

JPR

JPR SUSTAINABILITY REPORT

Japan Prime Realty Investment Corporation

Issued in July 2020

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Introduction

Editorial Policy

JPR SUSTAINABILITY REPORT (issued July 2020) sets out the policies and initiatives of Japan Prime Realty Investment Corporation (JPR) and Tokyo Realty Investment Management, Inc. (TRIM) on key Environmental, Social and Governance (ESG) issues, in order to pursue sustainable business and a sustainable society.

This report has been assured by a third party and features a Comparative Table with GRI Standards.

Scope of reporting

Period covered by this report : January 1, 2019 to December 31, 2019 (some workforce-related data describes the situation from April 2019 to March 2020)

Organizations covered by this report : JPR and TRIM

Timing of reporting : Issued in July each year as an annual report

Some environmental and social data contained in this report has been assured by Lloyd's Register Quality Assurance (LRQA) to ensure the reliability of the data. Such data is marked with an asterisk ().The Independent Third Party Assurance Report can be found at the end of this report.

Overview of JPR

Japan Prime Realty Investment Corporation (hereinafter "JPR") is a J-REIT with a combined portfolio focused on office properties in Tokyo. Since its listing (stock code 8955) on the Real Estate Investment Trust Section of Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange") on June 14, 2002, JPR has been steadily growing its asset size through investment activities for 18 years. Its basic asset management policy is to demonstrate the advantages of the portfolio through focused investments in office properties in Tokyo, while working to realize diversification mainly into urban retail properties and properties in major regional cities by setting management standards that are focused on the portfolio quality.

Major milestones of JPR

September 2001	Registration of incorporation under Article 166 of the Investment Trusts Act, and establishment of JPR.
November 2001	Started asset management (acquisition of beneficiary interests in real estate with underlying trust assets of 11 office buildings and 2 retail properties (40,730 million yen in total value)).
June 2002	Listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange.
September 2005	Asset size exceeded 200 billion yen.
June 2009	Revised management guidelines (revised the investment ratio to make focused investments in office properties in Tokyo).
December 2009	Asset size exceeded 300 billion yen.
December 2013	Asset size exceeded 400 billion yen.
December 2016	Asset management company (TRIM) became a consolidated subsidiary of Tokyo Tatemono, the main sponsor.
September 2019	Revised management guidelines (added urban accommodation properties to investment targets).

Top message

I would like to offer my sympathy and condolences to all those affected by COVID-19. I would also like express my respect and gratitude to healthcare professionals and to essential workers in critical infrastructure, such as energy and logistics, who are working to prevent further spread of COVID-19.

In 2020, the COVID-19 pandemic has plunged the global economy into its most dangerous crisis since the Lehman Brothers collapse. This experience of living through the COVID-19 pandemic is likely to change our lives and the nature of society forever. This experience has also been a powerful reminder to us of the role we, as a J-REIT, play in the social infrastructure and we are determined to do all in our power to fight COVID-19 and will devote ourselves to the provision of services adapted to the changing needs of customers and society.

In recent years, companies worldwide have been increasingly required to contribute proactively to the resolution of social and environmental issues. With respect to the scale for measuring corporate value, a movement for evaluating the medium- to long-term growth potential of companies based on non-financial information, in addition to conventional evaluation indicators such as information on their business performance and financial standing, has spread. The concept of ESG has become a global trend, mainly among institutional investors who manage long-term funds. As such, we have entered an era when an evaluation of the social and environmental aspects will have an impact on the competitiveness of companies.

J-REITs, which invest in real estate, operate on the principle of co-existence and co-prosperity with society, and we believe that our ESG initiatives are inseparable from our sustainable growth. Based on this awareness, TRIM intends to contribute to the realization of a sustainable society and urban development by implementing initiatives that squarely address social issues.

Yoshihiro Jozaki, Executive Officer, Japan Prime Realty Investment Corporation

Role in Society and Value Creation Process of JPR

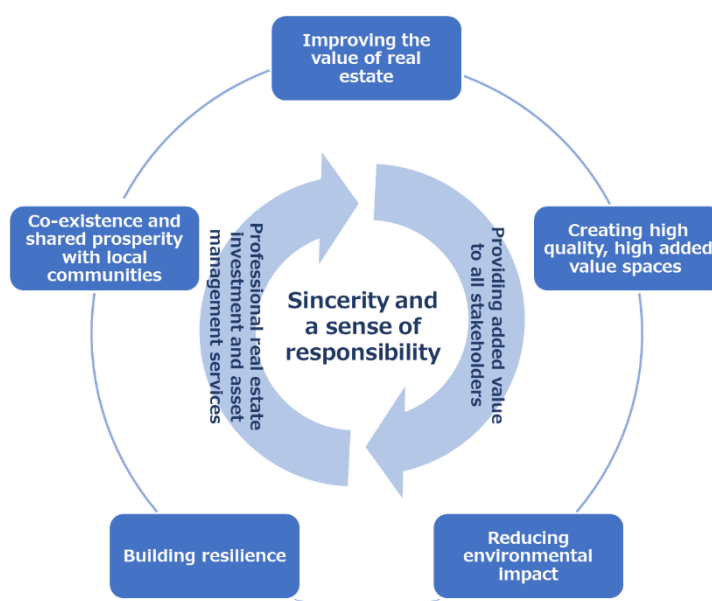
Role of JPR in Society

JPR believes that, as a J-REIT, its role in society consists of the following.

- (i). Role of returning real estate rental revenues and other earnings to investors
(Creating an environment in which a wide range of investors can participate in real estate investment and enjoy stable distributions)
- (ii). Role of supplying funds for long-term stable investment to the real estate investment market
(Supporting activation and stabilization of the real estate investment market through the integration of real estate and finance and transparent information disclosure)
- (iii). Role of forming, regenerating and utilizing real estate stock
(Promoting improvements in real estate stock through buildings with improved earthquake resistance and lower environmental impact and the creation of comfortable, convenient spaces)

Value Creation Process of JPR

JPR will contribute to resolving the changing issues faced by society through the creation of five types of value.



Overview of Asset Management Company

JPR entrusts the asset management of its portfolio to Tokyo Realty Investment Management, Inc. (hereinafter "TRIM"), and the assets are managed by receiving support primarily from Tokyo Tatemono Co., Ltd. (hereinafter "Tokyo Tatemono"), the main sponsor, and other sponsor support from Yasuda Real Estate Co., Ltd., Taisei Corporation and Meiji Yasuda Life Insurance Company.

Based on its corporate philosophy of "providing value to its all stakeholders -customers, workforce, society and shareholders -through the provision of 'professional investment management services' with sincerity and a sense of responsibility", TRIM strives to improve its investment and asset management capabilities in order to live up to society's expectations of JPR and TRIM.

Sustainability report

Sustainability Policy

For JPR to grow stably over the medium to long term, it is essential to address such social requirements as considerations for the environment, society and corporate governance. TRIM has established the "Sustainability Policy" as part of its endeavors to enhance sustainability.

Sustainability Policy

Based on its corporate philosophy of working with integrity and commitment to its responsibilities, TRIM has resolved to contribute to the sustainable development of society and the investment management business through discussion and cooperation with its stakeholders (including investors and tenants), while aiming to maximize value for JPR's unitholders.

i. Initiatives on Behalf of Tenants

We will work with integrity and responsibility in responding to tenants, and endeavor to provide them with new and distinct values as well as enhancing their satisfaction.

ii. Initiatives on Behalf of the Environment

Recognizing the importance of addressing environmental issues, we will aim to reduce the environmental load by managing the assets owned by JPR.

We will promote energy saving and the reduction of greenhouse gas emissions.

We will endeavor to make effective use of water resources and work on the "3Rs" (reuse, reduce and recycle).

We will strive to proactively disclose information on environmental issues.

iii. Initiatives on Behalf of Local Communities

We will work to coordinate with local communities by managing the assets owned by JPR, in an effort to contribute to enhancing the brand value of the area in which such assets are located.

iv. Initiatives on Behalf of Employees

We will respect each of our employees to achieve an employee-friendly workplace, helping them enhance their abilities in their specialties.

v. Initiatives on Behalf of Society

We will abide by laws and regulations as well as the rules of society, and conduct business operations with a focus on transparency and objectivity while maintaining our high moral standards.

Sustainability Management

In 2018, TRIM established the Sustainability Committee to continuously promote sustainability initiatives systematically.

Chaired by the President and CEO, the overall Sustainability Committee consists of the Sustainability Committee, which comprises managerial personnel of TRIM, and the Secretariat, a subordinate organization of the Committee. The Sustainability Committee meets at least twice a year, while the Secretariat meets every month, in principle. In addition, the Sustainability Committee conducts activities such as setting sustainability targets, monitoring and assessing sustainability activities, and raising awareness among officers and employees, and the details of major activities of the Committee are reported to the Board of Directors of JPR and TRIM.



International Initiatives

1. Signing of the Principles for Responsible Investment (PRI)

The Principles for Responsible Investment (PRI) refers to the six principles (see below for specific descriptions) as well as the international network of investors established to realize those principles. PRI is promoted by the United Nations Environment Programme ("UNEP") and the United Nations Global Compact ("UNGC").

PRI encourages companies to incorporate environmental, social and corporate governance ("ESG") issues into decisions on investments. By incorporating these perspectives into the investment decision-making processes, PRI aims for companies to enhance the long-term performance of their beneficiaries and further fulfill their fiduciary duties.

TRIM became a signatory to PRI in May 2019, in agreement with its fundamental thinking.

Signatory of:
















Materialities and SDGs

SDGs is an abbreviation for Sustainable Development Goals and represents the global goals to be achieved by 2030 adopted at the Millennium Summit of the United Nations. The SDGs have set 17 goals in a wide range of areas in light of a variety of social issues in developing and developed countries, and investment corporations and companies are expected to contribute to their achievement.

Sharing the philosophy of the SDGs, JPR and TRIM will contribute to the achievement of the goals through their business activities.



JPR and TRIM have stipulated risks and opportunities of materialities and contributions to SDGs and work on them as follows.

