



**Green Finance
Framework**

Kenedix, Inc.

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1. Introduction

1.1 About Kenedix

Kenedix has been a source of a diverse array of opportunities for investors since the start of operations in 1995. Today, we manage more than ¥2.8 trillion of assets under management. Operations encompass many asset categories and include numerous funds. We manage listed REITs specializing in sectors such as midsize office buildings, residential properties, healthcare facilities, hotels, retail facilities, and logistics facilities. Asset management also includes a private REIT that own large office buildings and other properties and many private funds.

We manage real estate that is used by an enormous number of tenants as well as visitors, customers and others. Overseeing this real estate requires working closely with many investors and property management companies. In addition, we manage properties while fulfilling our obligations to the communities where they are located and to the environment. The breadth and scale of our activities means that we must maintain sound relationships with many types of stakeholders. We are well aware of the responsibilities associated with the significant social and environmental effects of our real estate asset management operations. Based on this understanding of the various ways that real estate affects our stakeholders, our goal is to achieve sustained growth while meeting our social responsibility by realizing the full potential of real estate.

1.2 Our Mission

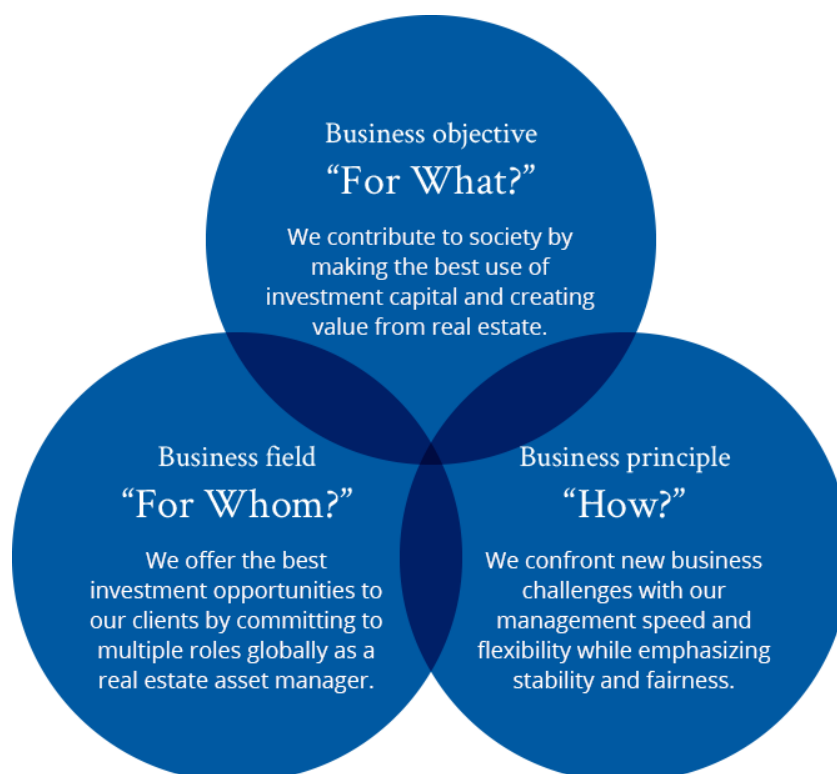
■Mission Statement

Kenedix is dedicated to realizing the full potential of real estate

In pursuit not only of increasing assets under management and realizing short-term investment yields, Kenedix assesses real estate locations and property characteristics as it seeks to combine optimal asset management strategies, timing and financial approaches based on investors' needs, maintaining a strong conviction toward asset management that "realize the full potential of real estate."

The Company has formulated a mission statement that elucidates its commitment to real estate value creation: "Kenedix is dedicated to realizing the full potential of real estate."

■Corporate Mission



1.3 Kenedix Model

Kenedix does not own real estate directly. Properties are held by funds that are established and managed by the Kenedix Group.

Asset Management Business

Kenedix constantly provides client investors with high-grade investment opportunities and does not own real estate itself.

Kenedix creates funds that match the needs of each client. By managing these assets in a manner ideally suited to each property category, Kenedix performs asset management with a high level of transparency.

Real Estate Related Business

Kenedix manages and operates real estate with the goal of increasing the value of funds managed by Kenedix Group.

Kenedix increases the value of the funds managed by Kenedix Group through providing highly specialized real estate management that takes advantage of scale and real estate operation as an operator.

