SUSTAINABILITY-RELATED DISCLOSURE

Product Name: KDX Realty Investment Corporation

Legal Entity Identifier: 353800FFT483NCIHFY42

KDX Realty Investment Corporation ("KDXR") promotes environmental or social characteristics, but does not have as its objective a sustainable investment within the meaning of Article 9(1) of Regulation (EU) 2019/2088 ("SFDR"). KDXR does not have any employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and KDXR relies on Kenedix Real Estate Fund Management, Inc. (the "Asset Manager") to manage and operate the properties in the portfolio. KDXR and the Asset Manager are hereinafter referred to collectively as "we," "us" or "our". References to "fiscal year" are to the 12 months began or beginning April 1 of the year, unless noted otherwise.

Summary

No sustainable investment objective	The financial products offered by KDXR promote environmental or social characteristics, but do not have as its objective sustainable investment.
Environmental or social characteristics of the financial product	We promote environmental or social characteristics through environmental, social and governance ("ESG") enhancement initiatives, aligned with the United Nations' 17 Sustainability Development Goals ("SDGs"). Specifically, we implement various environmental initiatives at our properties including those against climate change (e.g., installation of energy saving equipment such as LED lighting and solar panels, "green leases", which include cooperation between tenants and us regarding the installation of LED lightning and water conservation). For social characteristics, we conduct our business in a manner compatible with the needs of local communities. As a member of the Kenedix Group, which is contributing to sustainability and working toward SDGs while realizing the full potential of the real estate its group owns and manages, we integrate sustainability into the core of our business practices, based on the following ESG principles of the Kenedix Group described below.
Investment strategy	The Asset Manager previously maintained a its sustainability policy and, together with KDXR, its environmental policy. Effective October 2025, we consolidated these into a single, comprehensive sustainability policy that incorporates the former environmental policy. The Asset Manager also engages in the material ESG issues identified by Kenedix, Inc. on an ongoing basis. We ensure the investment strategy is implemented on a continuous basis by incorporating review and assessment of material ESG-related risks and opportunities as a factor into our investment decision process. Also, we perform ESG-related due diligence before investing in properties.
Proportion of investments	KDXR offers financial products which promote environmental or social characteristics, but does not have sustainable investments as its objective. As of April 30, 2026, 24.4% of the properties in our portfolio were Energy-inefficient Assets (defined below) and 75.6% were not, in each case based on floor area. We aim to increase the percentage of environmental certifications on our properties (by floor area) to 80%.
Monitoring of environmental or social characteristics	In order to periodically monitor and track our performance on E/S initiatives, we utilize certain environmental and social certifications for the properties in our portfolio, receive certain sustainability performance assessments by an independent third-party organization annually, operate an environmental

	management system, and gather and report certain ESG data (e.g., greenhouse gas (GHG) emission amounts) of the properties in our portfolio. The following are our key performance indicators to measure the attainment of the environmental and social characteristics we promote (see below for details) *GRESB Real Estate Assessment; Other environmental certifications; Signatory to the PFA 21; Environmental initiatives; Installation of* LED *light bulbs and solar panels; and Cooperation with property managers.*
Methodologies	The Asset Manager has established the Sustainability Committee to effectively promote the initiatives for sustainability and ESG-related matters in our business practice. The Sustainability Committee collects, analyzes, and examines the policies, targets, activity plans, initiatives, risk management and other important matters related to sustainability and ESG for KDXR and the Asset Manager, and shares the results thereof with related parties of the Asset Manager. Based on the results of the above process, the Sustainability Department in the Asset Manager prepares ESG-related reports and considers the details of disclosure materials related to sustainability and ESG. The Sustainability Committee uses the appropriate methodologies to track and measure our key sustainability-related performance indicators and targets described above.
Data sources and processing	The Asset Manager obtains certain ESG-related data from third-party consulting firms, issuers of environmental certifications, property managers, other service providers and tenants, depending on the type of data. The Asset Manager seeks to ensure data quality by engaging established third-party service providers. Also, the Asset Manager obtains an assurance report regarding energy consumption, GHG emissions and water use from an independent third-party organization each year, which helps to ensure data quality. The Asset Manager uses this data to measure its performance with respect to environmental and social characteristics as well as for analysis of its action plans to achieve the environmental and social characteristics promoted by KDXR.
Limitations to methodologies and data	The primary limitation to methodologies and data is the necessity of reliance on tenants and property managers for data at the property level. Like many other real estate investment corporations and asset managers, we rely on data provided by the tenants, and independent verification of accuracy of such data provided by the tenants and property managers presents challenges. In addition, data at the property level provided by the tenants and property managers is generally updated on an annual basis. Accordingly, property-specific data will therefore not always be fully up-to-date. Data at the property level is compiled internally at the Asset Manager and, except for energy consumption, GHG emissions, water use and waste volume data, there is no third-party quality assurance or verification for the property-level data. Limitations to the methodologies and data are not expected to affect the attainment of the environmental or social characteristics promoted by KDXR in any material way.
Due diligence	Prior to investing in a property, the Asset Manager conducts due diligence on the property including ESG due diligence. Our ESG due diligence on a property considers the following ESG factors: (i) use of hazardous or toxic chemicals (asbestos and PCB); (ii) generation and discharge of air pollutant emissions (chlorofluorocarbon) and air quality; and (iii) susceptibility to earthquakes (including the probable maximum loss (“PML”) analysis) in the property.

