ESG Disclosure

KENEDIX
Office Investment Corporation

March 2020

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Ⅱ. Message from Executive Director



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

KDO has been proactively promoting green building by obtaining various external evaluations such as GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment, in which KDO early participated as a J-REIT and achieved “Green Star” for 8 consecutive years.

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

Cordially,

Jiro Takeda
Executive Director
Kenedix Office Investment Corporation

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

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

Under Sustainability Policies, KDO and KFM are aiming to contribute to sustainable environment through the business activities. We environmentally make positive contribution to sustainability by reducing the negative impact to the environment through continuously reducing energy and water consumption, CO2 emission and waste; and by eliminating and managing of hazardous materials to carry out the social mission of improving the environmental performance of properties we manage.

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

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

（ⅰ）Sustainability Policies

1. Contribution to sustainable environment

We make positive contribution to sustainability by reducing the negative impact to the environment through continuously reducing energy and water consumption, CO2 emission and waste; and by eliminating and managing of hazardous materials to carry out the social mission of improving the environmental performance of properties we manage.

2. Commitment to diverse society

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

3. Stakeholder engagement

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

4. Attractive working environment

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

5. Responsible organization

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

（ii）Environmental Policies

1. Compliance with Environmental Laws and Regulations

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

2. Promotion of Energy Conservation Measures

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

3. Reduction of Environmental Burden

KFM will undertake initiatives to reduce CO2 and waste emissions as well as promote recycling at its managed properties, underscoring its commitment to alleviating its environmental burden. In addition, KFM will take sufficient care when handling harmful substances and environmental pollutants.

4. Disclosure of Environmental Information

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

5. Environmental Education

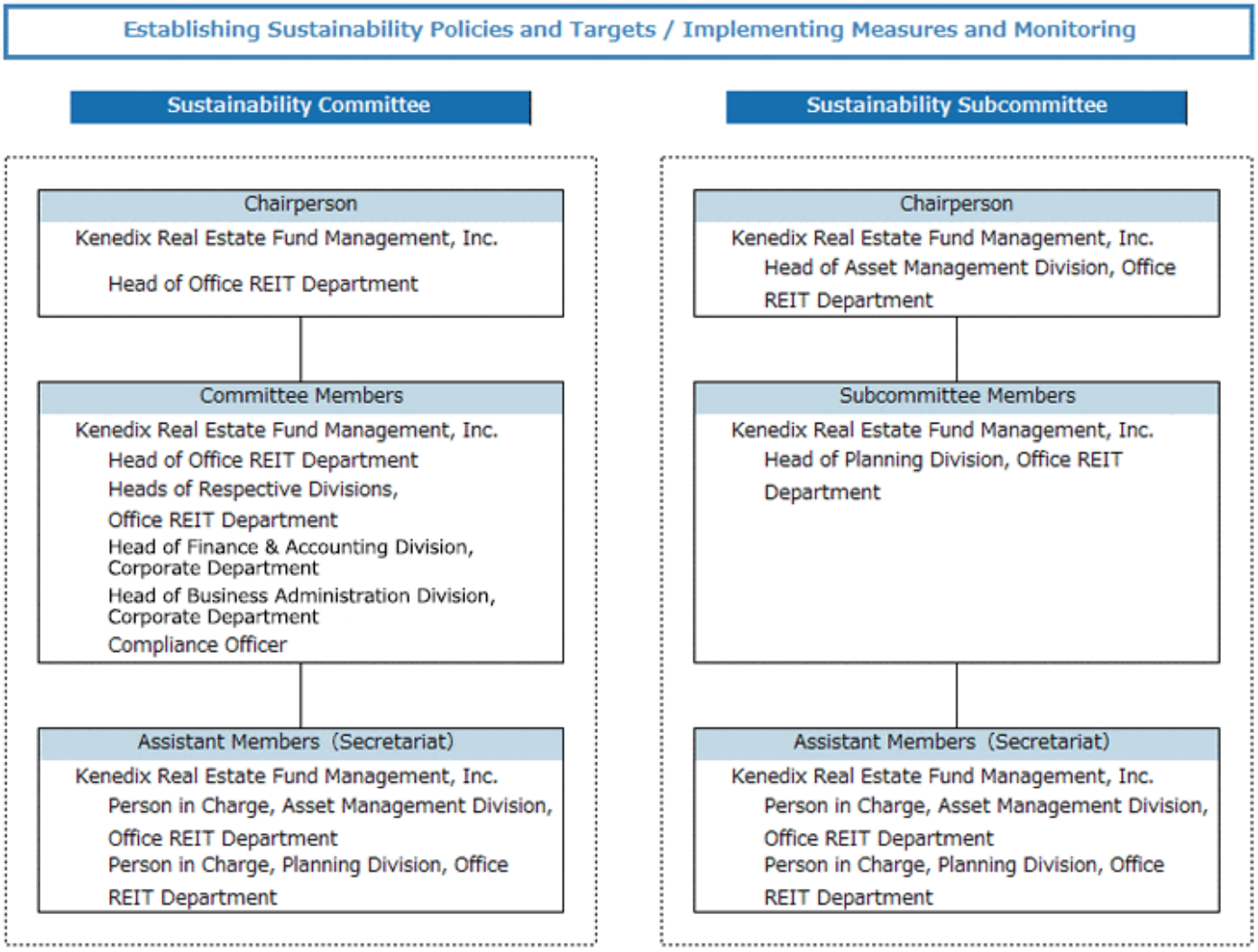
KFM will take steps to improve the environmental consciousness of its officers and employees through internal education.

（iii）Promotion System of Sustainability, etc.