Materialities	Risks	Opportunities	Relevant SDGs
Initiatives on behalf of the environment (contribution to a low-carbon society)	<ul style="list-style-type: none"> An increase in costs associated with greenhouse gas regulations Damages due to the increased occurrence of abnormal weather (floods and typhoons) 	<ul style="list-style-type: none"> Expansion of tenant demand by improving the environment and resilience Reduction of costs by improving environmental performance 	   
Initiatives on disaster prevention	<ul style="list-style-type: none"> A decrease in rental revenue and a fall in real estate value due to the occurrence of fire or earthquake 	<ul style="list-style-type: none"> An increase in tenant demand by improving disaster prevention and resilience 	 
Initiatives on behalf of local communities	<ul style="list-style-type: none"> A fall in creditworthiness due to deteriorated relations with local communities 	<ul style="list-style-type: none"> Strengthening of competitiveness of properties by enhancing the value of local communities 	
Human capital development	<ul style="list-style-type: none"> Destabilization of management capabilities due to the decreased quality of employees 	<ul style="list-style-type: none"> Improvement of management capabilities by improving skills of employees Stabilization of business by increasing excellent human resources 	 
Initiatives on tenant satisfaction	<ul style="list-style-type: none"> Exit of tenants due to dissatisfaction and a decrease in rental revenue 	<ul style="list-style-type: none"> Reduction of exit of tenants and an increase in rental revenue through a rise in rent and the occupancy rate 	
Respect for human rights	<ul style="list-style-type: none"> Delay in business, business continuation risk and fall in creditworthiness due to the occurrence of human rights issues 	<ul style="list-style-type: none"> Stabilization of business associated with an improvement in the labor environment 	  

Stakeholder Engagement

Major stakeholders of JPR and TRIM are tenants, local communities, employees, unitholders, investors and business partners. TRIM emphasizes stakeholder engagement by which TRIM uses dialogues with stakeholders for its asset management and business management through a variety of day-to-day mechanisms.

Stakeholders	Thinking of dialogue	Methods of dialogue
Tenants	<ul style="list-style-type: none"> · Work to improve services and the level of satisfaction by reflecting voices of tenants. 	<ul style="list-style-type: none"> · Tenant satisfaction survey · Collaboration on energy saving and disaster prevention
Local communities	<ul style="list-style-type: none"> · Contribute to local communities by working to enhance their value through community activities. 	<ul style="list-style-type: none"> · Participation of volunteers in cleaning activities · Participation in local events and festivals
Employees	<ul style="list-style-type: none"> · Make efforts to cultivate professional human resources by working to realize a rewarding workplace where employees can sense their growth. 	<ul style="list-style-type: none"> · Variety of education and training · Award programs · Periodic personnel interviews · Customer satisfaction surveys
Unitholders and investors	<ul style="list-style-type: none"> · Aim to build a long-term relationship of trust with unitholders and investors and acquire appropriate recognition through sincere and fair information disclosure and active communication. 	<ul style="list-style-type: none"> · General meeting of unitholders · Results briefings · IR meetings (Japan and overseas) · Seminars for individual investors
Business partners such as property managers (PMs)	<ul style="list-style-type: none"> · Aim to establish a relationship of trust and achieve mutual development through fair and equitable transactions with business partners. 	<ul style="list-style-type: none"> · Periodic information sharing · Implementation of workshops

Initiatives on Behalf of the Environment

Recognizing the importance of addressing environmental issues in the real estate investment management business, JPR strives to reduce its environmental footprint by upgrading facilities and improving operations at the properties it owns. In pursuing eco-friendly management, JPR also considers issues such as facility user comfort and biodiversity.

Initiatives on Behalf of the Environment

1. Climate change

JPR and TRIM recognize that climate change is an environmental issue and medium-to-long-term risk which will have a major impact on their business.

Climate change caused by global warming will lead to rising sea levels, heavy rainfall and increased flooding and could affect JPR's business and NAV. For this reason, JPR and TRIM are managing and using data on greenhouse gas (GHG) emissions which affect climate change, submitting appropriate reports based on relevant laws and regulations, and working to reduce GHG emissions through their business activities.

(1) Climate change-related governance framework

TRIM's Sustainability Committee and Secretariat, a subordinate organization of the Committee, play central roles in gathering information about climate change-related risks and examining strategies for addressing these risks.

Meanwhile, TRIM's Risk Management Committee manages risks, including climate change-related risks, through regular monitoring, in accordance with TRIM's Risk Management Regulations.

(2) Climate change related risks and opportunities

JPR and TRIM examine climate change-related risks and opportunities by classifying them into risks related to transition to a low-carbon society and risks related to the physical changes brought about by climate change.

Transition risk

	Risks	Recognized challenges
1	Tightening of environmental regulation	Reputation risks arising from breaches of environmental legislation Increased cost of CO2 emissions
2	Rising energy prices	Rising utility costs
3	Changes in tenant behavior	Growing demand for disaster proof, eco-friendly buildings
4	Changes in investor behavior	Decline in asset value of buildings with poor environmental performance Fall in investment unit price amid avoidance of investment due to insufficient climate disclosures

Physical risks

	Risks	Recognized challenges
1	Damage caused by typhoons and heavy rain	Decline in value of assets in areas with high disaster risk Higher costs arising from damage to buildings due to disaster
2	Increase of average temperatures	Higher costs associated with surging electricity demand Increased complaints from building occupants due to heat
3	Rising sea levels	Higher costs and decline in the value of assets due to flood damage Higher costs for protection against floods

(3) Climate change-related goal

JPR and TRIM are working to save energy and reduce CO2 emissions by setting an environmental goal of reducing the energy consumption intensity and the CO2 emission intensity of the entire portfolio by 5% or more for five years from 2017.

* While TRIM set 2016 as the base year of the environmental goal, data calculation methods in 2016 and from 2017 onwards were different because TRIM introduced an energy management system in April 2019. TRIM has changed the base year from 2016 to 2017 to enable a more accurate data comparison.

(4) Measures for attainment of goal

JPR and TRIM work on environmental and energy-saving measures such as replacing equipment with items with higher energy efficiency and improving management methods, and they promote the reduction of CO2 emissions by measuring the value of greenhouse gas emissions.

a) Initiatives for improvement of repairing equipment

✓ Upgrading to highly energy-efficient equipment

Power consumed by air-conditioning equipment represents a significant percentage of the power consumed by all buildings, with power demand increasing sharply during the hot summer months in particular. JPR carries out planned upgrades of air-conditioning equipment in order to improve cost efficiency and comfort while reducing CO2 emissions.

✓ Upgrading to LED lighting

JPR is reducing power consumption by steadily introducing LEDs in common-area lighting and emergency exit lighting.

✓ Upgrading to lighting fixtures with motion detectors

Motion detectors respond to the movement of people and changes in brightness to provide illumination only when needed; as a result, lights do not remain on because people forget to turn them off, which reduces power consumption. JPR is working to reduce power consumption by installing motion detectors in bathrooms, staff kitchens, and stairways when carrying out common-area renovations so that lights will be turned off when these areas are not in use.

b) Initiatives for improvement of operations

At the facilities JPR operates, steps are also being taken to carefully coordinate equipment operation and control operation according to the season in order to reduce power consumption in common areas.

Category	Measure	Key Initiatives
Lighting	Dimming lighting when rooms are vacant	Creating standards for turning lighting on and off and promoting turning lights off when rooms are vacant
	Phasing out fluorescent vacuum tubes	Reducing electricity consumption by phasing out fluorescent tubes
	Floor management of common-area lighting	Managing common areas according to use by tenants
Air-conditioning equipment	Changing air-conditioning temperature to recommended values	Recommending that tenants adopt appropriate temperature settings for air-conditioning
	Turning off air-conditioning power in empty rooms	Turning off air-conditioning equipment power in empty areas to stop consumption of standby power
	Prohibiting entry of outside air during pre-warming/ pre-cooling	Restricting the entry of outside air during pre-warming/pre-cooling in order to reduce air-conditioning loads
Other equipment	Changing contract demand	Reviewing method of operating control equipment for the purpose of reducing contract demand and turning off equipment that is always on standby where appropriate
	Improving power factor using condensers	Improving power factor through careful control of condensers and reducing electrical circuit and transformer energy loss
	Seasonal adjustment of heated toilet seat temperatures	Managing toilet seat heating and washing water temperatures by adjusting the settings according to the season
	Seasonal management of times when outdoor lights are turned on	Automatically turning off exterior lights and managing the times when they are lit according to the season

- c) Improving building resilience
TRIM conducts onsite inspections of all portfolio properties (except land with leasehold interest) at least once a year, in principle, to assess whether they are equipped to withstand disaster (including typhoon, heavy rain, flood, and earthquake), checking for any new risks and seeking to mitigate the risk of damage, loss or degradation of the properties.
- d) Managing tenants in a crisis
TRIM regularly conducts disaster drills at every portfolio property to ensure that building tenants are able to take steps to rapidly ensure the safety of their workforce and prevent escalation of the disaster.
- e) Examining renewable energy adoption
Renewable energy sources such as solar and wind are promising forms of energy which do not produce greenhouse gases and will not be affected by regulatory risks in the future, and the generation costs of renewables have fallen sharply around the world. JPR and TRIM use renewable forms of energy at portfolio properties based on verification of economic efficiency, stability and safety and on the individual characteristics of each property.
- f) Monitoring of environment-related data
In addition to pursuing environmental and energy-saving measures, JPR periodically measures greenhouse gas emissions and strives to reduce the amount of CO₂ emitted at its properties.

Category/Unit		FY 2017	FY 2018	FY2019
Electricity Use*	Total (MWh)	95,436	93,444	91,730
	Intensity (MWh/m ²)	0.142	0.145	0.141
Gas Use*	Total (MWh)	17,908	17,992	17,008
	Intensity (MWh/m ²)	0.027	0.028	0.026
Heat Consumption*	Total (MWh)	11,999	12,217	11,682
	Intensity (MWh/m ²)	0.018	0.019	0.018
Energy consumption*	Total (MWh)	125,344	123,653	120,421
	Intensity (MWh/m ²)	0.186	0.191	0.185
Water Use*	Total (m ³)	536,559	521,176	514,929
	Intensity (m ³ /m ²)	0.798	0.807	0.790
Scope1*	Total (t-CO ₂)	3,213	3,228	3,051
	Intensity (t-CO ₂ /m ²)	0.005	0.005	0.005
Scope2* (Market basis)	Total (t-CO ₂)	53,473	47,498	46,675
	Intensity (t-CO ₂ /m ²)	0.080	0.074	0.072
Scope1+2*	Total (t-CO ₂)	56,686	50,726	49,726
	Intensity (t-CO ₂ /m ²)	0.084	0.079	0.076

* The data shown in the table is based on the data that is available to JPR.