Engagement policies	(i) We do not generally consider investing in properties that do not meet the thresholds for soil contamination and other environmental contamination in accordance with the Soils Contamination Countermeasure Act of Japan and other environmental laws and ordinances; (ii) when investing under our sustainability finance framework, the Asset Management Committee is required to select properties that meet the eligibility criteria; and (iii) we do not invest in properties that are involved in the extraction, storage, transport or manufacture of fossil fuels.
Designated reference benchmark	KDXR has no benchmark index designated as a reference benchmark to meet the environmental or social characteristics promoted by KDXR.

No sustainable investment objective

The financial products offered by KDXR promote environmental or social characteristics, but do not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

Following its merger with Kenedix Residential Next Investment Corporation ("KDR") and Kenedix Retail REIT Corporation ("KRR") on November 1, 2023, KDXR (formerly Kenedix Office Investment Corporation) focuses on investing in mid-sized office buildings, residential properties, shopping centers for daily needs and healthcare facilities, and also actively invests in logistics facilities and hotels to maximize unitholder value and achieve stable earnings and sustainable growth in investment assets. Through our investment and management of these properties, we contribute to the sustainable development of society by addressing environmental and social issues.

We promote environmental or social (E/S) characteristics through a host of environmental, social and governance ("ESG") enhancement initiatives, aligned with the United Nations' 17 Sustainability Development Goals ("SDGs"). Specifically, we implement various environmental initiatives at our properties, including initiatives combating climate change (e.g., installation of energy saving equipment such as LED lighting and solar panels, "green leases", which include cooperation between tenants and us regarding the installation of LED lightning, greening of properties, remote heat surveillance of roads, which reduces the amount of fuel needed to melt snow, securing of lockers for deliveries, which eliminates duplicative delivery trips) and water conservation. With respect to social characteristics, we conduct our business in a manner compatible with the needs of local communities. For example, we have agreements with local governments to provide our shopping centers as temporary shelter at times of emergency and agreements with local governments and venders to provide space in our office buildings and residential properties to operate bike share stations.

We previously maintained a sustainability policy, which promoted sustainability initiatives toward realization of sustainable society, as well as a separate environmental policy that guided our real estate investment and management from the perspective of the environment. Effective October 2025, we consolidated these into a single, comprehensive sustainability policy that incorporates the former environmental policy. We make efforts to achieve SDGs, such as SDG6 (Clean Water and Sanitation), SDG7 (Affordable and Clean Energy) and SDG13 (Climate Action), by addressing the material ESG issues identified by Kenedix, Inc., the Asset Manager's parent, such as reduction of energy consumption.

Consistent with the foregoing, we intend to make investments that promote E/S characteristics in healthcare facilities. These healthcare facilities include private senior homes (with nurses), private senior homes (residential), serviced senior housing and nursing and health facilities. Especially in Japan, where the population is rapidly aging, healthcare facilities that primarily serve the elderly population have significant social value, as recognized by the United Nations Sustainable Development Goals (SDGs), such as SDG2 (Zero Hunger), SDG3 (Good Health and Well-being), SDG5 (Gender Equality), SDG8 (Decent Work and Economic Growth) and SDG11 (Sustainable Cities and Communities).

The Asset Manager is a wholly owned subsidiary of Kenedix, Inc. and a member of the Kenedix Group. The members of Kenedix Group share the same sustainability approach and work together to promote sustainability in our businesses. The Kenedix Group is contributing to sustainability and working toward SDGs while realizing the full potential of the real estate its group owns and manages. We integrate sustainability into the core of our business practices, based on the following ESG principles of the Kenedix Group:

- *Building businesses and investing responsibly* – We embed ESG considerations into our investment and decision-making processes by considering how our activities impact material ESG factors and thereby affect our reputation, capital value and stakeholders. We focus on how we can best manage our workforce, including not only the Asset Manager's employees but also of our tenants, contractors and suppliers, and consider how we can work with the communities where we invest and operate our businesses and how we can enhance our presence by limiting our environmental impact.