Sustainability Committee

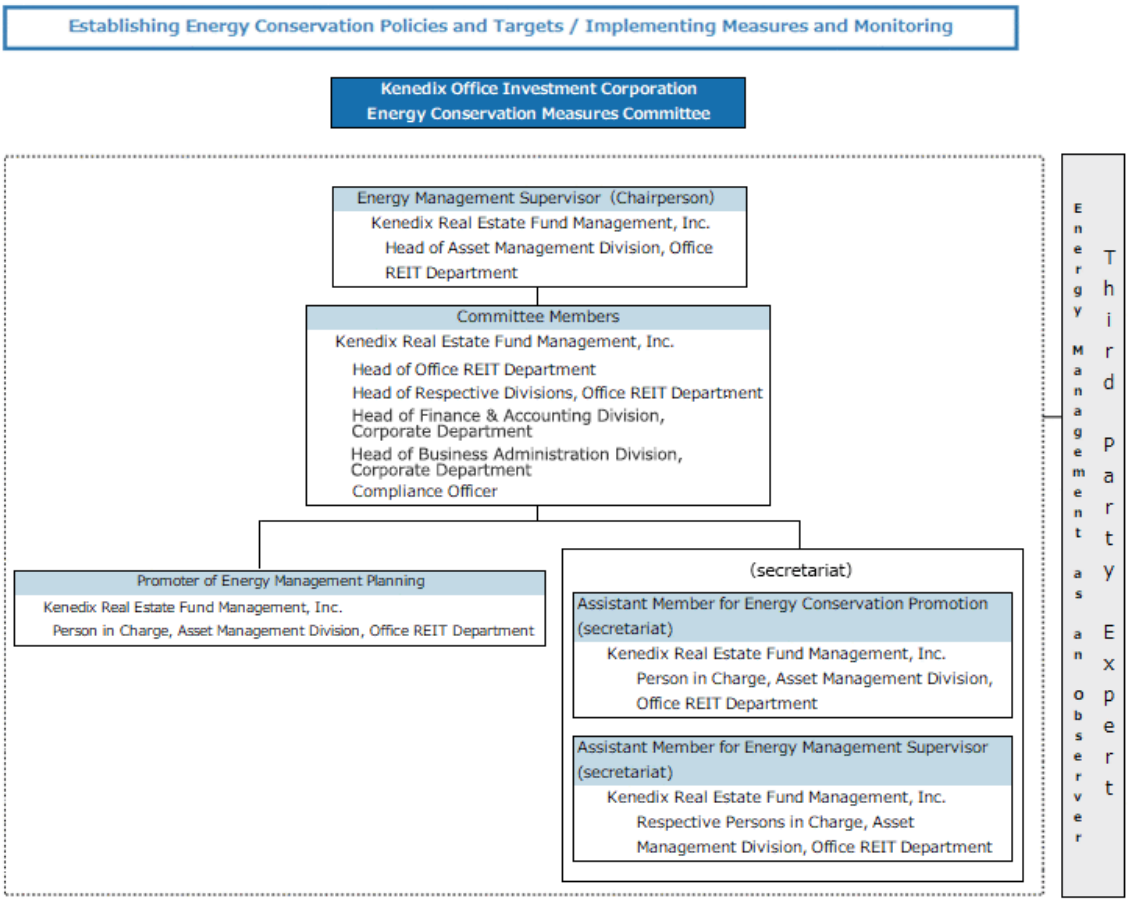
The initiatives for sustainability are promoted under the leadership of the Sustainability Committee established in KFM. The committee meets regularly, and minor issues are taken care by the subcommittee. Topics including policies, targets, and approaches on sustainability issues and monitoring of the progress are discussed and reported to the Asset Management Committee with an independent external member at KFM, and the proposals are executed upon approval of the management and the results are also reported to KDO's Board of Directors with independent supervisory directors. All of the Sustainability Committee Members attend the Asset Management Committee and KDO's Board of Directors in principle.

The Committee is comprised by the Head of Office REIT Department as the chairperson of the Committee, and as members, the Heads of Asset Investment Division that handles asset acquisition, Asset Management Division that handles asset management, Planning Division that handles fund-raise through direct finance and disclosure, and Finance & Accounting Department, the Head of Business Administration Department and the Compliance Officer. The subcommittee is consisted of the Head of Asset Management Division as the chairperson and the Head of Planning Division as the subcommittee member.



Energy Conservation Measures Committee

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



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

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

Signatory of:
PRI Principles for Responsible Investment

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

Kenedix Real Estate Fund Management, Inc., the asset management company for the Investment Corporation (“the Asset Management Company”) became a signatory to the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century (“the PFA21”)). The PFA21 has been established by drafting committee with participation of various financial institutions in October 2011 as the action guidelines of financial institutions who seek to fulfill their responsibilities and roles required for the formation of a sustainable society. Signing financial institutions will implement initiatives based on the seven principles below as much as possible based on their own businesses. It has been positioned as a starting point to collaborate without being restricted by business categories, scale or region. The Asset Management Company is ambitious to become a real estate asset management company that commits to responsible investment management through the practice of the PFA21.

PFA21 Principles for Financial Action for the 21st Century

Ⅳ.【Environment】Environmental Initiatives

Engaging the social mission that is to improve the environmental performance of the properties we manage, we will lower the environmental impact by constantly reducing the negative environmental impact of these properties such as energy consumption, CO2 emissions, water consumption and the generation of waste materials and having activities for the proper management of hazardous substances and reduction in their use, and make contribution to environmental sustainability with the following environmental initiatives in a proactive manner for increasing mid-long term profit.

（ⅰ）Acquisition of Environmental Certification

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

GRESB Real Estate Assessment

GRESB (Global Real Estate Sustainability Benchmark) is an annual benchmark assessment established primarily by major European pension fund groups in 2009 that measures sustainability performances in the real estate sector.
GRESB attracts a lot of attention because leading institutional investors have joined the high-visibility survey and used GRESB to select and dialogue with investment targets. Therefore, there are many real estate companies, REITs and private funds worldwide that annually participate in the GRESB Real Estate Assessment.
Among many environmental certifications for individual real estate, GRESB is the only assessment that evaluates companies or funds, and GRESB Ratings assigned for participants, which is relative performance ranking (5 Stars are the highest).
KDO received a "Green Star" rating, which is awarded to the participants who showed the excellent efforts on both "management and policy" and "implementation and measurement" in terms of sustainability in the GRESB Real Estate Assessment for the eighth consecutive year.
And acquired the highest “A” Level for Public Disclosure on ESG.