Real Estate Investment Business

Kenedix co-invests with client investors in funds managed by Kenedix Group companies. Through making co-investments in funds managed by the Kenedix Group, Kenedix shares the risk/return with client investors and seeks to maximize the return of the funds together with client investors.

1.4 New Medium-term Management Plan: Challenge 2025

-Aiming to be a company like no other-

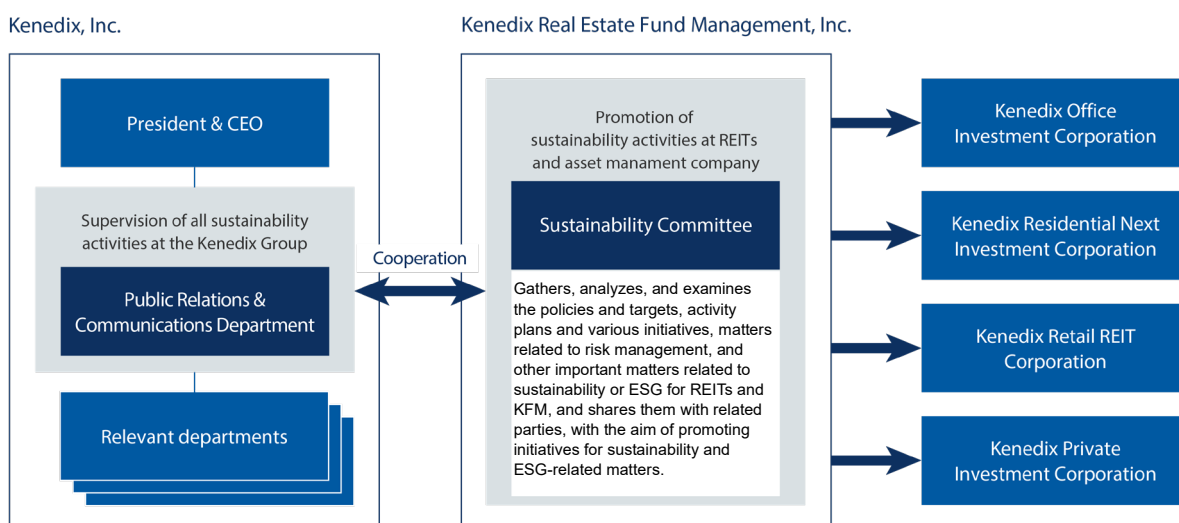
Period	2021 to 2025
Goals (end of 2025)	AUM: 5 trillion yen ROE: 15% Non-cons. equity ratio: At least 50%
Themes	<ul style="list-style-type: none"> ✓ Upgrade the professional skills of everyone and aim for growth based on the Kenedix Model with the goal of providing client investors with investment opportunities that precisely match their requirements ✓ For new business domains created by new and innovative technologies, take measures proactively including those outside the current boundaries of the real estate industry with the goal of establishing a clear competitive edge for Kenedix ✓ Aim to be a company where people can do their jobs with confidence, achieve their growth, and perform work that is satisfying and enjoyable ✓ Step up activities involving ESG and the SDGs to be a company that has an excellent reputation for responsibility concerning important issues
Major initiatives	<p>(1) Activities for AUM growth</p> <ul style="list-style-type: none"> ✓ Establishment of a hotel REIT and its growth ✓ Activities involving new categories of assets (single-family houses, industrial property and others) ✓ Speed up growth in existing asset categories ✓ Consider opportunities for M&A and other forms of non-linear growth <p>(2) Strengthen activities involving renewable energy-related businesses</p> <p>(3) Strengthen business activities that utilize real estate technology</p> <p>(4) Strengthen activities for being an organization where people have satisfying and enjoyable jobs</p> <p>(5) Strengthen activities concerning ESG and the SDGs</p>

1.5 Sustainability Promotion Structure

The Public Relations & Sustainability Department, which is supervised directly by the President & CEO, is responsible solely for sustainability activities. This department has an Executive Officer as the head of the department and performs the centralized oversight of all types of sustainability programs at the Kenedix Group.

As to sustainability related activities for REITs, the initiatives for sustainability are promoted under the leadership of the Sustainability Committee established in Kenedix Real Estate Fund Management, Inc. ("KFM"). The Sustainability Committee is composed of the President & CEO (Chief Sustainability Officer), who is the chairperson of the Sustainability Committee, the department managers of each REIT Division and others.