* The energy consumption and scope 1 emissions data does not include relevant data derived from emergency generator fuel.

* Energy consumption, water use and GHG emissions data is also broken down into office property and retail property categories for further verification. The intensity is presented based on the calculation of (Total amount of electric power or CO₂)/(Total floor area of equities (m²) x (Average occupancy rate per year (%))

2. Conservation of water resources

JPR switches to apparatuses with greater water-saving effects with the renewal of toilets and kitchenettes. In addition, JPR works to reduce consumption by managing and measuring it appropriately in cooperation with tenants.

In some of the properties it holds, JPR has installed water recycling facilities for rainwater and recycles water to reduce water consumption.

Water Use

Category/Unit		FY 2017	FY 2018	FY2019
Office Property*	Total (m ³)	359,744	343,353	328,094
	Intensity (m ³ /m ²)	0.709	0.709	0.673
Retail Property*	Total (m ³)	176,815	177,823	186,835
	Intensity (m ³ /m ²)	1.071	1.100	1.139
Total*	Total (m ³)	536,559	521,176	514,929
	Intensity (m ³ /m ²)	0.798	0.807	0.790

3. Reduction of waste and management of hazardous substances

(1) Reduction of the amount of waste produced

By sorting industrial waste and enhancing recycling efforts, JPR is actively working to reduce the amount of waste produced. With the support of tenants and cleaning companies, the following waste-reducing initiatives have been implemented:

- a) Expanding the scope of recycling
- b) Recycling used fluorescent light tubes and batteries
- c) More thorough sorting rules
- d) Enhancing recycling and educational activities

(2) Waste and Recycling Rate

Category	FY 2017	FY 2018
Annual waste amount (t)*	5,137	4,950
Recycling rate*	55.7%	54.9%

* This graph aggregates data for properties owned by JPR, excluding properties where tenants dispose of waste themselves.

* The waste amount and recycling rate data is data for FY2017 (from April 1, 2017 to March 31, 2018) and FY2018 (from April 1, 2018 to March 31, 2019).

* Three small buildings are not included in the totals because they do not engage in activities such as gathering waste data.

(3) Management of hazardous substances

a) Treatment of asbestos

- ✓ With the Ordinance on Prevention of Health Impairment due to Asbestos (the Ministry of Health, Labour and Welfare) coming into effect in July 2005, employers have been obliged to take measures such as the removal, containment and enclosure of sprayed asbestos if it could disperse in a building where their employees work.
- ✓ JPR had carried out the removal of sprayed materials such as asbestos at the time of facility renovations, before the Ordinance came into effect, and all the necessary measures such as removal, containment and enclosure have been completed in locations with a high frequency of use, such as offices and corridors.
- ✓ In properties that contain asbestos and other sprayed materials, JPR inspects and verifies that the asbestos is below the standard value by measuring the status of the asbestos on an ongoing basis when JPR measures the air environment based on the Act on Maintenance of Sanitation in Buildings.
- ✓ When acquiring a property, JPR has experts conduct an investigation upon concluding a sales contract to ensure that environmental pollutants such as asbestos are managed appropriately.

b) Treatment of PCB

If PCB is contained in a property owned by JPR, JPR treats the PCB according to related laws and regulations after removing the electrical equipment that contains PCB. During the period until the treatment, JPR stores and manages the electrical equipment appropriately based on the PCB storage and management standards of the environment bureau of each prefecture.

4. Promoting renewable energy

Tokyo Square Garden and Olinas Tower, which are owned by JPR, use renewable energy through the introduction of solar power generation equipment. The amount of power generated is as follows.

Portfolio (Unit)	FY 2017	FY 2018	FY 2019
Olinas Tower (KWh)	5,400	5,412	5,388
Tokyo Square Garden (KWh)	4,551	4,578	3,655

*The amount of power generated is a value for interests owned by JPR.



Tokyo Square Garden
(Rooftop)



Olinas Tower
(Solar power generation equipment)

5. Promotion of wall greening and rooftop greening

As a part of JPR's brand strategy, JPR greens the walls and rooftops of properties using environmentally accepted plants. This helps create a natural environment in cities and promotes the inhabitation of diverse organisms. The wall and rooftop greening also has the effect of reducing the electricity consumption of air-conditioning through thermal insulation and the effect of reducing the thermal load inside buildings.



Sencity Bldg.

6. Cooperation with tenants

(1) Promotion of a green lease contract

A green lease contract makes arrangements to reduce environmental loads such as through energy savings and improving the work environment, with the building owner and the tenants working together. In lease contracts of JPR, a green lease clause is standardized to promote the reduction of environmental loads in cooperation with the tenants.

(2) Example of conclusion of green lease agreement (Niigata Ekinan Center Bldg.)

JPR's tenants include corporations and organizations with strong environmental awareness and JPR is pushing for the conclusion of green lease agreements which create a win-win situation for both parties. JPR concluded a green lease agreement for Niigata Ekinan Center Bldg.

The main points are as follows:

- Reduction of CO2 emissions and costs through switch to LED
- Improvement of property quality through mitigation of environmental impact



7. Improvement in effectiveness in cooperation with property managers

To promote initiatives to reduce environmental loads, cooperation with the property managers (PMs), who manage and operate properties on site, is essential. JPR and TRIM regularly share information with the PMs and discuss initiatives on energy-saving and environmental issues.

JPR and TRIM also hold workshops for the PMs and others to raise their awareness of sustainability and enhance their readiness.

8. Ensuring environment, safety and health in real estate investment

When acquiring a new property, JPR and TRIM always check the environmental and social risks by using outside experts, in addition to site visits and investigations, before concluding a sales contract to avoid the risks. In addition, JPR and TRIM also monitor the environmental, safety and health aspects of existing properties on an ongoing basis.

9. Green Finance

To implement green finance, JPR has formulated the Green Finance Framework in accordance with the Green Bond Principles 2018 and the Green Bond Guidelines 2017 Edition.

(1) Framework of Green Finance

- a) Use of proceeds from Green Finance
Proceeds from Green Finance will be allocated as follows.
- To fund purchases of existing or new assets classed as Eligible Green Assets (explained later)
 - To fund the repayment of loans needed to purchase Eligible Green Assets
 - To fund the redemption of investment corporation bonds needed to purchase Eligible Green Assets
- b) Eligible Green Assets
Eligible Green Assets will be selected from among assets that have received or will receive certification under either of the following standards.
- DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
 - CASBEE: B+ Rank, A Rank or S Rank
- c) Management of proceeds
Eligible green liabilities will be calculated by multiplying the total acquisition price of Eligible Green Assets in the portfolio by the ratio of interest-bearing liabilities to total assets (LTV) and this amount will be set as the maximum amount of Green Finance.
- d) Third-party assessment
JPR obtained Green 1 (F) rating, the highest possible, in a "Green Finance Framework Evaluation" by Japan Credit Rating Agency, Ltd. (JCR), which is a third-party evaluation organization, regarding the eligibility of its Green Finance Framework.

Please click on the link below for further details.

<https://www.jcr.co.jp/en/>

(2) Status of Finance

Outstanding Balance of Green Bonds Issued

Issue Amount (million yen)	5,000
Issue Date	July 31, 2019
Maturity Date	July 31, 2029
Coupon Rate	0.57 %
Remarks	Unsecured/Unguaranteed

Sustainability certification

1. Status of Acquisition of Environmental Certification

JPR is working to improve the percentage of properties with environmental certification, aiming for a sustainable portfolio with a low environmental impact. The status of acquisition is as shown below.

Item	Dec. 2018	Jun. 2019	Dec. 2019	Jun. 2020
Number of properties	17	21	23	26
Total floor area	223,389	352,458	359,132	414,241
Percentage of properties with environmental certification	34.0%	53.4%	54.4%	60.1%

2. Acquisition of DBJ Green Building Certification

JPR has acquired the DBJ Green Building Certification, which Development Bank of Japan Inc. (DBJ) offers to real estate properties that give consideration to both the environment and society for several properties. The DBJ Green Building Certification is offered by DBJ in five ranks, according to the degree of consideration given by office properties to the environment and society.



Property	Certification Level	Acquisition Date
Olinas Tower	★★★★★	Dec. 2018
Tokyo Square Garden	★★★★★	Jul. 2017
JPR Sendagaya Bldg.	★★★★	Dec. 2018
Oval Court Ohsaki Mark West	★★★★	Dec. 2018
Shinjuku Center Bldg.	★★★★	Mar. 2019
Kawasaki Dice Bldg.	★★★	Jun. 2019
Omiya Prime East	★★★	Dec. 2018
Rise Arena Bldg.	★★★	Dec. 2018
Yume-ooka Office Tower	★★★	Dec. 2018
Kanematsu Bldg.	★★★	Dec. 2018
BYGS Shinjuku Bldg.	★★★	Dec. 2018
Shinagawa Canal Bldg.	★★★	Dec. 2018
JPR Crest Takebashi Bldg.	★★	Dec. 2018
Shinjuku Square Tower	★★	Mar. 2019
Minami Azabu Bldg.	★★	Jul. 2017
JPR Chiba Bldg.	★★	Jul. 2017

3. Acquisition of ranking in GRESB Real Estate Assessment

The Global Real Estate Sustainability Benchmark is a benchmark system for evaluating environmental, social and corporate governance (ESG) considerations in the real estate sector, established in 2009 primarily by major European pension fund groups. Of the survey subjects, the GRESB real estate assessment covers real estate companies and funds that are mainly engaged in managing existing properties.

With regard to JPR's initiatives on sustainability, the 2019 survey acknowledged its superiority both in the "Management & Policy" and "Implementation & Measurement" dimensions, and designated JPR as "Green Star" for the sixth consecutive year. Moreover, JPR was granted "5 Stars," the highest mark, in the GRESB Rating. In addition, JPR received an "A," the highest rating, in the GRESB Public Disclosure (Evaluation of ESG Disclosure Level).