- *Developing and managing sustainable assets* – We consider the ESG impact of every asset we own by empowering the Asset Manager's asset management teams to track and monitor the sustainability performance of our assets and in certain instances collaborate with our tenants, partners and communities.

- *Improving efficiency and enhancing value* – We are seeking to build sustainable businesses and generate attractive risk-adjusted returns to our unitholders over the long term. We are committed to increasing work efficiency and improving workers' satisfaction levels by advancing workstyle reform, implementing human capital development strategies with respect to inclusion and diversity, and improving the customer experience. We believe these efforts will ultimately contribute to achieving sustainable society and improved governance.

- *Governing with high ethics and transparency* – We are committed to maintaining the highest standards of corporate governance. Ethical governance standards and practices are woven into the fabric of our business to enhance corporate performance, accountability, and our unitholder value. We continuously review and refine our processes in light of best practice, consistent with our needs and circumstances, maintain a zero-tolerance approach to bribery and corruption, and require the Asset Manager's management team and employees to comply with our code of business conduct at all times.

- *Promoting well-being* – We aim to incorporate health and well-being throughout our organization and assets in support of the Asset Manager's employees and our tenants, and the communities in which they work. We promote working-style reform, implementing human capital development training reform, implementing welfare programs such as leave programs, health management and support activities, and creating a working environment that promotes comfort, health, diversity and social life. Furthermore, a third party conducts a questionnaire to understand the work-related stress levels of all employees each year. Depending on the results, employees are encouraged to consult with a physician.

- *Contribution to local communities* – We also promote interaction with local communities and residents. For example, we have had agreements with local governments to provide our shopping centers as temporary shelter at times of emergency and agreements with local governments and our venders to provide some space in our office buildings to operate bike share stations. We also have held community-participating events at our properties, such as local summer festivals and an event for the promotion of SDGs. Moreover, we have supported the UNHCR (United Nations High Commissioner for Refugees) by providing the common areas of some of our properties for its fund-raising campaign and running its promotional video on the digital signage at our properties. We participated in the "Secondhand Clothes for Vaccines" project, which collects unwanted clothes from employees and utilize them to provide polio vaccines to children in the developing countries. We have also provided matching donations to employees who donated in response to natural disasters such as earthquakes, typhoons, and heavy rainfalls.

Investment strategy

We invest directly or indirectly through trust beneficiary interests in real estate and real estate-related assets. Therefore, due diligence review (including the assessment of good governance practices) in relation to investee companies is not applicable. Therefore, we have opted to provide information on the governance policies adopted by KDXR and the Asset Manager. The investment policies as described below are related to real estate and real estate-related assets.

The Asset Manager established its sustainability policy on September 5, 2018 and, together with KDXR, its environmental policy, on November 24, 2011. Effective October 2025, we consolidated these into a single, comprehensive sustainability policy that incorporates the former environmental policy. The Asset Manager also engages in the material ESG issues identified by Kenedix, Inc. on an ongoing basis. The review and assessment of material ESG risks and opportunities are built into our investment decision process.

- *Investment research and investment decision-making*. We conduct preliminary investment research to understand how our activities impact material ESG factors and how they can affect our reputation, capital value and stakeholders. Our investment research includes ESG considerations such as (i) whether we can achieve energy reduction through installation of LED lighting, (ii) whether the property can receive an environmental certification, and (iii) whether we can deliver a new lifestyle to the property's tenants and users by providing IoT technology. We also consider ESG factors throughout an asset's lifecycle by tracking and monitoring the sustainability performance of our assets. The Asset Manager's Asset Management Committee considers positive due diligence findings on ESG factors as plus factors along with other economic and operational considerations when making a final decision to invest in a property.

- *Sustainability finance framework*. KDXR has established sustainability finance framework to fulfill our corporate social responsibility and to contribute to the efforts to create a more sustainable society. With the formulation of this Framework, KDXR will be able to implement not only sustainability finance, but also green finance and social finance.