Number of and Total Floor Area Ratio of Green Certified Properties

	The number of properties	Floor area（m^2）	Ratio（%） (Note 2)
Green Certified Building (Note 1)	**33**	**363,852.75**	**50.57**
DBJ Green Building Certification	25	314,807.04	43.76
Certification for CASBEE for Real Estate	12	93,962.29	13.06
BELS Certification	2	22,858.51	3.18

As of February 29, 2020

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

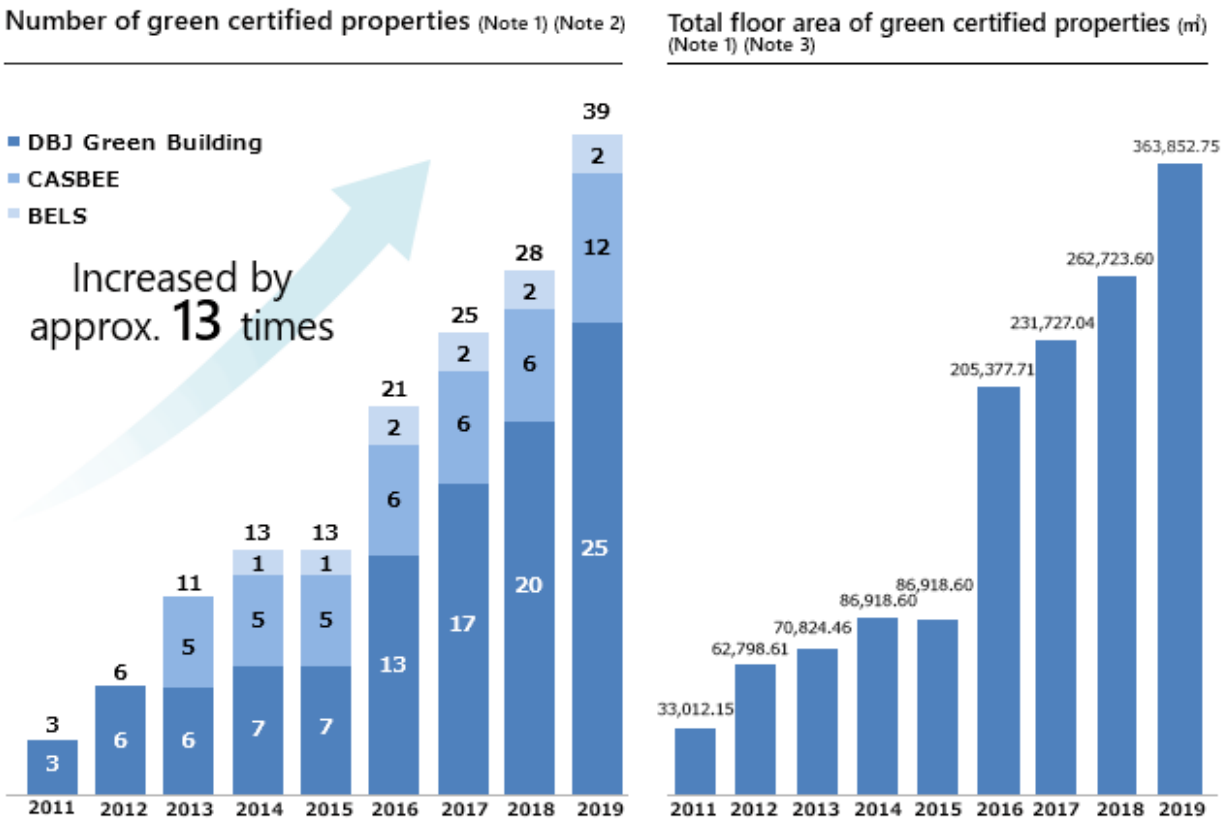
Note 2: The ratios are percentages of each floor area to the gross floor area of properties owned by KDO (719,444.07 m^2, calculated on a pro-rata basis of ownership ratio for compartmentalized ownership, etc.).

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

As a result of actively acquiring certifications, the number of certified properties and the total floor area have steadily increased to 33 properties and 363,852.75 m^2 from 2011 to 2019.

Overall ratio of the number of green certified buildings is about 34% in the portfolio and the green certified space is about 51%. (Note)

Note: As of February 29, 2020. Shinjuku 6chome Building (Land) is excluded from the calculation.



Note 1: The numbers in above graphs are calculated for KDO portfolio as of February 29, 2020.

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

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

DBJ Green Building Certification

DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. (DBJ) for the purpose of supporting the properties which give proper care to environment and society (Green Building).
The program evaluates, certifies and supports properties which are required by society and economy. It makes comprehensive assessment of properties, while evaluating various factors which range from properties' environmental features to their communication with stakeholders, such as disaster prevention and proper care for surrounding communities. Furthermore, there are 5 levels, "five stars", "four stars", "three stars", "two stars", "one star" as the certification ranks.

Certification for CASBEE for Real Estate

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

BELS Certification

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

（ii）Characteristics and Strength of KDO

KDO aims to maximize unitholder profits, obtain stable earnings and achieve sustainable growth in investment assets by mainly investing in and operating mid-sized office buildings in the Tokyo Metropolitan Area (Tokyo and its three neighboring prefectures: Kanagawa, Saitama and Chiba). For this reason, 88 properties or 92% of KDO portfolio is mid-sized office buildings (approx. 83% by acquisition price) and average age is approx. 23 years as of October 31, 2019.

In general, large-sized office buildings are regarded as efficient and easy to achieve certifications, however KDO and KFM have achieved new acquisition and improvement with the level of environmental certifications at mid-sized buildings through refurbishment and environmental measures to improve energy efficiency with over 14 years of experience and knowledge in real estate asset management.

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

KDX Iidabashi Square

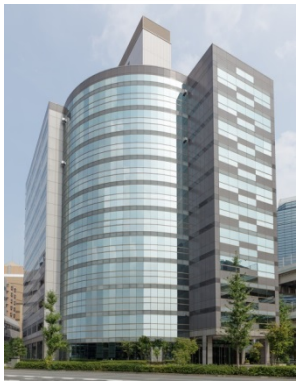


Fully renovated following the move-out of the tenant that had occupied the whole building (completed in April 2016)

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

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

KDX Yokohama Building



- Conducted a large-scale renovation as countermeasures against aging deterioration of the building and obsolescence of the design to raise competitiveness (completed in Oct. 2016)
- Upgrading of common area
- Full renovation of rental conference rooms, community space, etc.
- HVAC renewal to enhance energy-efficiency
- Installation of LED lightings in common area, etc.