The following initiatives taken by JPR were acknowledged in the assessment of the survey:

- Enhanced management and strategy for sustainability, including establishment of objectives and reinforcement of the implementation system
- Concrete actions for appropriately understanding ESG risks and improving on ESG issues
- Strengthened efforts in establishing relationships with tenants and other stakeholders



4. Concerning Acquisition of CASBEE for Building Certification

CASBEE is a system for comprehensively assessing and ranking the environmental performance of buildings with regard to aspects, such as the enhancement of environmental quality and performance, including indoor comfort and consideration for the landscape, on top of the aspect of environmental consideration, such as energy saving and the use of materials and equipment with a lower environmental burden.

For details of the System, please refer to the website of CASBEE

<http://www.ibec.or.jp/CASBEE/index.html>



Property Name	Certification Level	Acquisition Date
Musashirawa Shopping Square	S	Jun. 2019
JPR Umeda Loft Bldg.	S	Jun. 2019
Housing Design Center Kobe	S	Jun. 2019
JPR Kojimachi Bldg.	S	Dec. 2019
FUNDES Ueno	S	Dec. 2019
JPR Musashikosugi Bldg.	S	Jun. 2020
Sompo Japan Sendai Bldg.	S	Jun. 2020
JPR Shibuya Tower Records Bldg.	A	Jun. 2019
Yakuin Business Garden	A	Jun. 2018
Kawaguchi Center Bldg.	A	Jun. 2020

5. Other awards

Yakuin Business Garden is located in the urban area of Fukuoka City. As the building name indicates, the property has a wide, vacant lot open to the public, where 23 kinds of plants provide a different appearance season by season, including the corridor of zelkova trees that dye the air green. It is a space of greenery full of healing and comfort, where not only the facility users but also many other people feel relaxed. JPR endeavors to promote greenery as an initiative to enhance the asset value as well as to support town creation.

[Won the 10th "Award for Town Creation with Flowers and Greenery" in 2013]



Initiatives for Society

JPR and TRIM have relationships with a broad array of stakeholders including unitholders, tenants, PMS, local communities and TRIM employees. JPR and TRIM will engage in business with sincerity and a sense of responsibility to build good relationships with stakeholders that last for a long time.

Initiatives on Behalf of Tenants

Realizing better customer satisfaction (CS) should create opportunities to invite new tenants as well as to continue contracts with existing tenants.

JPR believes that the quickest way to enhance CS is to directly hear the requests and comments of tenants and users and reflect them in the facilities and services. Based on this belief, JPR takes a variety of measures.

1. Considerations Given to Security and Service

JPR provides high-quality services in consideration of safety and security of all the people who use the properties. By doing so, JPR works to enhance tenant satisfaction.



Keeping composed even in emergency Disaster emergency response system

- Utilize the disaster manual
- Establish the disaster emergency response system



Preventing accidents caused by human errors Enhanced safety at parking lots

- Prepare safety standards for parking lots
- Understand the current status and check conformity to the standards
- Install, review and replace equipment
- Securely explain how to use to managers and users



Greetings with a Smile Improvement of staff manners

- Prepare a manual for manners
- Check staff manners periodically



Always kept clean Raising levels of cleaning

- Utilize cleaning check sheets
- Periodically check the cleaning crew



Comfortable indoor space Replacement of air-conditioners

- Conduct strategic replacement based on the results of the CS surveys
- Exercise energy-saving effects
- Enhance comfort for people within the building



Making arrangements for seasonality Decoration at the entrance

- Conduct three times (spring, summer and winter) a year
- Installation of flowers at the entrance (spring)
- Preparation of strips of paper conveying wishes with tenants at the Tanabata festival (summer)
- Decoration for Christmas (winter), etc.

2. Periodic CS Surveys

JPR periodically conducts CS surveys and inspections to check the level of its tenant services for each building. Based on the inspection results, discussions are held to identify the issues and countermeasures for each building, with an aim to continuously enhance the services offered by JPR as a whole.

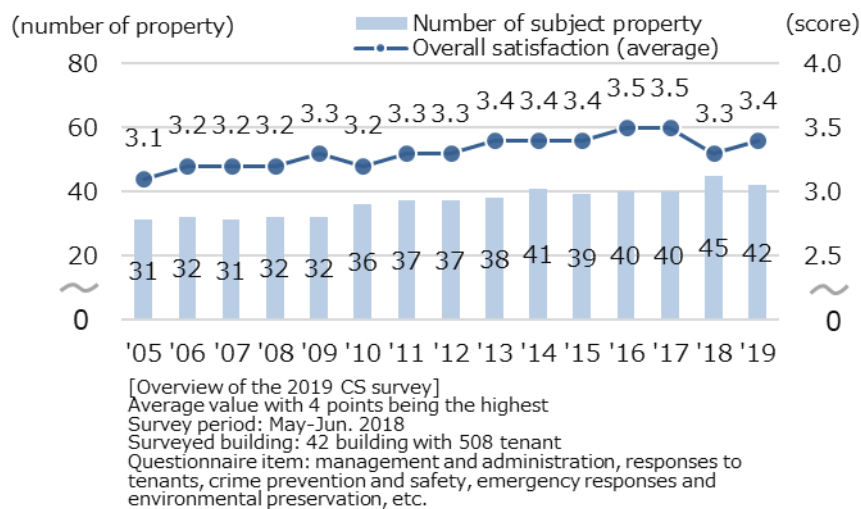
The surveys are consigned to a think tank, a third-party organization, to secure fair assessment results.

• Changes in CS Survey Results

Based on the survey results, JPR addresses the requests from tenants as quickly as possible, endeavoring to improve the issues.

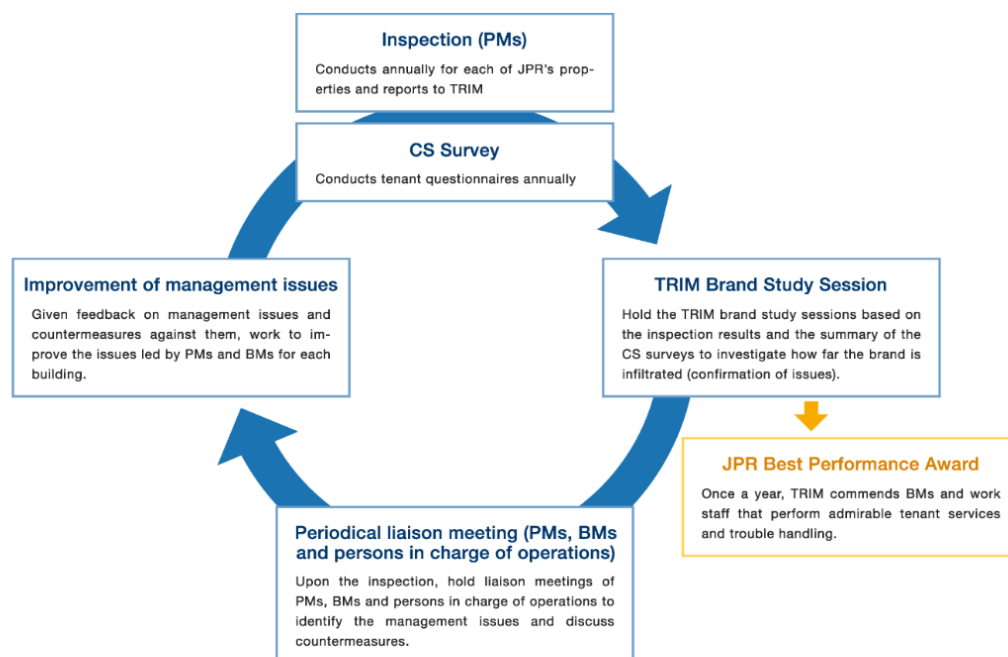
Through these continuous responses to tenants, their overall satisfaction (average) has been steadily enhanced.

*The 2020 CS Survey was cancelled due to the effects of the COVID-19 pandemic.



3. Inspection Flow Chart for CS

JPR shares information on the results of tenant questionnaires and the results of PMs' inspection of issues with building managers (BMs) to improve the issues.



PM: property manager (leasing management)
 BM: building manager (building management)

4. Initiatives to Improve the Management Level (Commendation System of the JPR Best Performance Award)

JPR commends the BMs at an excellent management level as a model for other properties by implementing the JPR Best Performance Award based on the results of a CS (tenant satisfaction) survey and the recommendations of the PMs. Because this award is given based on tenant satisfaction, it serves as a significant incentive for the BMs to increase tenant satisfaction. In the buildings that received the Award, the BMs tend to actively express opinions to improve the management level in many cases, suggesting that their motivation has increased.

In addition, because tenant satisfaction is high in buildings that have received the Award, excellent services and efforts in the buildings will be shared with the BMs of other properties, which leads to an improvement in the management level of the entire portfolio.

• Recipients of JPR Best Performance Award 2019

The Best Performance Award 2019 was given to JPR Ichigaya Bldg. The management staff always build good relations with tenants and excel at managing the building. As a result, tenant satisfaction is high, leading to fewer problems. When simultaneously dealing with construction work on the changeover of retail unit tenants and the departure of tenants, the staff facilitated difficult events flexibly. The building also scores consistently high in tenant satisfaction surveys and, for these reasons, JPR Ichigaya was the winner.

The special award was given to Kanematsu Bldg. and Kanematsu Bldg. Annex, which are highly rated every year despite stringent management requirements, and to JPR Ueno East Bldg. for its quick response to problems and well-organized management. The special award was also given to JPR Hakata Bldg., Yakuin Business Garden and JPR Naha Building, which were highly rated for their staff's attitude toward work and the high standard of management.

*The JPR Best Performance Award 2020 was cancelled due to the effects of the COVID-19 pandemic.

**Best
Performance
Award**



JPR Ichigaya Bldg.

**The special
award**



Kanematsu Bldg

**The special
award**



Kanematsu Bldg.
Annex

**The special
award**



JPR Ueno East

**The special
award**



JPR Hakata Bldg.

**The special
award**



Yakuin Business
Garden

**The special
award**



JPR Naha Bldg.

Safety and Security Initiatives

JPR and TRIM believes that its primary responsibility is to ensure the safety of tenants and users and provide facilities and services that are comfortable and safe to use. Continuous and comprehensive efforts are required in order to provide safe, secure and high-quality services. Drawing on the expertise of its sponsors, JPR views safety the top priority in operating its properties.

1. Improving safety and security

JPR and TRIM manages its facilities appropriately in accordance with its Operation and Maintenance Manual to provide peace of mind to all tenants and customers. For management of parking lots, which have high risk when it comes to safety, TRIM has developed its own in-house safety standards that are more stringent than the standards required by law, and pursues continuous risk reduction through regular inspections and reviews at each property. The majority of accidents that occur in parking lots are accounted for by human error, so TRIM is further promoting risk reduction by sharing detailed safety information with users.

