. Kotaka has expertise as an attorney and extensive experience in the field of investment banking. Based on this knowledge and experience, he has provided advice and suggestions concerning management that emphasizes the interests of shareholders from the standpoint of overseeing the directors' execution of business operations.<br><br>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. |
| Shinzo Hara | ○ | - | Mr. Hara was appointed to use experience at administrative organizations and management experience at a hotel management company to provide advice and suggestions concerning management that emphasizes the interests of shareholders from the standpoint of overseeing the directors' execution of business operations.<br><br>Mr. Hara 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 | 5 | 5 |
| Full-time Members | 0 | 0 |
| Inside Directors | 1 | 1 |
| 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.

**[Audit and Supervisory Board Members]**

| | |
|---|---|
| Establishment of Audit and Supervisory Board | Established |
| Maximum Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation | Kenedix doesn't set a ceiling on the number of Audit and Supervisory Board members |
| Number of Audit and Supervisory Board Members | 5 |

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

<Mutual cooperation among internal audits, audits by Audit and Supervisory Board Members, and accounting audits, and relationship with internal controls departments>

When an audit discovers a significant item, the basic policy is for the Audit and Supervisory Board members 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.
Audit and Supervisory Board members and accounting auditors audit subsidiaries, too. The basic policy is for Audit and Supervisory Board members 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 Audit and Supervisory Board members 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 Audit and Supervisory Board, which includes outside Audit and Supervisory Board members, about the internal control system framework, the method used to perform audits and other subjects.

| | |
|---|---|
| Appointment of Outside Audit and Supervisory Board Members | Appointed |
| Number of Outside Audit and Supervisory Board Members | 3 |
| Number of Independent Audit and Supervisory Board Members | 3 |

Outside Audit and Supervisory Board Members' Relationship with the Company (1) Updated

| Name | Attribute | Relationship with the Company* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Haruo Funabashi | Other | | | | | | | | | | ○ | | | |
| Kazuo Matsumoto | From another company | | | | | | | △ | | | △ | | | |
| Takako Okada | Certified Public Accountant | | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* "○" when the Audit and Supervisory Board member presently falls or has recently fallen under the category;
"△" when the Audit and Supervisory Board member fell under the category in the past

* "●" when a close relative of the Audit and Supervisory Board member presently falls or has recently fallen under the category;
"▲"when a close relative of the Audit and Supervisory Board member 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. Audit and Supervisory Board member 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 an Audit and Supervisory Board member
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 Audit and Supervisory Board member himself/herself only)
k. Executive of a company, between which and the Company outside directors/Audit and Supervisory Board members are mutually appointed (the Audit and Supervisory Board member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit and Supervisory Board member himself/herself only)
m. Others

Outside Audit and Supervisory Board Members' Relationship with the Company (2) Updated

| Name | Designation as Independent Audit and Supervisory Board Member | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---|---|---|---|
| Haruo Funabashi | ○ | j: Kenedix pays a membership fee for participation in a Corporate Ethics Research Seminar held by Sirius Institute Inc. In 2019, 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.<br><br>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 Audit and Supervisory Board member was submitted. |

| Name | Designation as Independent Audit and Supervisory Board Member | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---|---|---|---|
| Kazuo Matsumoto | ○ | g: Mr. Matsumoto was an executive officer at Sumitomo Mitsui Banking Corporation, a major bank used by Kenedix, until November 2006. Mr. Matsumoto is no longer in a position to be influenced by Sumitomo Mitsui Banking Corporation because he left this bank more than 10 years ago.<br><br>J: Mr. Matsumoto was an executive officer at Sumitomo Mitsui Finance and Leasing Co., Ltd, one of the lenders used by Kenedix, until June 2016. The borrowing balance as of the end of 2019 is less than 1.0% of the consolidated total assets and therefore his position will not exert an influence on Mr. Matsumoto's independence as an outside Audit and Supervisory Board member. | Mr. Matsumoto was appointed to use his extensive experience in the financial industry at the working level and his management experience to appropriately fulfill the duties of an outside Audit and Supervisory Board member in regard to the execution of business operations.<br><br>Mr. Matsumoto 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 Audit and Supervisory Board member was submitted. |
| Takako Okada | ○ | - | Ms. Okada was appointed to use her knowledge gained from performing corporate audits of financial and accounting matters as a CPA and an accountant in order to perform thorough audits of the execution of business operations.<br><br>Ms. Okada is qualified to oversee the suitability and other aspects of the execution of business operations by Kenedix managers because she has no special interest with Kenedix managers or major clients. Therefore, a notice that she is an independent Audit and Supervisory Board member was submitted. |