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

KDX Shinjuku Building



- Restroom renovation was implemented for measures against aged deterioration and water-saving and all Toilets were renewed to high efficiency model to reduce water use from 16ℓ upon final completion per flush to 4.8ℓ after the renovation, resulted in water efficiency performance considerably improved than former equipment

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

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

KDX Iidabashi Square



DBJ Green Building Certification

2 stars ▶ 3 stars

2016 ∞ 2018 ∞∞

KDX Yokohama Building

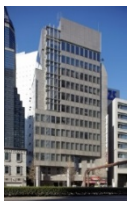


DBJ Green Building Certification

1 star ▶ 2 stars

2016 ○ 2018 ∞

KDX Shinjuku Building



Certification for CASBEE for Real Estate

A RANK ▶ S RANK

KDX Karasuma Building



Certification for CASBEE for Real Estate

A RANK ▶ S RANK

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

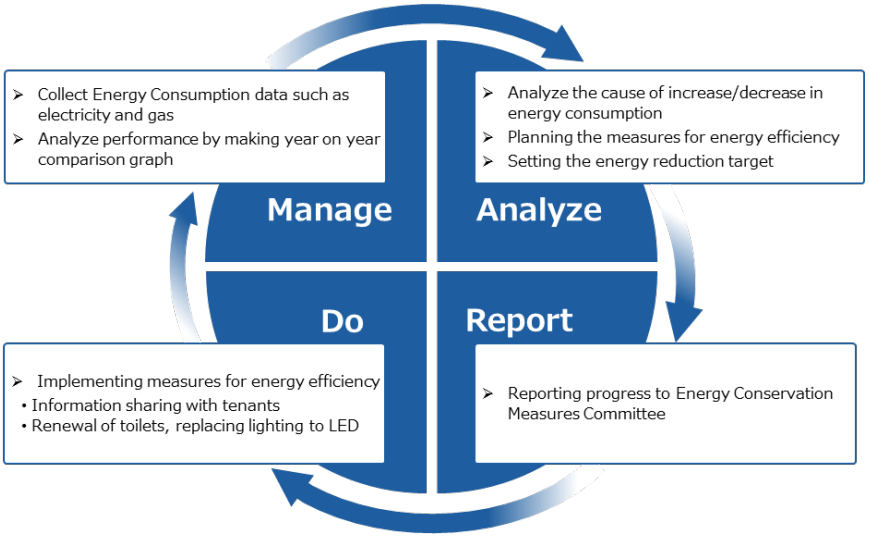
Note: The scope for above are buildings, where KDO has the authority to introduce and implement policies on operations on energy.

（iii）Reduction of Energy Consumption, CO2 Emissions and Water Consumption (Initiatives for Climate Change, etc.)

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

Considering the recent increase of extreme weather condition, which we expect to have significant impact on operations of real estate asset management company and its properties, KDO and KFM have identified "reduction of energy consumption, CO2 emissions and water consumption" as the material topic and committed to make contributions to sustainability of environment through continually reducing energy, CO2 emissions and water consumption.

Process to Promote Energy Efficiency／PDCA Cycle



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

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

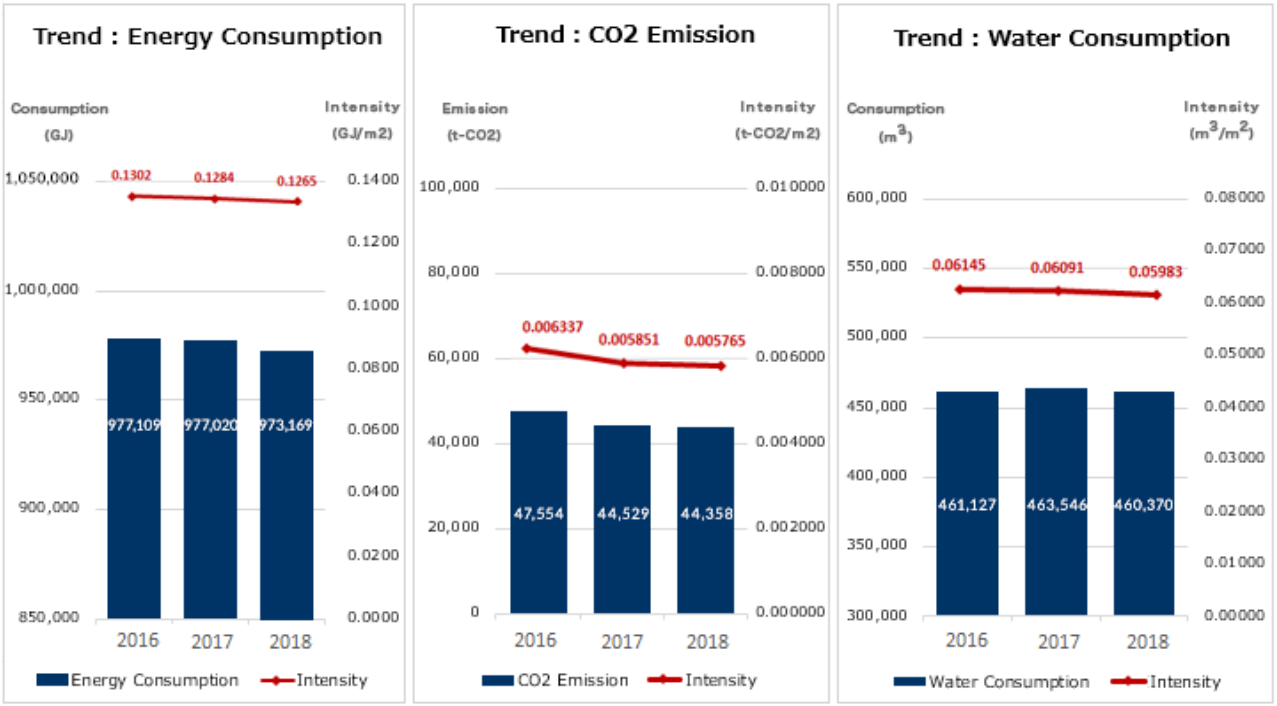
- Reduce the energy intensity by an annual average rate of 1% or more in five years in accordance with the Act on Rationalizing Energy Use (the Energy Saving Act)
- Set individual targets for properties subject to local regulations on measures to cope with global warming

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

Year on Year Comparison of Performance Data

The total floor area of the portfolio has increased from 664,887.68 m^2 as of April 30, 2015 to 689,484.85 m^2 as of April 30, 2019. The intensities for energy, CO2 and water are all decreased for 2018, compared to those for 2015.

Items	2016	2017	2018
Energy Consumption (GJ)	977,109	977,020	973,169
Intensity (GJ/㎡)	0.1302	0.1284	0.1265
CO2 Emission (t-CO2)	47,554	44,529	44,358
Intensity (t-CO2/m²)	0.006337	0.005851	0.005765
Water Consumption (m³)	461,127	463,546	460,370
Intensity (m³/m²)	0.06145	0.06091	0.05983



Reporting period: From April to March for each fiscal year
Scope: Buidings that KDO has the authority to introduce and implement policies on operations on energy
Intensity: Calculated by dividing the total consumption/emission amount by the total occupied floor area for each fiscal year

Measures to Improve Energy and Water Efficiency

Installation of LED lightings

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

The ratio of converting lighting in common area (Note)
approx.95%

Note: The ratio is calculated for 93 buildings that completed the LED replacement (including those partially implemented and excluding Shinjuku 6chome Building (Land)) for common area as of March 2020.