2. Earthquake- and disaster-prevention initiatives

Since the Great East Japan Earthquake in 2011, there has been increased concern about the earthquake resistance of buildings. JPR and TRIM are adopting measures to minimize damage and ensure rapid recovery in order to ensure business continuity and enable sustained growth in the event of unforeseen circumstances such as a natural disaster or epidemic. Furthermore, JPR considers earthquake risks when buying properties and does not acquire buildings that fail to meet certain earthquake-proofing standards.

(1) Disaster-prevention and business continuity planning (BCP) measures

TRIM has established crisis management procedures and a business continuity plan and is making ongoing efforts to prepare for unforeseen circumstances such as natural disasters. In developing BCP, the probability of a crisis occurring, its impact, and the difficulty of responding to it are evaluated and measures selected accordingly. As part of BCP, an action plan has been formulated in order to take appropriate steps regarding essential business and critical factors when responding to a disaster. In the event of an emergency situation, crisis response headquarters will be set up, and preparations have been made to preserve assets and ensure the rapid deployment of countermeasures, with the primary goal being to protect the lives of people.

Conducting regular disaster prevention and business continuity planning (BCP) drills

In order for BCP to be used effectively in an emergency situation, regular drills alongside ongoing workforce education are essential.

As part of disaster prevention drills, TRIM regularly conducts BCP drills to encourage collaboration and cooperation between officers and employees and to increase understanding. TRIM also shares any issues identified through the drills and strives to improve emergency preparedness.



FY2019 drill

(2) Conducting disaster-prevention training

With increasing attention being focused on the importance of earthquake- and disaster-preparedness, regular disaster-prevention training and awareness activities are being conducted at buildings owned by JPR for the purpose of ensuring user safety, reducing damage, maintaining business activities, and helping people in the community in the event of an earthquake. Moreover, in properties with many foreign-affiliated tenants, steps have been taken to provide emergency announcements in English and measures suited to user characteristics have been implemented. TRIM is also striving to improve its response capabilities and conducts regular trainings to increase the speed at which information about property damage will be collected in the event of an earthquake occurring directly below the Tokyo area.

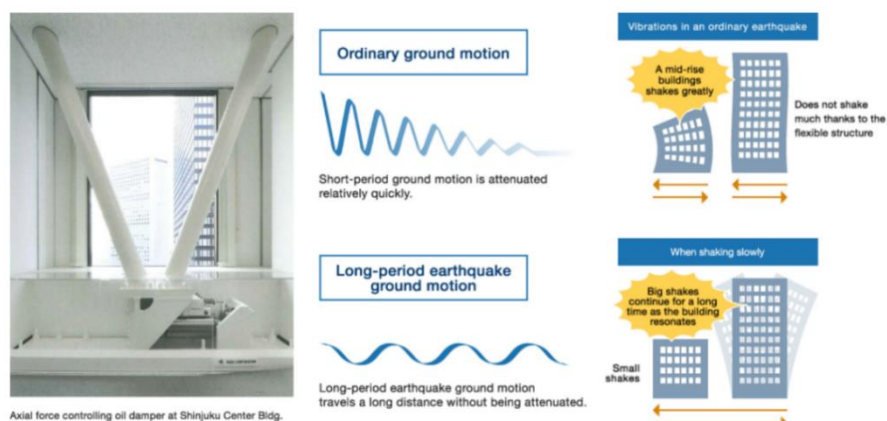
(3) Using PML Values in Preparation for Earthquake Risks

PML means Probable Maximum Loss, or the maximum amount of loss by earthquakes. ML indicates the degree of damage to a building caused by an assumed earthquake of maximum magnitude (possible once every 475 years), presented as the proportion (%) of the expected restoring cost against the price to re-acquire the building (replacement cost). The lower the percentage, the lower the amount of loss. JPR checks the earthquake resistance performance and the PML value when determining whether to acquire a property, and will not acquire it if the property does not meet certain standards. For the earthquake resistance performance and the PML value of individual properties in the portfolio, please check the Property Data Book.

(4) Shakes by the Great East Japan Earthquake Attenuated at Shinjuku Center Bldg.

Supported by Taisei Corporation, the sole general contractor among sponsors of J-REITs, JPR installed 288 axial force controlling oil dampers at Shinjuku Center Building in 2009. The installation represented the first countermeasure against long-period earthquake ground motion for existing ultra-skyscraper buildings in Japan.

When the Great East Japan Earthquake occurred, this countermeasure minimized the damage to the building, reducing maximum distortion by 22% and maximum acceleration by 29%. At Toh-Ten-Koh, a Chinese restaurant on the top floor, the damage consisted of a small number of broken plates. This is an example where preliminary measures minimized the damage.



Countermeasures against Long-Period Earthquake Ground Motion Won the 20th BELCA Award

The BELCA (Building and Equipment Long-Life Cycle Association) Award is a program to select and recognize exemplary buildings and structures among those that are properly repaired and maintained or have undergone excellent renovation work. Shinjuku Center Bldg. received the 20th BELCA Award (in the long life domain).



Local Community Initiatives

1. Cooperation with sponsors in urban redevelopment

In large-scale redevelopment, JPR promotes the reasonable, sound and high-level use of land in cities and the renewal of urban functions by developing highly aseismic buildings and public facilities such as parks, squares and streets. JPR has a track record of acquiring more than 70% of the sponsor pipeline, which mainly consists of large-scale properties redeveloped by the sponsors, and large-scale redevelopment properties make up 43.5% of the portfolio. Major large-scale redevelopment properties in the portfolio are as follows.



The Otemachi Tower
36.0 billion yen



Olinas Tower
31.3 billion yen



Shinjuku Center Bldg.
21.0 billion yen



Tokyo Square Garden
18.4 billion yen

2. Local Community Initiatives

At JPR and TRIM, it is believed that developing the communities where properties are located will enhance the value of JPR's assets. As a good real estate owner, JPR strives to engage in dialogue with local residents, offer its land and facilities as venues for people to interact, and establish roots in the community.

(1) Example property: Oval Court Ohsaki Mark West

As part of its interactions with building tenants and local residents, satsuma-imo potatoes have been cultivated on the roof of Oval Court Ohsaki, organized mainly by the building's management association. During the height of summer, the plants sprout and cover the roof. Through transpiration and heat-shielding, the leaves help to alleviate the heat island effect. In addition, "Green Potato" harvesting sessions are held to collect potatoes grown on the roof, with building tenants and children from neighborhood daycares taking part in the activity. Some of the harvested potatoes are cooked in the building's cafeteria and served at a dinner for the participants, who greatly appreciate it.



(2) Example property: Yume-ooka Office Tower

Through the management association, Yume-ooka Office Tower, in collaboration with other condominium owners, provides financial support to set up illuminations in winter for the enjoyment of local residents. To celebrate the event's 20th anniversary in 2016, the Yume-ooka Festival was held at the rooftop garden. It was attended by around 6,000 people, including local residents and building tenants. In addition, the building has undertaken various activities to support the community, including providing display areas for fire-prevention awareness posters created by children from the ward, a bloodmobile station, and an event venue for use by community development groups.



(3) Morning Clean-up Activities

TRIM, together with Tokyo Tatemono Co., Ltd., its main sponsor, periodically conducts cleanup activities in the Nihonbashi, Yaesu and Kyobashi area, where its head office is located. Recently, more than 200 volunteers primarily from the Tokyo Tatemono Group have participated in volunteer activities in an effort to improve the look of the area.



TRIM will continue to make contributions to regional communities through exchanges with local residents and town beatification activities.

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(4) Sanno Matsuri

Sanno Matsuri is a festival at Hie Shrine. In the Edo period, it was one of the few festivals called Tenka-Matsuri that were watched by the shogun. This festival is one of the three great festivals in Japan, together with Osaka Tenjin Matsuri and Kyoto Gion Matsuri.



Partly because it is held every other

year, Sanno Matsuri is a major festival. The mikoshi (portable shrine) of Kyobashi 3-chome, where Tokyo Square Garden owned by JPR is located, also parades through the town during this festival.

Officers and employees of TRIM, which is a member of the Tokyo Tatemono Group as the sponsor, participate in the festival and warm it up with people from the local neighborhood association.

Workforce Initiatives

One of the corporate beliefs of TRIM is that “each officer and employee shall act as a professional with sincerity and a sense of responsibility.” TRIM believes that if the officers and employees exercise their advanced expertise through personal growth, it will lead to the sustainable growth of JPR and TRIM.

Based on this philosophy, TRIM supports the self-fulfillment of its employees by advocating the creation of a work environment where each employee will be respected as an individual and will be able to work in a meaningful and rewarding job and demonstrate their abilities to the fullest. In addition, TRIM makes efforts for the fair and appropriate evaluation of the employees by considering both the process and outcomes to boost their long-term cultivation, in addition to pursuing their short-term results.

1. Human capital development

TRIM fully supports employees' attitudes to take on challenges based on the idea that its workforce is its greatest management resource. TRIM has developed an education and training system that is required for its employees to apply their expertise, expand their sustainability and improve their self-management skills, and engages in human capital development to enable all employees to fully exert their expertise and realize the creation of higher added value and new value as professionals in real estate investment management.

(1) Human capital development programs

TRIM has systemized rank-based training in line with the skills necessary for each grade and position from the standpoint of the medium- and long-term development of employees and engages in career development according to the duties, rank and the development of the future management team. TRIM also provides its independently produced training programs every year on subjects with strong social demand such as compliance and ESG.