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



1.6 Material issues of the Kenedix Group

Kenedix is committed to find solutions to material issues both in business and society by making initiatives that reflect the opportunities and risks associated with each issue. Furthermore, we intend to contribute to achieving the SDGs by carrying measures for our materiality.

Key areas	Applicable SDGs	Material issues
Contribution to a Sustainable Environment	   	<ul style="list-style-type: none"> Reduction of energy consumption and CO2 emissions Reduction of water consumption and waste materials Collaboration with tenants for environmental initiatives
Commitment to a Diverse Society	   	<ul style="list-style-type: none"> Providing properties with environmental and social considerations Improving resilience/climate adaptation Initiatives for an aging society with fewer children
Stakeholder Engagement	 	<ul style="list-style-type: none"> Continuous improvement of customer satisfaction Community engagement Managing conflicts of interests
Attractive Working Environment	    	<ul style="list-style-type: none"> Recruiting, employee retention and career advancement Health and wellbeing of employees Diversity and equal opportunities
Responsible Organization	 	<ul style="list-style-type: none"> Compliance Risk management Commitment to responsible investments

1.7 Sustainability policies

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

Key areas	Sustainability policies
Contribution to a Sustainable Environment	Improving the environmental performance of the properties we manage is one of our social missions. We will lower the environmental impact and make contribution to environmental sustainability by constantly reducing the negative environmental impact of these properties, such as energy consumption, CO2 emissions, water consumption and the generation of waste materials. We also have activities for the proper management of hazardous substances and reduction in their use.
Commitment to a Diverse Society	We contribute to the diversity of society while taking into account the social impact of our properties. We are committed to maintaining safety, confidence, good health, comfort and diversity regarding our tenants and the communities where we operate.
Stakeholder Engagement	We manage our properties as a responsible real estate asset management company by stressing the importance of engagement with our stakeholders such as investors, tenants, business partners, communities and property management companies.
Attractive Working Environment	We aim to maintain an attractive working environment by implementing measures for employees' health and wellbeing and for diversity and equal opportunities. To enable employees to realize their full potential, we will provide a variety of training programs and other educational opportunities.
Responsible Organization	We have sound compliance and risk management activities in all of our business activities. We are committed to the principle of responsible property investments by a responsible organization by aligning our operations with global ESG initiatives and actively disclosing ESG information.

1.8 Purpose of the use of green finance

The Kenedix Group uses the procurement of funds using green finance to make activities involving sustainability even more effective. Another purpose is the advancement of Japan's sustainability investment market by providing opportunities to investors with a strong interest in ESG investing.

2. Green Finance Framework

Kenedix established this Green Finance Framework for the purposes of further strengthening activities involving sustainability and providing opportunities to investors who place priority on ESG investing. The basis for this framework is the Green Bond Principles 2021 of the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), the Green Loan Principles 2023 of the Loan Syndications and Trading Association (LSTA), and the Green Bond Guidelines 2022 and Green Loan Guidelines 2022 of the Japanese Ministry of the Environment. The framework includes the following four elements that are required by green bond principles and other guidelines.

1. Use of procured funds
2. Evaluation and selection process of project
3. Management of procured funds
4. Reporting

2.1 Use of procured funds

Funds procured using the Green Finance Framework will be used for investments and loans involving special purpose companies that own assets (or assets for a project) that meet the following green qualification criteria. Funds are also to be used for refinancing activities involving these special purpose companies.

●Green qualification criteria

Eligible projects	Eligibility criteria	ICMA Project categories
(1) Single-family property “Kolet” business	“Kolet,” single-family properties for rent (Houses owned by a fund for building wood-frame houses that use renewable energy with a non-fossil certificate)	Energy efficiency Renewable energy Environmentally sustainable management of living natural resources and land use
(2) Green buildings	A building that has received any of the following third-party certifications or renewals or where the receipt or renewal of certification is expected <ul style="list-style-type: none"> ○ Five stars, four stars or three stars on DBJ Green Building Certification ○ S rank, A rank or B+ rank on 	Green buildings