Proactive introduction of water-saving equipment

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

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

The reduction ratio of water consumption (Note)
approx.63%

Status of Achievement Against Reduction Targets of Energy Consumption Intensity

We will reduce the energy intensity (Note) by an annual average rate of 1% or more in most recent five years in accordance with the Act on Rationalizing Energy Use (the Energy Saving Act) and set individual targets for properties subject to local regulations on measures to cope with global warming.
Average change in intensity over 5 years from FY2014 to FY2018 is 98.8% or 1.2% reduced from the target and we achieved the reduction target.

The reduction ratio of energy intensity to the reduction target of 1% on 5-year average intensity (Note)
approx.1.2%

Note: Energy intensity is calculated by dividing total energy use equivalent to crude oil (kl/year) by total occupied floor area (m^2/year).

Ⅴ.【Environment】Stakeholder Engagement to Improve Property Performance

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

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

Activities to Raise Tenant Awareness

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

※Eco-friendly paper including limestone materials are used for the posters in the winter, 2019.



Green Lease

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

The number of properties having introduced Green Lease contract	The ratio of Green Lease contract (Note)
8 properties	40.7%

Note: The ratio of Green Lease contract is calculated by dividing total area of Green Lease contract by total leased area of properties having introduced Green Lease contract as of February 29, 2020.

What is Green Lease?

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

Introducing Lease Agreement with Clause for Environmental Cooperation

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

Cooperation with Property Managers

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

Education to Employees on Green Building

KFM provides annual sustainability training by external specialist to improve awareness and knowledge on green building for its employees. Also, it is encouraged its employees to acquire qualifications related to green building and there are 3 persons who own CASBEE evaluation qualifications as of July 31, 2019.

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

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

Emergency Kit Box in Elevator

KDO has been placing boxes of emergency kit in the elevators in case of disaster and machine trouble (92.9% of its buildings have the boxes as of Feb. 29, 2020).



Distribution of Emergency Action Manual Handbook

We published a pocket-sized, portable emergency action manual handbook and distributed to tenants for emergencies including major earthquakes.
The handbook contains various helpful information in an emergency across 17 pages, such as response to major earthquakes, emergency relief activities and how to use AED, etc.



Free Access to Wi-Fi

Focusing on business continuity, "Hikari Station" Wi-Fi routers are installed at KDO’s own properties for the purpose of improving the internet environments to make them more disaster-resistant.
Free access to the internet via a wireless network is provided in case of an emergency to support tenants for business continuity. At ordinary times, tenants and visitors can access the wireless internet via Wi-Fi for a certain time for free.



Installation of AEDs

AEDs are installed approx. 98% of KDO’s own properties (as of Feb. 29, 2020). They are available not only for the tenants but for neighboring communities as well, which is displayed on the AED stickers and registered in the administrative map. For jointly owned properties with third parties, they will be gradually introduced.



Cooperation with Property Management Companies

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

Debt Financing Based on the DBJ Disaster Preparedness Rating

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

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

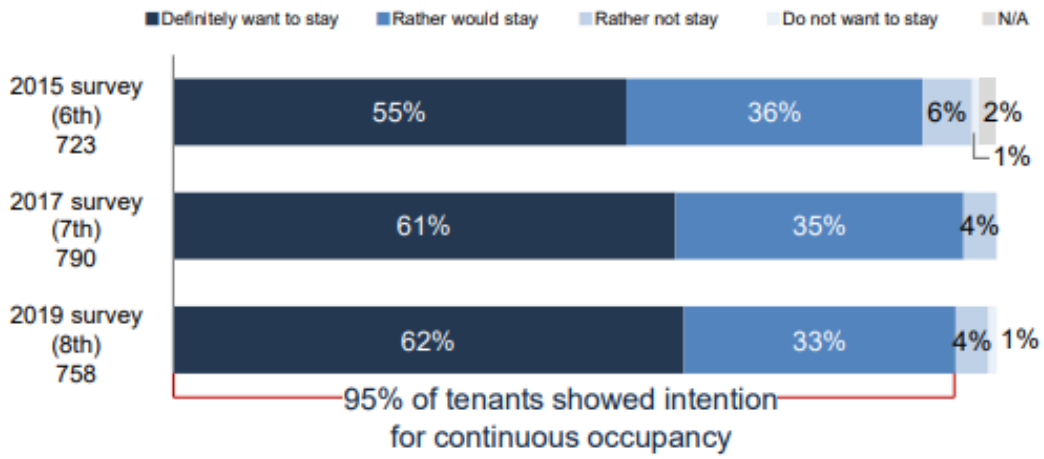
Ⅶ.【Social】Improving Tenant Satisfaction

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

Tenant Satisfaction Survey

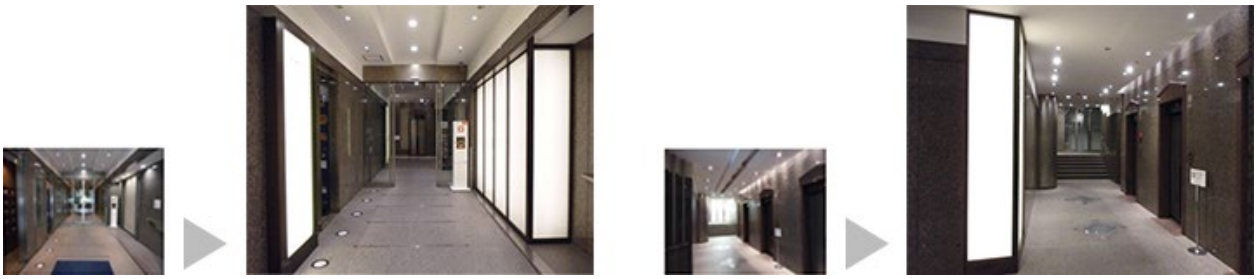
Satisfaction survey for tenants in office buildings, i.e. the persons in charge of general affairs and employees, about building facilities and operational services, which is undertaken by a third party is conducted in every two years. Consecutive survey enables us to capture the tenant needs and quickly respond by renewal of facilities or implement refurbishment and receive strong intention to stay in the same building from tenants.