Grade	Vision for personnel	Major abilities to execute	Rank-based job training		Overall training	Individual training
			Rank-based training	Skill training		
A	Lead the pursuit of achievements as a professional representing the company in an area of responsibility.	Management strategic ability Ability to reform business Organizational ability Ability to cultivate successors			Designate human and conceptual skills training for each grade. Our training (compliance training and ESG training)	<ul style="list-style-type: none"> •e-learning (required and optional) •Training to acquire qualifications •Specialized courses
B	Perform a high level of duties both qualitatively and quantitatively as a highly skilled professional and play a central role in pursuing achievements in an area of responsibility.	Management skills Ability to formulate strategies Teaching and cultivation skills	Management training Evaluation training			
C	Contribute to the achievements of a team to which the employee belongs as a core member in the execution of operations within a certain range.	Problem-solving ability Leadership development Basic management skills Communication skills	Leadership training Management assessment			
D	Assume responsibility for executing operations as a person in charge of operations within a certain scope.	Problem finding and solving ability Ability to improve operations Ability to accomplish operations Communication skills	Communication training Leadership assessment			
E	Support superiors in the execution of operations as an assistant.	Business processing ability Ability to write sentences well Basic actions and attitude	(Independence)			

(2) Job specific development training program

TRIM proactively supports all employees in developing skills in order to exercise strong expertise. Support includes covering expenses for attendance at seminars and trainings at least twice a year and periodically providing internal training using e-learning. TRIM also manages the status of attendance at training sessions and uses it for guidance and career development.

It covers the expenses for the acquisition of ARES Certified Master certification and other qualifications.

As of the end of March 2020, TRIM employees held the following qualifications.

Real estate transaction specialist	34 employees
ARES Certified Master	13 employees
Real estate appraiser	4 employees
First-class architect	2 employees
Certified public accountant	1 employee
Securities Analysts Association of Japan	4 employees

Related data	Fiscal 2017 (Apr. 2017-Mar. 2018)	Fiscal 2018 (Apr. 2018-Mar. 2019)	Fiscal 2019 (Apr.2019-Mar. 2020)
Annual total of hours spent on education and training	748 hours	835 hours	683 hours
Hours spent on education and training per employee	19.2 hours	20.4 hours	16.3 hours
Ratio of executives and employees receiving education and training	100.0%	100.0%	100.0%

(3) Personnel system

TRIM places importance on the development and demonstration of skills of all employees, and has established regulations for the personnel system in an aim to treat its workforce fairly and to develop human resources. With enhanced fairness and transparency in personnel evaluation based on achievements, TRIM presses ahead with creating a work environment where employees can exert their capabilities as professionals while setting higher individual goals. To ensure the fairness of evaluations, TRIM conducts multi-step evaluations and carries out the company-wide adjustment of evaluation levels. In addition, every employee is notified of evaluation results and can raise any objections or seek a correction. The evaluator conducts interviews with employees every three months to share thoughts on their expected roles that are appropriate to their skill development stages as well as actual achievements. TRIM uses the interview as an important opportunity for promoting skill development while presenting the evaluation more satisfactorily. At the same time, TRIM provides the evaluator with evaluation training to ensure fair evaluation and guidance.

(4) Employee satisfaction survey

TRIM believes that employees are stakeholders closest to TRIM and improving their satisfaction is essential to its sustainable growth. Accordingly, TRIM conducts annual surveys of all employees on a wide range of matters such as workplace environment, physical and mental health issues, educational support, treatment and personnel policies. The results of the survey are reported to the management team and feedback is provided to employees to improve the workplace environment.

(5) Employee awards program

TRIM has established an awards program to recognize employees with notable achievements. By presenting an award, TRIM fosters a corporate culture that raises the motivation of each employee and encourages them to work with an enterprising spirit.

2. Work-life balance

TRIM believes that balancing work and life by reviewing employees' working hours will lead to higher productivity and satisfaction. TRIM promotes creating a pleasant workplace considering the work-life balance so that all employees will be able to fully exert their potential.

(1) Prevention of prolonged working hours

As part of efforts to create a healthy working environment, TRIM works to prevent chronic or continuous long hours of work as well as to thoroughly abide by labor-related laws. TRIM implements measures that include the proper management of the working status of all employees and the provision of instructions for improvement as needed while reporting to the management team.

Related data	Fiscal 2017 (Apr. 2017-Mar. 2018)	Fiscal 2018 (Apr. 2018-Mar. 2019)	Fiscal 2019 (Apr. 2019-Mar. 2020)
Overtime hours per employee (monthly)	13.2 hours	10.7 hours	12.5 hours

(2) Holiday system

It is important for employees to have sufficient rest and gain vitality for work to exert their full capacity and produce business results. TRIM believes that it is very important that employees take holidays to generate higher added value. TRIM works to increase the ratio of paid leave taken by developing a work environment where employees can easily take paid leave by improving their operational efficiency, and encourages them to take long-term paid leave by providing them with seasonal holidays, in addition to ordinary annual paid leave. TRIM has also developed a system for enabling employees with chronic diseases to play an active role by introducing the sick leave system in fiscal 2018, so that they can take a leave of absence for hospital visits and medical treatment with peace of mind.

Related data	Fiscal 2017 (Apr. 2017-Mar. 2018)	Fiscal 2018 (Apr. 2018-Mar. 2019)	Fiscal 2019 (Apr. 2019-Mar. 2020)
Ratio of paid leave taken	89.1%	83.2%	70.8%

(3) Healthcare

TRIM considers the health of executives and employees as an important matter for the company and addresses health management as a critical management issue. While covering the expenses for health checkups and influenza vaccinations among other things to encourage them, TRIM also works to improve the health of employees through prevention and early treatment by implementing measures against lifestyle-related diseases and metabolic syndrome. Furthermore, TRIM has established a system that provides finely tuned responses through face-to-face counseling to deal with mental healthcare, by setting up a health consultation office to allow employees to casually visit.

Related data	Fiscal 2017 (Apr. 2017-Mar. 2018)	Fiscal 2018 (Apr. 2018-Mar. 2019)	Fiscal 2019 (Apr. 2019-Mar. 2020)
Ratio of employees receiving health checkups	100.0%	100.0%	100.0%

3. Health and Comfort

TRIM understands that the mental and physical health of employees is the starting point for the sustainable development of TRIM and JPR. The health of employees is essential for increasing productivity and creativity, and TRIM is committed to the development of internal systems and the improvement of the workplace environment and will actively support the promotion of health among employees and their families.

(1) Healthcare

Recognizing that management of employees' health is a crucial issue, TRIM fully subsidizes and recommends health checkups and influenza vaccinations. TRIM is also focusing on improving health through prevention and early treatment including measures to avoid lifestyle diseases and increase metabolism, treatment to help employees quit smoking, and dental checkups.

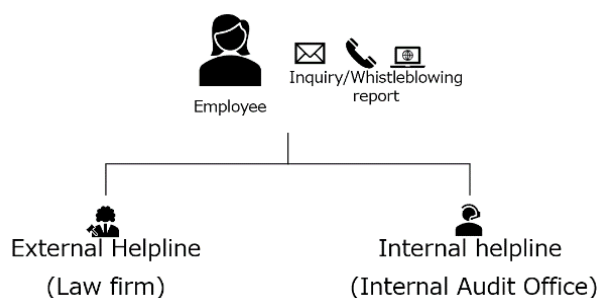
In terms of mental healthcare, TRIM has also established a health helpline giving employees easy access to counseling at any time.

(2) Compliance helpline

TRIM has a Compliance Office as a point of contact with which employees can consult regarding work issues or can use to make inquiries or whistleblowing reports in relation to compliance. Employees also have the option of using Tokyo Tatemono Group's helpline or an external point of contact provided by a law firm.

TRIM gives the utmost consideration to the privacy of those who consult with the helpline or make whistleblowing reports and thoroughly implements measures prohibiting discriminatory treatment of whistleblowers.

Inquiries and whistleblowing reports received by each helpline are reported to the President and the Compliance Office promptly conducts an investigation to confirm the facts and implements corrective measures and recurrence prevention measures where necessary.



(3) Individual interviews with employees

All employees have an interview with a personnel officer once a year. The interview provides an opportunity to ask the employee about a wide range of topics, including any complaints or requests in relation to the workplace or workplace relationships, problems with their health or family, and any future career aspirations. It is helpful for the provision of support to the employee after the interview and for improving the workplace environment.

(4) Development of office environment

TRIM believes that a comfortable office environment is necessary for employees to fully perform. TRIM advocates the development of workplaces that are conducive to work, putting plants in every office and providing communal areas and rest areas, and making drinks and snacks available to encourage communication between employees. Meanwhile, through its use of ICT, TRIM has enabled the use of computers anywhere in the office, has improved work efficiency and has reduced paper resources by moving to paperless meetings.

(5) Labor-management relations

TRIM believes that the prosperity of JPR and TRIM lies in good relationships between the management and employees. As part of its efforts to create a workplace with good communication, TRIM holds exchange meetings between the management and employees every six months to provide an opportunity for direct dialogue between the management and all employees. Since its founding, TRIM has never taken measures similar to layoffs or restructuring and has never experienced labor issues such as strikes.

4. Diversity

TRIM respects the diversity of all employees regardless of nationality, gender, age, values and attributes, and is creating an environment where employees can succeed to achieve medium- to long-term growth and enhance corporate value.

(1) Respect for human rights and the prevention of harassment

TRIM believes that the basic attitude we should have in an environment full of opportunities to interact with people who have different ways of thinking and values is to accept each other without denying the opinions of the other person and to interact with respect and dignity. TRIM eliminates harassment such as discrimination and abuse as the footing for an environment where employees can work enthusiastically. The Tokyo Tatemono Group and TRIM promote awareness-raising and the acquisition of knowledge to eliminate discrimination and prevent harassment through compliance training.

(2) Promoting the empowerment of women

TRIM considers the diversity of employees as an essential theme for sustainable growth and is striving to respond to the various needs of employees. In addition, TRIM is promoting the creation of a workplace environment where female employees wishing to succeed in work can fully exert their individuality and skills.

Related data	Fiscal 2017 (Apr. 2017-Mar. 2018)	Fiscal 2018 (Apr. 2018-Mar. 2019)	Fiscal 2019 (Apr. 2019-Mar. 2020)
Number of employees taking childcare leave	2	0	0
Number of employees working reduced hours	2	2	2

(3) Empowerment of seniors

TRIM works to create an environment in which seniors will continue to have active roles utilizing their work experience, knowledge, skills and such after their retirement, by introducing the reemployment system, which allows employees who wish to work after their retirement at 60, to be continuously employed.