	<p>Certification for CASBEE for Buildings (new construction, existing buildings, and renovation) or CASBEE for Real Estate (including CASBEE by local governments)</p> <ul style="list-style-type: none"> ○ Five stars, four stars or three stars on BELS Certification (Building-Housing Energy-efficiency Labeling System) ○ Platinum, Gold or Silver on LEED-BD+C (Building Design and Construction) or LEED-O+M (Building Operations and Maintenance) Certification ○ Step 2 or 3 assessment for both the thermal insulation and energy efficiency of equipment under the energy conservation assessments of the Tokyo Metropolitan Government Building Environmental Plan Program 	
(3) Renewable energy business	Use or purchase of facilities involving renewable energy	Renewable energy
(4) Improvements for energy conservation	<p>New or improved facilities that reduce CO2 emissions, energy consumption, water use or other environmental parameters by at least 30% or a project that raises by at least one step the certification rating of any of the third-party certifications in “(2) Green buildings” or that results in the receipt or renewal of a certification.</p> <p>This provision applies only to projects that took place not more than 36 months prior to the last day of the month in which the green finance funds were received.</p>	Energy efficiency

2.2 Evaluation and selection process of project

- The project evaluation and selection process

The Kenedix Finance & Accounting Department is primarily responsible for the evaluation and selection of qualified assets and projects. Compliance with the qualification criteria listed earlier is confirmed by holding discussions with the Public Relations & Sustainability Department. The last step is final approval by the President & CEO.

- Process for reducing environmental and social risk

For the selection of individual assets and projects, the following process is used for the purpose of reducing environmental and social risk concerning the asset or project.

- Check of compliance with applicable laws and regulations, including environmental impact studies, building environmental plan programs and other environmental laws and regulations
- Provision to residents of the area where a project is located of necessary information and provision to these residents and municipalities affected by the project an opportunity to state opinions about the project
- Procurement of materials according to the Kenedix Environmental Policy, use of materials with a small environmental impact, proper management of waste materials

2.3 Management of procured funds

- Method for the management of funds procured

Funds procured using green finance will be used promptly at projects that meet the qualification criteria. The Kenedix Finance & Accounting Department oversees the use of these funds. Electronic files are used for management of the total amount of funds procured, the amount used for assets and projects, and the amount remaining to be used.

Kenedix properly manages internally the funds procured and the amount not yet used. Documents used as proof and other materials involving the procurement of funds are properly managed in accordance with rules prescribed by Kenedix.

- Method for managing funds not yet used

If part of the funds procured are not used, these funds are held as cash, a cash equivalent, a short-term financial asset or in some other format and will be used promptly after the green financing for a qualified asset or project.

Following the use of all funds procured, there may be assets or projects that are no longer eligible for the receipt of green finance funds, such as assets or projects that no longer meet the qualification criteria. If this happens, the resulting unused funds that exist for a short time will be used at another qualified asset or project.

2.4 Reporting

Kenedix plans to post on its website annually reports about funds used and environmental impact reports. Kenedix plans to make a timely announcement in the event of a significant change to the plan for the use of funds procured using green financing or of a change in the business climate that has a significant effect on the plan for using these funds after the funds procured have been invested.

●Reports about funds used

Kenedix plans to provide reports as much as possible about the following items concerning the use of funds procured until all of the funds have been invested.

- Summaries of qualified assets and projects
- Amounts invested in each qualified asset/project and amount remaining
- If there are funds still unused, the plan and timing for these funds

●Environmental impact reports

Kenedix plans to provide reports, as much as possible, about the following items concerning the environmental benefits of the qualified assets and projects that received funds from the green financing. These reports are to be provided as long as there are outstanding investments and/or loans using these funds.

Projects	Items reported
“Kolet” business	<ul style="list-style-type: none"> ○ Number of Kolet houses receiving investments (cumulative) ○ Number of these Kolet houses with solar panels ○ Electricity used by these houses ○ Reduction of CO2 emissions (estimate)
Green buildings	<ul style="list-style-type: none"> ○ Names of properties or projects ○ Name and level of third-party certifications ○ Floor area of green qualified assets
Renewable energy business	<ul style="list-style-type: none"> ○ Electricity produced ○ Reduction of CO2 emissions (estimate)
Improvements for energy conservation	<ul style="list-style-type: none"> ○ Summaries of equipment updates/replacements ○ Reduction in energy use (estimate) ○ Reduction of CO2 emissions (estimate) ○ Reduction of water use (estimate)

2.5 External review

- Second party opinion

For the use of green finance, Kenedix has received a second opinion from Rating and Investment Information, Inc. (R&I) from the standpoint of the Green Finance Framework meeting the requirements prescribed by the Green Bond Principles 2021 of the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), the Green Loan Principles 2023 of the Loan Syndications and Trading Association (LSTA), and the Green Bond Guidelines 2022 and Green Loan Guidelines 2022 of the Japanese Ministry of the Environment.