Intention for continuous occupancy



Renovation Work According to Tenant's Needs

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



Ⅷ.【Social】Contribution to Local Communities

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

Cooperating with Communities in Bicycle Sharing

KDO has agreed to provide municipalities and its vendors with a part of land within site area of our office building and operated it as a port for bicycle sharing based on agreements. It is expected to make many positive impacts such as enhancement of attractiveness of city with improved convenience of movement, vitalization of community/tourism, measure to reduce left bicycles, reduction of CO2 emissions with shift from automobile to bicycle, improvement of environmental awareness, promotion of health. We continuously monitor monthly operation status and use frequency.



Support for the Activities of Japan for UNHCR

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



Showing video
to help refugees
on digital signage



Awarding the letter
of appreciation

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

Donation to Mindanao Children's Library

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



Donation Through Matching Gift Program

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



Recycling Calendars

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



Social Contribution Initiatives by Kenedix, Inc.

High school student work experience

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



Sponsorship of Hibiya Music Festival

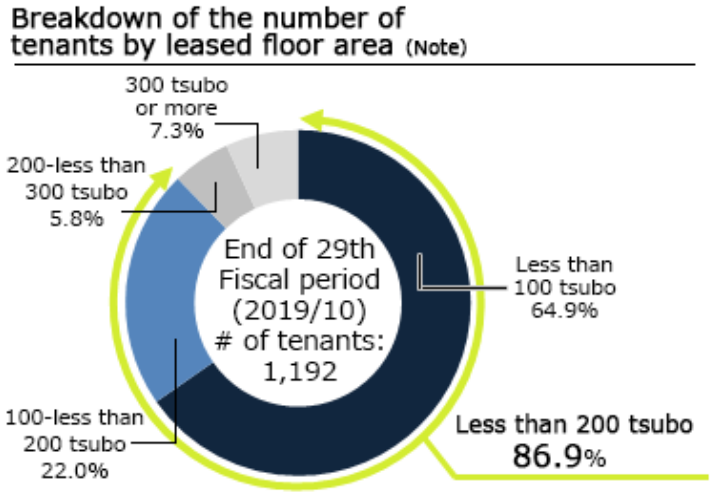
The Hibiya Music Festival is a “borderless music festival that anyone can join for free,” held at Hibiya Park where is a central park in Tokyo. Kenedix, Inc. co-sponsors the Hibiya Music Festival, which is held in the Hibiya Park next to our office.

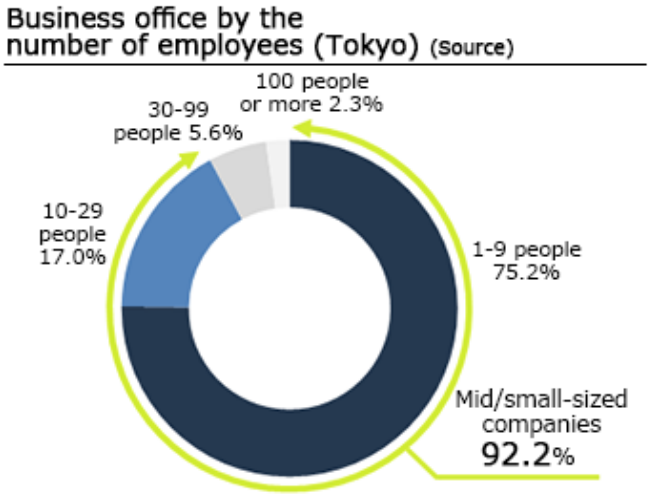
Donation and Support to Sports Organizations / Donation to orphanage

As a part of our social contribution activities, Kenedix, Inc. is making contribution for Japan Rowing Association for their special training, Japan Blind Football Association through the Used Books Power Project and children’s homes.

Ⅸ.【Social】Affordable Real Estate Leasing

KDO is mainly investing in and operating mid-sized office buildings in the Tokyo Metropolitan Area (Tokyo and its three neighboring prefectures: Kanagawa, Saitama and Chiba). 88 buildings, about 92% of KDO portfolio is mid-sized offices (approx. 83% by acquisition price) and among them, the tenants who leased less than 200 tsubo (about 660 m^2 as 1tsubo=3.3 m^2) that KDO has been recognizing them as small and medium-sized enterprises, account for 86.9%. KDO and KFM are aiming to contribute through providing better working environment for those small to mid-sized companies that are the base of Japanese economy. (The ratios are as of October 31, 2019)





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

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

Ⅹ.【Social】Human Capital Development

KDO is not allowed to hire employees under the provisions of the Act on Investment Trusts and Investment Corporations, and KFM's employees substantially manage its assets.
KFM is operated by employees who are sent from the sponsor company, Kenedix, Inc. KDO and KFM have identified “Attracting and retaining talents, and developing their careers “as material topic and been providing various development programs and benefits to all of its employees to attract talents and organize a system where they can shine for a long term under the policy that human resources are crucial for sophisticated investment management.

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

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

Diverse Human Capital and Stable Employment

In the real estate asset management industry, where mid-careers with a variety of expertise are mainly hired, Kenedix group, including KFM, has been hiring new graduates since 2005. By securing various human resources, Kenedix, Inc. promotes sustainability management as a real estate asset management company.
Kenedix group have never conducted lay-offs or other employment adjustment since their establishment in 1995, even in recession period after bankruptcy of Lehman Brothers when many real estate developers or managers went on crisis.

Training Programs to Encourage Employee’s Career Development

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

English training

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

Self-development program

The company offers to pay for seminars and trainings applied by employees to acquire specialist knowledge or ability necessary to accomplish their jobs.

Training program provided by Professor

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



Oversea training program

The company has oversea training program that constantly send employees, often in their early career to real estate management company in California, to enhance their English and learn the operation such as acquisition, property management and other know-how on real estate asset management in USA.

Study abroad program

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

Encouraging to Obtain Professional Certifications

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

Number of employees with certifications

(As of Dec. 31, 2019)

Real estate notaries	159	Tax accountants	5
ARES (real estate securitization) certified masters	74	Chartered members of the Securities Analysts Association of Japan	13
Certified real estate consulting masters	24	Administrative scriveners	2
Certified building administrators	29	Judicial scriveners	1
Licensed senior architects	13	Administrative managers	11
Real estate appraisers	7	Condominium property managers	8
Certified public accountants (Japan)	6	Loan operations managers	14
Certified public accountants (USCPA)	3	Attorneys	2

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

Internal Job Announcement

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

Evaluation System to Encourage Employee's Career Development

Employees make their goal setting and performance evaluation in the middle of the year and at the fiscal year end. Managers hold interviews with each employee to discuss his/her performance and career opportunities. At the fiscal year end, all employees receive their competency evaluating so the both the company and employees understand what is expected and current status. This objective and transparent process support employees and managers setting next goal and so on.