    - *Use of funds*. The funds raised through sustainability finance will be used to acquire/finance properties that meet either green finance or social finance eligibility criteria as described below.
      The funds raised through green finance will (i) be used to acquire properties that meet the requirements of our Green Eligibility Criteria 1 (below), refinancing of acquisition funds (i.e., funds for repayment of borrowings or investment corporation bonds, including short-term investment corporation bonds) or funding, (ii) be used for construction or repair work that (a) reduces energy consumption, water consumption, or usage or emissions of other substances which reduction would be an environmentally beneficial improvement by 30% or more at the properties where the construction or repair work is performed or (b) lead to acquiring higher ratings of DBJ, CASBEE and/or BELS Evaluation, or (iii) be used for installation or acquisition of facilities related to renewable energy ((ii) and (iii) together "Green Eligibility Criteria 2").

      The funds raised through social finance will be used to acquire senior living facilities and medical facilities, refinancing of acquisition funds (i.e., funds for the repayment of borrowings or investment corporation bonds, including short-term investment corporation bonds) or funding.

      <u>[Green Eligibility Criteria 1]</u>

      ・DBJ Green Building Certification: 3 stars or higher
      ・CASBEE Certification for Buildings: B+ rank or higher
      ・CASBEE Certification for Real Estate: B+ rank or higher
      ・CASBEE Certification by local governments: B+ rank or higher
      ・BELS Evaluation, including non-residence and ZEB, newly acquired on or after April 1, 2024:

Existing buildings constructed on or after April 1, 2016: 4 or more
Existing buildings constructed on or before March 31, 2016: 3 or more;
however, for logistics facilities, BEI shall be less than 0.75

・BELS Evaluation, including non-residence and ZEB, already acquired on or before March 31, 2024:
3 or more;
however, for logistics facilities, BEI shall be less than 0.75

・BELS Evaluation, including residence and ZEH, newly acquired on or after April 1, 2024:
Existing buildings constructed on or after April 1, 2016: 3 or more
Existing buildings constructed on or before March 31, 2016: 2 or more

・BELS Evaluation, including residence and ZEH, already acquired on or before March 31, 2024: 3 or more

- *Evaluation and selection process of projects*. The selection of Eligible Project requires the approval of the Asset Management Committee of Listed REIT Department of the Asset Manager, which reports to the Sustainability Committee on the evaluation and use of proceeds of Eligible Project, alignment of use of proceeds with Eligibility Criteria or prospects of the status of allocation of net proceeds after allocating proceeds to Eligible Project.

- *Management of funds.* The proceeds and unallocated proceeds will be managed separately from other proceeds in separate accounts for deposits and withdrawals exclusively for sustainability finance, green finance and social finance, and the proceeds transferred will be recorded and the balances will be checked on a regular basis.

- *Reporting*. We report on allocation and impact as follows:

  a. <u>Allocation reporting</u>: The proceeds procured through sustainability finance, green finance and social finance will be confirmed whether these are linked to the acquisition of green eligible assets and social eligible assets or refinancing thereof and investment corporation bonds required for the acquisition, or will be tied to the expenditure on energy-saving construction and other costs that are recognized as effective beyond certain standards, and then the allocation will be promptly made. The status of any unallocated proceeds will be disclosed on an annual basis, with respect to the period until the entire amount of net proceeds is allocated to projects that meet the Eligible Criteria or the period until the finance is redeemed or repaid.
  The sum of green finance or social finance outstanding amounts will be managed by setting the level of eligible finance debt as of the end of the immediately preceding fiscal period as the upper limit.

  The upper limit amount of green finance = Aggregate amount of acquisition price of Eligible Green Assets × Total asset LTV + Total investment in Eligibility Criteria 2

  The upper limit amount of social finance = Aggregate amount of acquisition price of Eligible Social Assets × Total asset LTV

  b. <u>Impact reporting:</u> KDXR disclose the following indicators throughout the life of the finance.

  [Green Eligibility Criteria 1]
  - Number and certifications of Eligible Green Assets
  - Aggregate amount of total floor area of Eligible Green Assets
  - Energy consumption, water consumption and GHG emission of Eligible Green Assets

  [Green Eligibility Criteria 2]
  - In the cases in which construction or facility refurbishments that are expected to result in improvements in terms of energy saving or environmental benefits are implemented, an estimated reduction rate (percentage) of energy consumption,

water consumption or GHG emissions before and after the construction or refurbishments
- In the cases in which facilities related to renewable energy are installed or acquired, anticipated annual energy production related to the said facilities

[Social Eligibility Criteria]
- The following output, outcome and impact indicators will be annually released.

Output Indicator:
- Overview of building and lease
  However, in case that the operator’s consent has not been obtained, the information is not disclosed.