5. Data Related to Employees

Data Related to Employees	Fiscal 2017	Fiscal 2018	Fiscal 2019
Number of full-time directors*	5	5	3
Male	5	5	3
Female	0	0	0
Number of employees (regular/contract)*	39	41	42
Ratio of regular employees against all employees*	94.9%	90.2%	92.9%
Number of regular employees*	37	37	39
Male	31	32	33
Female	6	5	6
Number of contract employees*	2	4	3
Male	0	0	1
Female	2	4	2
Number of employees seconded from other companies*	13	11	11
Male	12	11	10
Female	1	0	1
Ratio of female employees*	20.5%	22.0%	21.4%
Ratio of female executives*	0.0%	0.0%	0.0%
Ratio of female directors*	0	0	0
Average length of service*	6 years and 10 months	6 years and 3 months	7 years and 3 months
Male	6 years and 7 months	6 years and 0 month	6 years and 10 months
Female	7 years and 5 months	6 years and 8 months	8 years and 4 months
Number of new hires*	1	5	2
Male	1	3	2
Female	0	2	0
Number of employee turnover*	2	1	1
Male	2	1	0
Female	0	0	1
Employee turnover rate*	7.7%	3.3%	3.6%
Ratio of paid leave taken*	89.1%	83.2%	70.8%
Ratio of employees receiving health checkups*	100.0%	100.0%	100.0%
Annual total of hours spent on education and training*	746 hours	835 hours	683 hours
Hours spent on education and training per employee*	19.1 hours	20.4 hours	16.3 hours
Ratio of executives and employees receiving education and training*	100.0%	100.0%	100.0%
Ratio of executives and employees receiving sustainability training*	-	-	72.7%
Overtime hours per employee (monthly)*	13.2 hours	10.7 hours	12.5 hours
Male	14.1 hours	12.9 hours	14.5 hours
Female	9.1 hours	5.2 hours	7.5 hours
Number of employees taking childcare leave*	2	0	0
Number of employees taking long-term nursing care leave*	0	0	0
Number of employees working reduced hours*	2	2	2

*The above data is for FY2017 (from April 1, 2017 to March 31, 2018), FY2018 (from April 1, 2018 to March 31, 2019) and FY2019 (from April 1, 2019 to March 31, 2020).

Initiatives Aimed at Unitholders/Investors

Efforts are made to disclose timely, accurate information that is useful to unitholders and investors as well as to enhance communication through briefings and active participation in events.

1. Information disclosure

Recognizing that thorough information disclosure has a significant impact on the development and success of the real estate investment trust securities market, one of JPR's management principles is to "earn the trust of society and unitholders through highly transparent fund management based on timely, appropriate information disclosure and proactive IR activities." To put this principle into practice, JPR strives for the disclosure of impartial information including information required to be revealed based on timely disclosure rules as well as other information judged to be useful to investors in making investment decisions.

2. Status of IR-related activities

In addition to timely information disclosure, JPR strives for the provision of a wide range of content on websites, including statutory disclosure documents, press releases, financial information (financial statements, earnings summaries, briefing materials for analysts, and videos of results briefings), characteristics and performance status of managed assets, and information aimed at private investors.

Moreover, each time financial results are announced, a briefing on the operating status or financial outlook of the portfolio is held for institutional investors and lenders based in Tokyo and other interested parties, aimed primarily at securities analysts. In addition, around 100 to 120 individual meetings are held with Japanese and international institutional investors both in Japan and overseas. In addition to the holding of individual meetings with foreign investors, focusing mainly on North America, Europe, and Asia, JPR also actively participates in conferences held by securities companies.

Furthermore, results briefings are held for 200 to 300 private investors in Tokyo and two major cities in other regions of Japan each time financial results are announced and JPR is actively involved in private investor seminars held by the Association for Real Estate Securitization, the Tokyo Stock Exchange, securities companies, and others.

Corporate Governance Initiatives

Corporate governance is an important theme for enhancing corporate value as well as meeting the expectations of all stakeholders, including unitholders, and fulfilling responsibility for them. JPR will work to further ensure the soundness of management as an investment corporation and a company trusted by its stakeholders.

JPR's corporate governance

Under the guidance of the Board of Directors, which is comprised of executive officers and supervising officers, JPR seeks to thoroughly implement and reinforce its corporate governance to ensure the successful operation of its business over the medium to long term.

1. JPR's decision-making organs

It is stipulated (Article 18 of the regulations) that JPR shall have up to two executive officers and up to four supervising officers (there must be at least one more supervising officer than executive officers).

At present, JPR's decision-making organs are the General Meeting of Unitholders (comprised of unitholders), the Board of Directors (comprised of all executive officers and supervising officers), and an accounting auditor. There are currently one executive officer and two supervising officers.

- a) Breakdown of JPR's structure
 - General Meeting of Unitholders
 - Executive officers, supervising officers, and Board of Directors
 - Accounting auditor
- b) Supervision system based on internal control and supervising officers

JPR holds a meeting of the Board of Directors once a month, in principle, where the executive officers explain the management status, TRIM provides supplemental explanations, and the supervising officers confirm them, thereby establishing an internal control system to exercise control through the Board of Directors.
- c) Coordination of auditing and supervision based on internal control and supervising officers
 - Supervision by supervising officers

At a meeting of the Board of Directors of JPR, the supervising officers receive reports on the management status from the executive officers and on the management status, compliance and risks from TRIM, and request TRIM to make a report as necessary.
 - Coordination between supervising officers and the accounting auditor

The accounting auditor audits the financial statements of JPR for each accounting period, holds a debrief meeting for the supervising officers to make a report and submits the audit result explanatory documents to the supervising officers. If the accounting auditor has discovered misconduct or violation of laws, regulations or the Articles of Incorporation in relation to the execution of duties by executive officers, the accounting auditor has a duty to report it to the supervising officers.
- d) System for management of affiliated corporations by JPR

If TRIM has a transaction with its interested party (a sponsor and its subsidiary), it requires the approval of the Board of Directors of JPR. In addition, if TRIM has revised the management guidelines or the management policy, it will be reported to the Board of Directors of JPR. TRIM also undertakes assistant work of executive officers, and if asked by a supervising officer to report on the management status, TRIM will respond to the request.

For details of the implementation status of the above, refer to "4. Investment Corporation Structure" in our securities reports.

2. Criteria for appointing investment corporation officers

It is a requirement that none of the grounds for disqualification stipulated in the laws concerning investment trusts and investment corporations shall apply to officers appointed by JPR. Officers are appointed by means of a resolution of the General Meeting of Unitholders.

3. Remuneration of officers

Remuneration for executive officers and supervising officers is stipulated in the investment corporation regulations as the amount decided by the Board of Directors (up to a maximum of 500,000 yen per month for each executive officer and 400,000 yen per month for each supervising officer). With the aim of ensuring transparency, remuneration of officers is disclosed in asset management reports.

Remuneration for supervising officers and the accounting auditor for the fiscal period ended June 30, 2019 and the fiscal period ended December 31, 2019 (January – December 2019) is as follows:

Portion	Name	Other Current Assignments	Remuneration Fiscal period ended June 30, 2019 (thousands of yen)	Remuneration Fiscal period ended December 31, 2019 (thousands of yen)
Executive Officer	Yoshihiro Jozaki (Note 3)	President & CEO, Tokyo Realty Investment Management, Inc. Managing Officer, Tokyo Tatemono Co., Ltd. (Note 4)	-	- (Note 5)
	Satoshi Okubo	Director, Tokyo Realty Investment Management, Inc.	2,400	866
Supervising Officers ^(Note 1)	Masato Denawa	Partner Attorney, Spring Partners	4,200	4,200
	Nobuhisa Kusanagi	Group Representative Partner of GYOSEI Certified Public Tax & Accountants' Co.		
Independent Auditor ^(Note 2)	EY ShinNihon LLC	-	13,300	16,500

(Note 1) Supervising officers may be directors of corporations other than those indicated above, but have no conflict of interest with JPR at those and the above positions.

(Note 2) The independent auditor fees include fees regarding the audit of JPR's English financial statements and fees regarding the preparation of comfort letters for additional issuance of new investment units.

(Note 3) Satoshi Okubo retired as Executive Officer at the 12th General Meeting of Unitholders of JPR held on September 5, 2019. As a result, Yoshihiro Jozaki was elected and became Executive Officer on the same date.

(Note 4) Executive Officer Yoshihiro Jozaki retired as Managing Officer of Tokyo Tatemono Co., Ltd. with effect December 31, 2019.

(Note 5) Executive Officer Yoshihiro Jozaki does not receive remuneration from JPR.

4. Transactions with interested parties

In the asset management of JPR, the interests of JPR may conflict with the interests of TRIM's sponsor. Typical examples are cases where JPR acquires a property from TRIM's sponsor and JPR entrusts property management operations to TRIM's sponsor. To prevent JPR from suffering a loss in such cases, JPR and TRIM have organized a more rigorous system to prevent conflicts of interest than those provided for by laws and regulations.

JPR's Board of Directors' Regulations include provisions prohibiting executive officers and supervising officers from taking part in any resolution at a meeting of the Board of Directors in which they have an interest to ensure fairness in passing a resolution.

Meanwhile at TRIM, transactions between JPR and interested parties and transactions that require the approval of JPR are reviewed and examined by TRIM's Compliance Committee at the invitation of an external attorney. In order for a transaction approved by the Compliance Committee to be carried out, the prior consent of JPR's Board of Directors, whose members are independent of TRIM's shareholders, is required. Transactions are thus subject to multiple effective reviews before being carried out.