Introducing J-ESOP (Japanese Employee Stock Ownership Plan)

Kenedix Group has introduced the Stock Benefit Trust (J-ESOP), an incentive plan that allows Kenedix, Inc.'s shares to be granted, with the aim of increasing the awareness of employees who are responsible for more than a certain level of management participation, sharing value with shareholders through increased corporate value, and contributing to the recruitment of excellent human resources as medium-to long-term remuneration.

（ii）Health and Wellbeing of Employees

KFM and Kenedix, Inc. have identified "Health and wellbeing of employees "as material topic and been promoting initiatives to maintain work/life balance, provide working environment that is pleasant and advantageous in soft and hard to maximize employee's ability. In addition, the company has prepared the supporting programs to cover various needs of employees.

External Evaluation

KDO has participated in GRESB Health & Well-being Module, which evaluates the health and comfort efforts for employees and tenants and was awarded "Leader" for the second consecutive year by achieving excellent result in both aspects.

Work Style Reform

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

Promoting to take paid holiday

Ratio of the used portion of employees' annual paid holiday in Kenedix group for 2019 was about 71% (8% year-on-year increase). On top of annual paid leave, there are an established system which promote employees to take consecutive holidays during summer, from Jul. to Sep. Managers in each department take the initiative in encouraging their subordinates to take long-term holiday and promoting an increase in the ratio.

Initiatives to reduce overtime work

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

Staggered working hours rule

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

Health and Wellbeing

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

Health committee

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

Annual physical health checkup

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

Mental Health care

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

Positive Working Environment for Workers

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

＜Harmonization with the nature of Hibiya Park＞

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



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

＜Hibiya Centrium unified with landscape in Hibiya Park＞

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



Hibiya Centrium

Communication Room

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



Off-site Meeting

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

Support for Group Activities Outside of Work

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

Kenedix Group Trip

Currently about 300 employees has been working for Kenedix group. The employees traveled to Okinawa in 2018 and to Guam in 2019 so they who usually have little opportunity of meeting with colleagues in other departments have joined together to make new acquaintances or further friendship.

（iii）Diversity and Equal Opportunities

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

Respect for Human Right

We have stipulated respect for human rights and prohibition on discrimination and harassment on its “Compliance Manual” and provided compliance trainings to raise awareness.

Encouraging Female and Elderly Employees

The female participation in Kenedix group has been increasing year by year as ratio of female employees in 2017 reached 30% and the first female board member was assigned in March 2018. To activate the company and be prepared for limited working capital in Japan, we provides support for female worker to enable them to maximize their performance by preparing rules and systems their having children. Also we have adopted the system to rehire employees who officially retired until them reaching 65, expecting them to transfer the knowledge and know-hows to younger generation in the company.

MSCI Japan Empowering Women Index (WIN)

Kenedix, Inc., the parent company of KFM, was selected for membership in the "MSCI Japan Empowering Women Index (WIN)".
WIN is an index developed by MSCI Inc. (United States, "MSCI"), the industry leader in ESG research, who offers various tools to support the investment decisions of major investors around the world.
MSCI selects industry leading companies in terms of attracting, retaining and promoting women, as well as advancing gender diversity. The selection is based on data regarding female employment disclosed according to the Act on Promotion of Women's Participation and Advancement in the Workplace as well as information publicly disclosed by companies such as company policy on gender diversity.
Kenedix Group further promotes initiatives for diversity so that all of its employees can realize their full potential in the workplaces.



Support for Employees Through Their Life Event

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

Childbirth and childcare

We have a number of programs for women during a pregnancy, such as time off for medical check-ups, working hours that avoid times when trains are most crowded, and days off for good health. At childbirth and afterward, we provide time off for women and their husbands.
Employees can receive time off for the care of a baby or when a preschool age child is sick or requires other care. We also offer flexible working time so employees can care for family members. For example, employees can limit overtime and late-night assignments, reduce working hours, or use staggered hours. There is also a subsidy for expenses for child-related transportation needs before and after work and a discounted babysitter service. As a result, return rate of female employees from maternity leave has been 100% since 2015 for three consecutive years.

Nursing elderly

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

Ⅺ.【Governance】Governance

（ｉ）Board of Directors

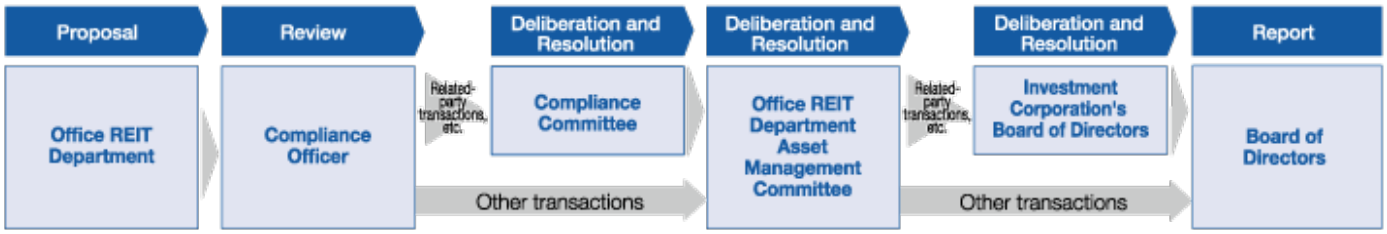
Position	Name	Brief Personal History (Corporate names, etc. stated at that time.)		
Executive Director	Jiro Takeda	2014	May	Head of Fund Management Team 1, Fund Management Department, Kenedix, Inc.
		2017	March	Head of Planning Division, Office REIT Department, Kenedix Real Estate Fund Management, Inc.
		2018	April	Director and COO, Head of Office REIT Department, Kenedix Real Estate Fund Management, Inc. (current position)
		2018	April	Executive Director of Kenedix Office Investment Corporation (current position)
Supervisory Director	Shiro Toba	1989	October	Joined Chuo Shinko Audit Corporation
		1993	March	Registered as a Japanese certified public accountant
		1997	January	Established Toba Public Accounting Office (current position)
		2002	May	Registered as a Japanese certified tax accountant
		2004	April	Assigned as a Director of Majestec Corporation (current position)
		2005	January	Assigned as a Representative Director of Minori Accounting Co., Ltd. (current position)
		2005	May	Assigned as a Supervisory Director of Kenedix Realty Investment Corporation (currently Kenedix Office Investment Corporation) (current position)
		2019	June	Assigned as an External Director of Chilled & Frozen Logistics Holdings Co.,Ltd. (current position)
Supervisory Director	Yoshihiro Morishima	1985	March	Registered as a real estate appraiser
		2006	April	Adviser of Tokyo Association of Real Estate Appraisers (current position)
		2011	April	Officer of Morishima Consulting Office of Real Estate
		2012	March	Assigned as a Supervisory Director of Kenedix Realty Investment Corporation (currently Kenedix Office Investment Corporation) (current position)
		2014	February	Assigned as President of Y.K. Island Forest (current position)
		2014	June	Assigned as an External Auditor of Dreamvisor Holdings, Inc. (current position)
		2016	September	Adviser of Housing Improvement & Development Corporation Foundation (current position)
		2016	October	Officer of Morishima Consulting Office of Real Estate (current position)
		2019	April	Adviser of Yonden Business Co.,Inc. (current position)
Supervisory Director	Takahiro Seki	1997	April	Registered as a member of Tokyo Bar Association
		2002	February	Assigned as Associate, Miyakezaka Sogo Law Offices
		2002	June	Assigned as Partner (current position)
		2014	February	Assigned as a Supervisory Director of Kenedix Office Investment Corporation (current position)