Outcome Indicator:
- J-REIT and healthcare market size
- Assets under management of healthcare facilities
- Number of people who could receive benefits by operating healthcare facilities: Overview of operations (Number of rooms, capacity or utilization rate)
- Services provided at healthcare facilities

Impact (Qualitative Targets)
- By linking capital market needs with healthcare facilities operators' needs, KDXR will promote the provision of superior healthcare facilities and contribute to the promotion of socially beneficial capital investments.

We ensure the investment strategy is implemented on a continuous basis by incorporating review and assessment of material ESG-related risks and opportunities into our investment decision process.

As discussed in detail above, we consider ESG-related due diligence review before investing in properties.

While there is no third-party rating used for assessment of our governance practices, we have introduced the following measures to assess and enhance our governance systems:

- *Adoption of EPU (Earnings per Unit)-linked fee and ESG performance-linked fee.* We pay EPU-linked fees to the Asset Manager to align the interest of our unitholders and the interest of the Asset Manager and pay ESG performance-linked fees to the Asset Manager to align the sustainability metric and the interest of the Asset Manager.

- *Related-party transactions.* We are generally not allowed to carry out related-party transactions without the prior approval of our Board of Directors and the agreement of our Executive Director.

- *Transparent and appropriate information disclosure.* We make press releases and other disclosures in both Japanese and English simultaneously in a timely and appropriate manner.

Proportion of investments

KDXR offers financial products which promote environmental or social characteristics, but does not have sustainable investments as its objective. As of April 30, 2026, 24.4% of the properties in our portfolio were Energy-inefficient Assets (defined below) and 75.6% were not (of such 75.6%, 24.1% had obtained DBJ Certification (defined below), 8.3% had obtained BELS Evaluation (defined below), 1.9% had obtained CASBEE Certification for Buildings (defined below), 52.1% had obtained CASBEE Certification for Real Estate (defined below), 0.5% had obtained CASBEE Certification for Wellness Office (defined below) and 3.4% had obtained ResReal Certification (defined below)), in each case the ratio of each floor area to the total floor area of properties owned by KDXR (calculated on a pro-rata basis of ownership ratio for unit ownership). We define our properties other than properties that have received any of the environmental certifications, such as DBJ Certification, BELS Evaluation, CASBEE Certification for Buildings, CASBEE Certification for Real Estate, CASBEE Certification for Wellness Office and ResReal Certification, as "Energy-inefficient Assets." We aim to increase the percentage of environmental certifications on our properties (by floor area) to 80%.

Monitoring of environmental or social characteristics

In order to monitor and track our performance on such E/S initiatives, we utilize certain environmental and social certifications for the properties in our portfolio, receive certain sustainability performance assessments annually, operate an environmental management system, and gather and report certain ESG data (e.g., greenhouse gas (GHG) emission amounts) of the properties in our portfolio. The followings are our key performance indicators to measure the attainment of the environmental and social characteristics we promote.

- *GRESB Real Estate Assessment.* GRESB is an annual benchmark assessment to measure ESG integration of real estate companies and funds. To assess the overall ESG performance of our portfolio, we participate in the annual GRESB review. KDXR aims to acquire the five-star (out of five stars) GRESB rating.

- *Other environmental certifications.* We use various environmental certifications issued by third-party organizations to monitor and track the ESG performance at the building level. KDXR aim to increase the percentage of environmental certifications on our properties (by floor area) to 80%. We had obtained the following certifications.

    - *DBJ Green Building Certification*. The DBJ Green Building Certification Program of the Development Bank of Japan ("DBJ") evaluates and certifies properties based on their relationships with society and the economy, by providing comprehensive assessment based on factors that range from environmental features to communication with stakeholders ("DBJ Certification").
    - *BELS Evaluation*. The Building-Housing Energy-efficiency Labeling System ("BELS Evaluation") is a third-party certification system to rate houses and buildings in accordance with requirements to label energy saving performance under the Act on Improving Energy Consumption Performance for Architectural Structures of Japan.
    - *CASBEE Certification*. The Comprehensive Assessment System for Built Environment Efficiency is an evaluation system that rates the environmental performance of buildings, developed under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism of Japan.
    - *CASBEE Certification for Buildings.* The Comprehensive Assessment System for Buildings ("CASBEE Certification for Buildings") uses one of the tools, CASBEE for Buildings (New Construction), CASBEE for Buildings (Existing Buildings) or CASBEE for Buildings (Renovation), and is rated for buildings with a total floor area of 300 m^2 or more.
    - *CASBEE Certification for Real Estate.* The Comprehensive Assessment System for Real Estate ("CASBEE Certification for Real Estate") is rated for buildings with one or more years old after completion.
    - *CASBEE Certification for Wellness Office*. The Comprehensive Assessment System for Built Environment Efficiency for Wellness Office ("CASBEE Certification for Wellness Office") is mainly for office buildings, which are evaluated for their environmental performance for healthy and productive work by building workers.
    - *ResReal Real Estate Resilience Certification.* The ResReal Real Estate Resilience Certification ("ResReal Certification") is the first certification program in Japan to evaluate the "Robustness (location and building)", "Redundancy", "Readiness" and "Substitutability" of properties to