**[Independent Directors/ Audit and Supervisory Board Members]**

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|---|---|
| Number of Independent Directors/Audit and Supervisory Board Members | 7 |

| Matters relating to Independent Directors/Audit and Supervisory Board Members |
|---|
| As stipulated in Articles 9 and 10 of the Kenedix Corporate Governance Guidelines, the selection of independent outside directors and Audit and Supervisory Board members is based on the requirements for outside directors and Audit and Supervisory Board members in the Companies Act and the independence criteria established by the Tokyo Stock Exchange.<br>http://www.kenedix.com/eng/company/governance.html |

**[Incentives]**

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|---|---|
| Incentive Policies for Directors Updated | Performance-linked Remuneration |

| Supplementary Explanation Updated |
|---|
| At the 12th General Meeting of Shareholders held on March 27, 2007, shareholders approved a resolution to establish a performance-linked remuneration program.<br><br>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 | |

| Supplementary Explanation |
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| - |

**[Director Remuneration]**

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|---|---|
| Disclosure of Individual Directors' Remuneration | Selected Directors |

| Supplementary Explanation Updated |
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| Remuneration of individual directors is disclosed only for directors who receive total remuneration on a consolidated basis of at least ¥100 million.<br><br>Taisuke Miyajima, President & CEO<br>Total amount of remunerations, etc.: ¥252 million (including base remuneration of ¥72 million, performance-linked remuneration of ¥105 million and share compensation of ¥75 million).<br>Note: Share compensation is the amount recognized as an expense in 2019. 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. |

| | |
|---|---|
| Policy on Determining Remuneration Amounts and Calculation Methods Updated | Established |

Disclosure of Policy on Determining Remuneration and Calculation Methods

<Remuneration>
The total remuneration for the 11 directors who were in office in 2019 was ¥507 million.
(These 11 directors include two directors whose terms of office ended at the close of the 24th General Meeting of Shareholders on March 26, 2019.)

<Policy for Determination of Remuneration for Directors and Audit and Supervisory Board Members>
Kenedix considers ensuring the ongoing presence of excellent human resources who can contribute to sustainable growth and increasing 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 increasing 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 Audit and Supervisory Board members are as follows.

<Director Remuneration (Excluding Outside Directors)>
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). Kenedix will determine suitable levels of the fixed portion, variable portion and performance-linked share compensation as percentages of total remuneration.

<Outside Director Remuneration>
Remuneration for outside directors consists only of a fixed amount of cash remuneration as base remuneration, from the perspective of their role and independence.

**[Supporting System for Outside Directors and/or Audit and Supervisory Board Members]**

Please refer to Article 12 Provision of Information to Independent Outside Directors and Independent Outside Audit and Supervisory Board Members of the Guidelines.

Kenedix has submitted notices that all outside directors and outside Audit and Supervisory Board members 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 an Audit and Supervisory Board" 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 Audit and Supervisory Board. 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 nine 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 Audit and Supervisory Board, which consists of five Audit and Supervisory Board members including three independent outside Audit and Supervisory Board members, 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 Audit and Supervisory Board, 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.<br>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]<br>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.<br>[Highlights of the Kenedix Timely Disclosure System]<br>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. | |