As of January 30, 2020

（ii）Decision-making Flow for Investment Management

As an asset management company entrusted with asset management by KDO, KFM creates management guidelines of the Office REIT Department ("the Management Guidelines"), and sets forth basic investment management guidelines, including investment policy, related party transaction rules, distribution policy and disclosure policy, regarding the asset management of KDO.
Furthermore, as set forth in the Management Guidelines, KFM creates asset management plans, etc. (including medium-term business plans and annual business plans other than asset management plans). It also selects investment properties and makes decisions to acquire them, according to investment policy set forth in the Management Guidelines and related party transaction rules.
The decision-making flow for establishing and revising the Management Guidelines and asset management plans, etc. are shown below. Also, the decision-making flow pertaining to acquisition and sale of assets are shown below.
Through pursuing highly transparent decision-making flow of the investment management pursuant to these policies and rules, KFM is striving to assist in the appropriate functioning of KDO's check-and-balance system over KFM.

Decision-making flow of KFM



（iii）Rules Concerning Conflicts of Interests Among REITs

Since KFM manages multiple REITs, it has established a pipeline committee and adopted internal guidelines in order to prevent the improper allocation of acquisition opportunities as well as prohibition of concurrent serve as several general managers of REIT management departments, and thus, managing conflicts of interests among the REITs.

（iv）Measures to Pursue Mutual Interests with Investors

KFM has been pursuing to align its interests with the interests of unitholders.
For this context, KDO has adopted the fee system that is to link part of the asset management fee to the amount of distribution per unit.

Asset management fee structure of KFM

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

Note 1: When there is a loss carried forward, obtained by dividing the amount calculated by subtracting loss carried forward from income before income taxes before Asset Management Fees II and III by the number of outstanding investment units as of the end of relevant fiscal period.
Note 2: Obtained by subtracting simple average of DPU for the most recent 4 fiscal periods from DPU. If the amount subtracted does not exceed zero, Asset Management Fee III shall be zero.

（v）Efforts to Ensure Compliance

Promotion System for Compliance

KFM considers that one of the most important challenges in management is to ensure that compliance duties are fulfilled. With this in mind, KFM is improving a system whereby compliance is promoted under the leadership of the board of directors, the compliance officer and the compliance committee. The board of directors determines basic policies and other fundamental matters in conjunction with the company-wide promotion of compliance, and has the authority to request, if necessary, that the compliance officer and compliance committee report on progress in the promotion of compliance.
The board of directors also discusses and decides on the appointment of outside members of the compliance committee, outside members of asset management committees of the respective departments, and a compliance officer.

Role of Compliance Officer

The compliance officer works on the establishment of compliance system in KFM and the creation of a corporate culture that abides by laws and regulations, as well as rules.
The compliance officer also ensures that the necessary relevant documents are prepared in conjunction with the presentation of such an agenda as the establishment/change of operation guidelines and asset management plans for the respective departments and the acquisition of individual assets, and conducts preliminary appraisals regarding whether there are any serious problems in terms of compliance, such as the violation of laws and regulations.
The compliance officer also administers matters regarding compliance in KFM as a chairperson of the compliance committee. Specifically, the compliance officer is tasked with duties such as the drafting and improvement of compliance manuals and compliance programs, as well as the periodical provisioning of instructions/training to executives and employees and the verification of compliance with laws and regulations, based on compliance programs. The formulation and revision of compliance manuals and compliance programs, which are drafted by a compliance officer, are put into practice subject to the decision of the board of directors after being discussed and

resolved at the compliance committee's meetings. Compliance programs are formulated every business year, in principle, and the progress is reported promptly to the board of directors by the compliance officer.

Important Matters Concerning Compliance

Important matters concerning compliance are discussed/decided at the compliance committee’s meetings and reported to the board of directors. The compliance department, as a supporter of the compliance officer, shall provide every possible support for the duties of the compliance officer according to the instructions by the compliance officer.

Auditing System

The Head of the Internal Audit Department, in the capacity of a person in charge of internal audits, carries out an internal audit once a year pursuant to the internal audit regulations, and produces an internal audit report that accurately reflects the issues found and raised in the internal audit. The person in charge of internal audits shall share such an internal audit report with the president and representative director and the board of directors without delay.
The audited departments shall develop and implement remedial programs for issues raised in the internal audit report without delay, factoring in the significance of such issues. The person in charge of internal audits shall administer the progress of corrective measures taken by the audited departments regarding the issues, confirm the achievement of such measures, and ensure that the result is reflected in subsequent internal audit plans.
The board of directors or a person in charge of internal audits shall have outside experts conduct an external audit if such an audit is considered necessary to verify appropriateness of the business operations of KFM, or for any other reasons.

Counter-measures Against Bribery and Corruption

We have stipulated in our employment regulations and the compliance manual that we shall not engage in any misconduct such as bribery, embezzlement and money laundering. Any individual who has committed such misconduct shall be subject to stringent actions.

Whistle-blowing System

KFM has established a whistle-blowing system applicable to all employees and its operation. It is aimed at preventing and detecting early contravention to laws and regulations and scandals through misconduct or harassment of any kind, enhancing the company's self-cleaning process, controlling reputational risks and securing its social credibility.
Employees are obliged to notify, declare to or consult with any of the contacts established in the company, the parent company or outside attorneys. Those who have proactively cooperated with the notification or investigation are subject to protection.