quantify and visualize the resilience (strength, flexibility, resilience and resistance) of real estate against natural disasters, certified by the Japan Real Estate Institute.

- *Signatory to the PFA 21.* The Principles for Financial Action for the 21st Century, or PFA21, establish guidelines for financial institutions to fulfill their responsibilities and roles required to achieve sustainable society. Signatory financial institutions, including the Asset Manager, are required to implement initiatives based on the seven principles to the extent possible. By implementing these initiatives, the Asset Manager is better able to assess its attainment of E/S characteristics. Our initiatives for ESG, including the disclosure of analysis on climate change in line with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendation, are in accordance with the principles of PFA 21.

- *Environmental initiatives.* We aim to keep reducing energy consumption in the most recent five years on a rolling basis by an annual average rate of 1% for our properties. In the medium-and long-term, we aim to reduce GHG emissions by 42% in total amount in fiscal year 2030 as compared to fiscal year 2022, by 42% per unit (emission per unit is calculated based on the total floor area considering the occupancy rate) in fiscal year 2030 as compared to fiscal year 2022 and achieve net-zero by 2050. We monitor these efforts and disclose our annual performance on our website.

- *Cooperation with property managers.* The Asset Manager has required certain property managers to observe our philosophy of contributing to sustainable society, including our sustainability policy. We require our property managers, for example, to encourage tenants to cooperate with us in energy conservation efforts.

Methodologies

The Asset Manager has established the Sustainability Committee to effectively promote the initiatives for sustainability and ESG-related matters in our business practice. On an ongoing basis, the Sustainability Committee generally holds meetings every three months and collects, analyzes, and examines the policies, targets, activity plans, initiatives, risk management and other important matters related to sustainability and ESG for KDXR and the Asset Manager, and shares the results thereof with related parties of the Asset Manager. Based on the results of the above process, the Sustainability Department in the Asset Manager prepares ESG-related reports and considers the details of disclosure materials related to sustainability and ESG. The Sustainability Committee uses the following methodologies to track and measure our sustainability-related performance indicators and targets.

- *GRESB Real Estate Assessment.* To assess KDXR's attainment of social or environmental characteristics, KDXR participates in the GRESB Real Estate Assessment, which generally covers a broader scope of evaluation items related to sustainability and ESG than the evaluation items used for due diligence conducted at the time of investment. Based on the benchmark report, the public disclosure report and other reports regarding GRESB Real Estate Assessment issued by the GRESB secretariat, the Asset Manager analyzes the details of scores, evaluates any room for future upgrade and other data with the assistance of a consulting firm and prepares an action plan for progressing sustainability and ESG goals. KDXR's GRESB rating is reported to the Sustainability Committee and disclosed on our website and financial results-related documents.

- *Other environmental certifications.* To assess each property's attainment of social or environmental characteristics, we use environmental certifications, which are issued by third-party organizations and generally cover the broader evaluation items related to sustainability and ESG than the evaluation items for due diligence conducted at the time of investment. For the properties that have not acquired an environmental certification, the Asset Manager considers potential measures to meet the standards for obtaining an environmental certification with the aim of increasing the percentage of environmental certifications on our properties (by floor area) to 80%. The status of environmental certifications held by properties in our portfolio are reported to the Sustainability Committee and disclosed on our website and financial results-related documents. This status is also used as a factor to evaluate KDXR's GRESB rating.

- *Signatory to the PFA 21.* As a signatory to the PFA 21, the Asset Manager assesses its attainment of social or environmental characteristics by implement initiatives based on the seven principles. The Asset Manager collects the status of implementation of initiatives by KDXR and reports the status internally. This status is reported to the secretarial of the PFA 21 annually.

- *Environmental initiatives.* We track the progress of energy consumption, GHG emissions and water use, and prepare an action plan for each property to achieve the targets mentioned above. The Asset Manager collects and compiles data related to energy consumption, GHG emissions and water use internally. This data is disclosed on our website and financial results-related documents.