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| | 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 Updated

| | Supplementary Explanations |
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| 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.<br>Kenedix has established material issues, which are matters of the greatest importance, and positions these issues as one of the key themes for fulfilling responsibilities to stakeholders. |
| Implementation of Environmental Activities, CSR Activities etc. | The Corporate Communications Office was established in April 2018 as a department responsible solely for strengthening and implementing activities involving the environment, society and governance (ESG).<br><br>In August 2018, Kenedix established material issues and Sustainability Policies. Kenedix has a commitment to finding solutions to these issues both |

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| | in business and society through activities that reflect the opportunities and risks associated with each material issue. Furthermore, Kenedix intends to contribute to achieving the sustainable development goals (SDGs) by carrying out measures for our material issues. Guided by the Sustainability Policies, the Kenedix Group will work together to take concrete actions involving the material issues.<br><br>The Kenedix website was upgraded in February 2019 to include content on sustainability of the Kenedix Group. The website has extensive information about sustainability initiatives for achieving both sustained growth and social responsibility. Please visit the website to learn more about these activities.<br>http://www.kenedix.com/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 Audit and Supervisory Board.

d) Kenedix has a whistleblowing system 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 Audit and Supervisory Board members.

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

a) Kenedix has the Risk Management Rules and designates the General Administration and Human Resources Department as the unit that is responsible for risk management. Risk factors are defined as potential problems that could be detrimental to corporate value with respect to business processes or be an impediment to the ability to achieve sustained growth. Department managers are responsible for risk management in their respective business units and are given the authority needed to establish and operate risk management systems, submit reports, and perform other duties.

b) Kenedix 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 and takes other actions in order to respond to a crisis and overcome the associated problems.

c) The Internal Audit Department performs audits to confirm that risk management activities of the General Administration and Human Resources Department comply with the Risk Management Rules.

(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. The internal controls departments of subsidiaries then provide guidance and advice concerning internal control improvements as needed based on these reports.

d) As a rule, Kenedix sends one or more directors or Audit and Supervisory Board members, 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 Audit and Supervisory Board members and may introduce management targets as needed.

g) Kenedix requires subsidiaries to establish a system to allocate an appropriate number of Audit and Supervisory Board members 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 Audit and Supervisory Board members when requested, matters concerning independence of these employees from directors, and matters for ensuring the effectiveness of instructions to these employees from Audit and Supervisory Board members

a) The Audit and Supervisory Board members can submit orders to employees of the Internal Audit Department for necessary matters to perform auditing activities.

b) Employees who receive orders from an Audit and Supervisory Board member for necessary matters to perform auditing activities ("Audit and Supervisory Board member assistants") cannot receive instructions or orders from directors regarding the Audit and Supervisory Board member's orders.

c) For evaluation and transfers of Audit and Supervisory Board member assistants, the director in charge of human resources must submit a report to the full-time Audit and Supervisory Board members and receive that auditors' consent.
d) Kenedix makes all executives and employees aware that Audit and Supervisory Board member assistants follow the orders and instructions of Audit and Supervisory Board members.

(7) System for reports by directors and employees to Audit and Supervisory Board members, system for reports to the Kenedix Audit and Supervisory Board members 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 an Audit and Supervisory Board member, and system for ensuring effective audits
a) Directors and employees must promptly report to the Audit and Supervisory Board members 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 Audit and Supervisory Board members for reports concerning the operations of Kenedix and its subsidiaries.
c) The full-time Audit and Supervisory Board member and the Audit and Supervisory Board 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 Audit and Supervisory Board member 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 Audit and Supervisory Board members. 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 Audit and Supervisory Board.
e) Kenedix prohibits any negative consequences for Kenedix Group executives and employees who have submitted a report to Audit and Supervisory Board members 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 Audit and Supervisory Board members and the treatment of other expenses or debt resulting from execution of duties by the Audit and Supervisory Board members
When Kenedix receives a request from an Audit and Supervisory Board member 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 Audit and Supervisory Board member's duties. In addition, there are no budgetary limits on payments for expenses and other items resulting from the performance of duties by the Audit and Supervisory Board members.

(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

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| Adoption of Anti-Takeover Measures | Not Adopted |

| Supplementary Explanation |
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| Not applicable. |

### 2. Other Matters Concerning Corporate Governance System

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