- *Cooperation with property managers*. We monitor and cooperate with property managers on initiatives for tenants to conserve energy and other sustainability-related issues by maintaining close contact with property managers. The Asset Manager can use the tracked information obtained during monitoring and cooperation as reference information to encourage other property managers to work together on sustainability-related initiatives.

Data sources and processing

- *GRESB Real Estate Assessment.* Before KDXR submits the responses to the survey of the GRESB Real Estate Assessment, a consulting firm reviews the ESG-related data and supporting materials used for the responses. The consulting firm also assists the Asset Manager in evaluating any room for future improvement. Therefore, engaging established consulting firm helps to ensure the data quality. Also, the Asset Manager obtains the assurance report regarding energy consumption, GHG emissions, water use and waste volume, which are used for data in GRESB Real Estate Assessment, from an independent third-party organization.

- *Other environmental certifications.* The Asset Management Divisions of the Listed REIT Department of the Asset Manager submits the relevant data provided by the property managers to the established third-party organizations that issue environmental certifications for the properties in our portfolio. Obtaining the environmental certifications issued by the established third-party organizations helps to ensure the data quality. The Asset Management Divisions of the Listed REIT Department of the Asset Manager calculate and track the properties which hold environmental certifications based on the reports from the property managers.

- *Signatory to the PFA 21.* The Sustainability Department of the Asset Manager collects and compiles the relevant data while confirming with the Listed REIT Department. The Asset Manager can confirm the accuracy of the compiled data by referencing raw data.

- *Environmental initiatives.* At the property level, The Asset Management Divisions of the Listed REIT Department of the Asset Manager collects the relevant data from the property managers. At the portfolio level, the Asset Manager compiles relevant data. To ensure data quality, the Asset Manager obtains an assurance report regarding energy consumption, GHG emissions, water use and waste emissions from an independent third-party organization each year.

- *Cooperation with property managers.* The Asset Management Divisions of the Listed REIT Department of the Asset Manager calculates the relevant data for each property manager through close contact with property manager at regular meetings and other opportunities. The Asset Manager can confirm the accuracy of the tracked data by referencing the raw data.

Limitations to methodologies and data

The primary limitation to methodologies and data is the necessity of reliance on tenants and property managers for data at the property level. Like many other real estate investment corporations and asset managers, we rely on data provided by the tenants, and independent verification of accuracy of such data provided by the tenants and property managers presents challenges. In addition, data at the property level provided by the tenants and property managers is generally updated on an annual basis. Accordingly, property-specific data will therefore not always be fully up-to-date.

Data at the property level is compiled internally at the Asset Manager and, except for energy consumption, GHG emissions, water use and waste volume data, there is no third-party quality assurance or verification for the property-level data.

Limitations to the methodologies and data are not expected to affect the attainment of the environmental or social characteristics promoted by KDXR in any material way.

Due diligence

Prior to our investment in a property, the Asset Manager conducts due diligence on the property including ESG due diligence. Our ESG due diligence on a property considers the following ESG factors: (i) use of hazardous or toxic chemicals (asbestos and PCB); (ii) generation and discharge of air pollutant emissions (chlorofluorocarbon) and air quality; and (iii) susceptibility to earthquakes (including the probable maximum loss ("PML") analysis) in the property. For our regulatory environmental due diligence, the Asset Manager retains reliable experts to conduct surveys including soil contamination surveys in accordance with the Soils Contamination Countermeasure Act of Japan and obtains an engineering report and a PML analysis report. In addition, as a part of the due diligence review, we consider whether we can achieve energy reduction through installation of LED lighting and whether the property can receive environmental certifications. Upon the review of environmental issues discovered through due diligence review, the Acquisition Department of the Asset Manager reports such issues to the Asset Management Committee, and the Committee decides whether we acquire the property or not considering the potential for improvement in environmental performance and comfort level of properties.

Engagement policies

We do not generally consider investing in properties that do not meet the thresholds for soil contamination and other environmental contamination in accordance with the Soils Contamination Countermeasure Act of Japan and other environmental laws and ordinances.

When investing in properties under our sustainability finance framework, the Asset Management Committee is required to select assets for investment meeting the eligibility criteria described above.

Also, we do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.

Designated reference benchmark

KDXR has no benchmark index designated as a reference benchmark to meet the environmental or social characteristics promoted by KDXR.

INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF KDXR (SFDR ARTICLE 6 DISCLOSURE)

The Asset Manager has established the Sustainability Committee, which is composed of the key management members of the Asset Manager, such as the President & CEO and the full-time Directors. The Sustainability Committee generally holds meetings every three months to collect, analyze, and review sustainability and ESG-related matters. Such matters include sustainability or ESG policies, objectives, activity plans, initiatives, risk management and other important matters related to sustainability or ESG of the Asset Manager and the REITs that the Asset Manager manages. The Sustainability Committee also promotes sustainability and ESG-related efforts by sharing such information with other parties in the Asset Manager. The results of the information gathering, analyses and considerations made by the Sustainability Committee are reported and proposed to each REIT, and implementation of sustainability or ESG measures for each REIT is decided by the department of the Asset Manager in charge of the management of the relevant REIT.

As described above, we have instituted a number of initiatives, at the corporate level, the portfolio level and the property level, to promote E/S characteristics. Such initiatives include climate change initiatives, initiatives for saving/reducing energy consumption, local community initiatives, and initiatives for employees and tenants.

Since sustainability issues will severely impact our business activities, we regard such issues as material business challenges. We also believe that integrating sustainability factors alongside traditional financial and operational metrics in our investment decision process helps us make a more holistic assessment of a property's risks and opportunities and is commensurate with the pursuit of superior risk-adjusted returns. Therefore, we will continue to analyze the sustainability on our business and improve our investment decision-making process so that we can consider more thoroughly how sustainability factors could impact returns on our investment units. In addition, we will analyze the impact of environmental risks such as flood and landslide disasters on returns on our investment units as a part of analysis of sustainability risks.

The assets in which KDXR invests are exposed to physical and transition risks, such as the following.

<table>
<tr><th>Category</th><th>Risk Factors</th><th>Identified Risks (Financial impact)</th><th>Measures to Address Risks and Opportunities</th></tr>
<tr><td rowspan="3">Transition Risk - Policy and legal</td><td>CO_2 emission regulation
Introduction of CO_2 emission regulations as a measure to comply with international frameworks incur costs and risks related to CO_2 emissions.</td><td>Increase in costs to improve energy efficiency of existing properties</td><td>・ Improvement of energy-saving in existing properties
・ Establishment of GHG reduction targets
・ Acquisition of environmental certifications</td></tr>
<tr><td rowspan="2">Carbon tax
The introduction of carbon tax as a measure to comply with international frameworks incur costs and risks related to CO_2 emissions.</td><td>Increase in carbon tax costs</td><td rowspan="2">・ Introduction of renewable energy
・ Acquisition of non-fossil certificates, etc.
・ Establishment of GHG reduction targets</td></tr>
<tr><td>Increase in acquisition costs of non-fossil certificates, etc.</td></tr>
</table>

Transition Risk - Technology	**Advancement of energy-saving and renewable energy technologies** Further technology advancement will result in lower installation costs and effective achievement of energy-saving and renewable energy.	Increase in costs due to introduction of new technology	• Energy-saving in existing properties
Transition Risk - Markets	**Evaluation by investors and financial institutions** Investors and financial institutions will value improvement of the environmental performance of properties.	Increase in financing costs due to low valuation	• Energy-saving in existing properties • Acquisition of environmental certifications • Improvement of engagement with investors and financial institutions • Utilization of green finance
	Focus on environmental certification Environmental certification will be required for portfolio evaluation by investors and financial institutions as well as property selection by tenants.	Increase in cost of actions to improve evaluation	• Acquisition of environmental certifications
		Increase in acquisition costs of environmental certifications	
Transition Risk - Reputation	**Tenant behavior change due to environmental orientation** Environmental performance of properties will become valued due to regulation compliance and changing preferences.	Low environmental performance properties becoming stranded	• Energy-saving in existing properties • Acquisition of environmental certifications • Engagement
	Tenant behavior change due to disaster-prevention orientation Disaster prevention aspect of properties will become valued due to increasing disasters caused by rising temperatures and sea level.	Low resilience properties becoming stranded	• Due diligence on acquisition • Flood risk analysis of properties • Improvement of resilience • Engagement
Physical Risk – Acute	**Intensification of heavy rains and torrential rains** The frequency of property damage will increase due to severe wind and extreme flood	Increase in disaster recovery costs	
		Decrease in rental income during the recovery period	
Physical Risk - Chronic	**Rise in sea level** Chronic rise in sea level.	Increase in costs to cope with sea level rise	
	Rise in average temperature Chronic rise in average temperatures.	Increase in utility costs during summer	• Energy-saving in existing properties

The above risks are those that we are aware of at this time, and may be revised in the future due to changes in circumstances or progress in consideration.