Transactions with interested parties include the following:

- ✓ Acquisition of property/assets from an interested party
- ✓ Disposal of property/assets to an interested party
- ✓ Outsourcing of real estate management to an interested party
- ✓ An interested party acting as an intermediary or representative for a transaction
- ✓ Hiring an interested party to carry out construction work (if the work costs more than 10 million yen)
- ✓ Leasing of property to an interested party

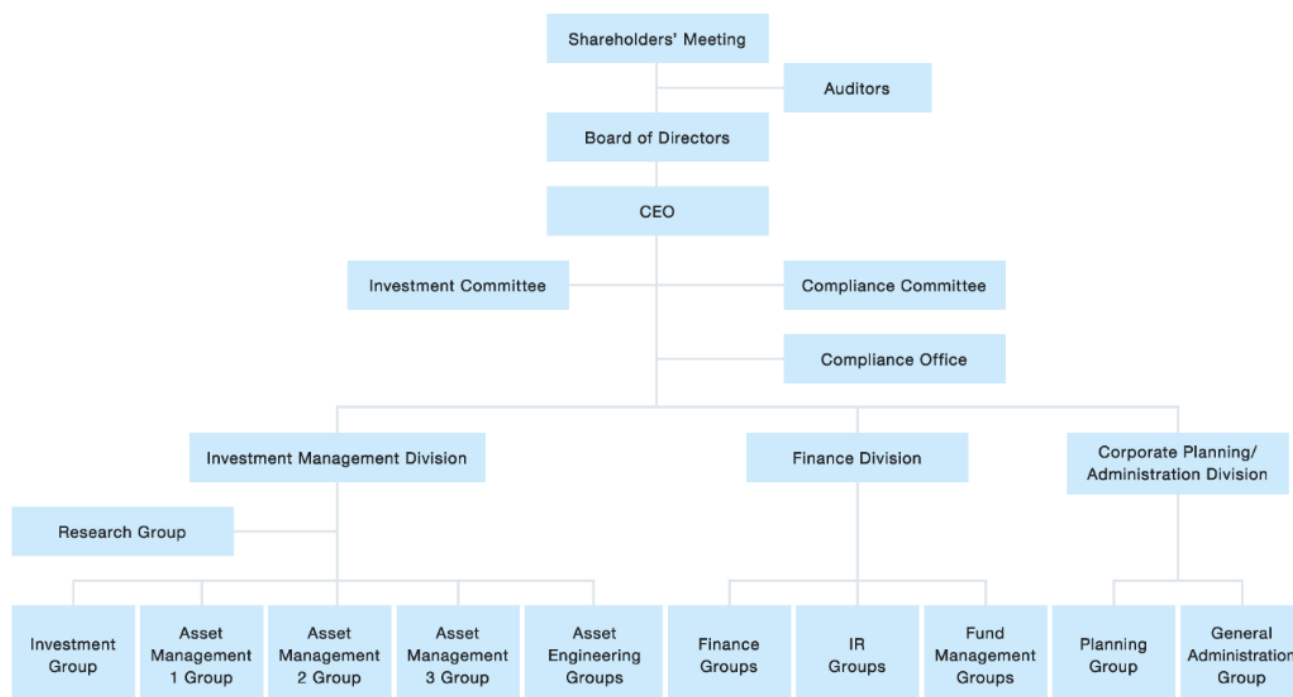
* Leasing of property to an interested party refers to: 1) Cases where a new rental contract is signed with an interested party, or 2) cases where the rent is frozen or set at a level below the average rent for the property when a lease is renewed.

TRIM's corporate governance

TRIM strives to increase management transparency and awareness of corporate ethics while making timely decisions and executing operations efficiently. TRIM aims to increase JPR's unitholder value by thoroughly implementing and reinforcing corporate governance.

1. TRIM's management structure

JPR entrusts management of its assets to TRIM. TRIM's organizational framework is as shown below.

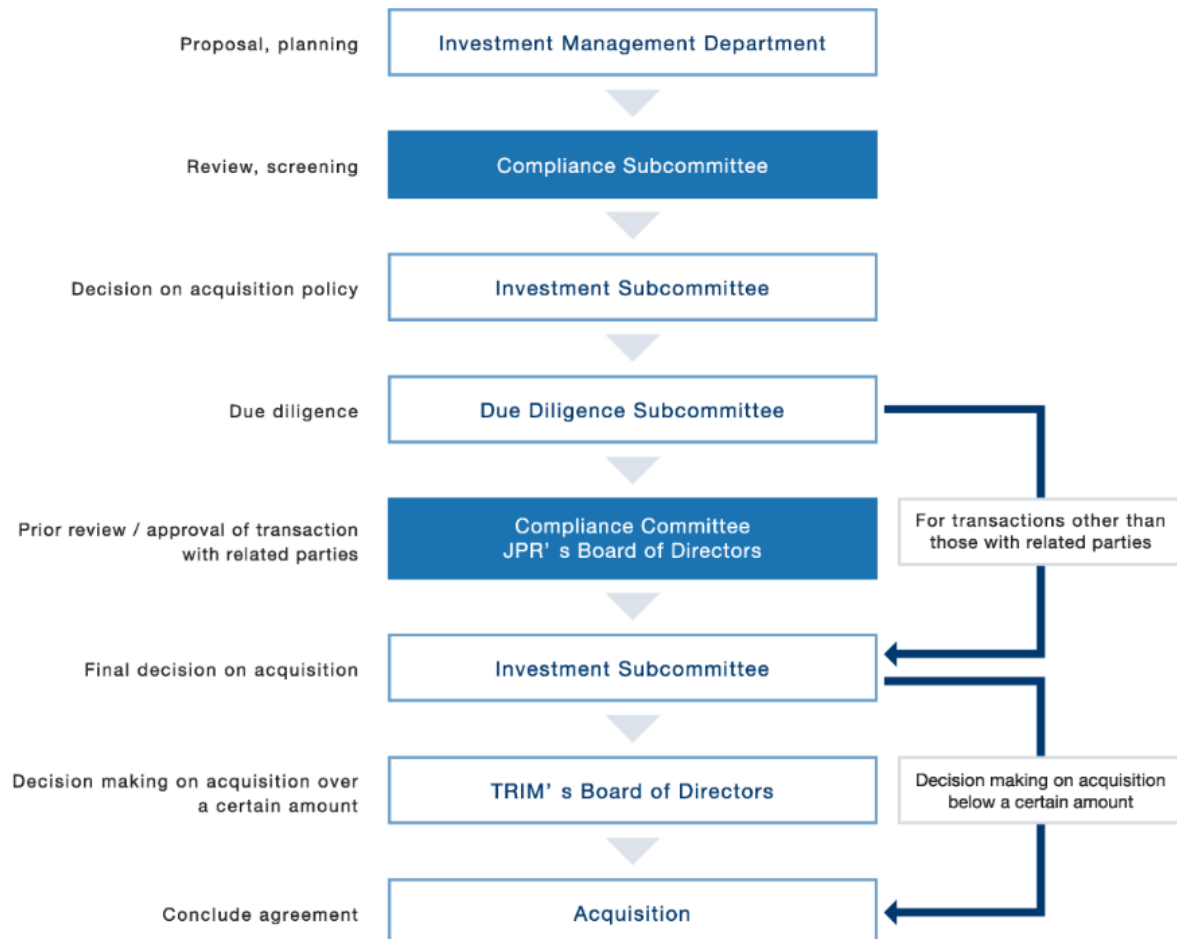


2. Investment management decision-making organs

TRIM has established an Investment Policy Committee to make investment management-related decisions, which oversees an Investment Subcommittee and Management Subcommittee.

Matters relating to investment targets and management policy are decided by the Board of Directors, while matters relating to management plans and their execution are decided by the Investment Policy Committee. Other matters are decided by the Investment Subcommittee or Management Subcommittee.

- a) The decision-making organs for property acquisitions are as shown below. Decisions on whether to acquire new investment properties are made via a stringent process.



In addition to the above, there may be cases where approval by the Board of Directors and consent by JPR are required as designated in the Investment Trusts Act.



b) Asset Management Fee

Fees for asset management with which TRIM is entrusted by JPR consist of fixed compensation and incentive-based compensation 1, 2 and 3, and their specific amounts, calculation methods and the time of payment are clearly defined.

Asset management fee prior to January 1, 2020

Item	Amount of compensation and time of payment
Fixed compensation	[Amount of payment] 12.5 million yen/month [Time of payment] At the end of March, June, September and December (Compensation for January to March, April to June, July to September, and October to December will be paid in arrears at the end of March, June, September and December, respectively.)
Incentive-based compensation 1	[Calculation method of compensation] Amount equivalent to 2% of total revenue for the relevant business period that is determined in the accounting period [Time of payment] Within 3 months after each accounting period
Incentive-based compensation 2	[Calculation method of compensation] Amount equivalent to 3% of income before income taxes before deducting incentive-based compensation 2 in the relevant business period that is determined in the accounting period [Time of payment] Within 3 months after each accounting period
Incentive-based compensation 3	[Calculation method of compensation] If real estate or asset-backed securities that have real estate as their primary investments are acquired, an amount equivalent to 0.25% of the acquisition price (excluding expenses for acquisition, such as consumption taxes) [Time of payment] No later than the final day of the month following the month that includes the date of acquisition

Asset management fee from January 1, 2020

Item	Amount of compensation and time of payment
Asset management fee 1	<p>Calculation method of compensation: Total acquisition price × 0.05%</p> <p>* Total acquisition price means the total amount of the acquisition prices of portfolio assets at the end of the immediately preceding fiscal period.</p> <p>* If the relevant business period is less than 6 months, the fee is prorated based on the actual number of days in the period.</p>
Asset management fee 2	<p>Calculation method of compensation: 1.2% of total revenue for the relevant business period that is determined in the accounting period</p> <p>* Total revenue means the total amount of rent, CAM charges, parking lot income, incidental income, facility charges, facility installation charges, late charges, penalty fees associated with lease agreement termination and similar monies or other income arising from leasing business, interest and dividend income, and similar income arising from the portfolio real estate (includes trust beneficiary interests and other underlying real estate).</p>
Asset management fee 3	<p>Calculation method of compensation: Basic distributable amount × 3.8% × Rate of fluctuation of basic distributable amount per unit (Basic distributable amount per unit for the relevant business period ÷ Average basic distributable amount per unit for the three most recent business periods excluding the relevant business period)</p> <p>* Basic distributable amount means income before income taxes, before deduction of asset management fee 3 and nondeductible consumption taxes in the relevant business period that is determined in the accounting period and it includes gain or loss on sale of assets under management.</p> <p>* Basic distributable amount per unit is calculated by dividing the basic distributable amount by the total number of units at the end of each business period (excluding any treasury investment units held by the Investment Corporation if the Investment Corporation acquires its own investment units and holds treasury investment units that have yet to be disposed of or cancelled at the end of each business period)</p> <p>* If either of the circumstances described below took effect in the four most recent business periods including the relevant period and the total number of issued investment units increased or decreased, the total number of issued investment units at the end of each of the four most recent business periods including the relevant business period shall be adjusted to exclude the impact of such increase or decrease on the basic distributable amount per unit.</p> <p>* The lower bound of the rate of variation of the basic distributable amount per unit shall be 80% and the upper bound shall be 120%.</p>
Asset management fee 4	<p>Calculation method of compensation: Amount equivalent to 0.5% of the acquisition price in the case where the Investment Corporation acquired real estate, etc. or asset backed securities with real estate, etc. as the main investment target (hereinafter referred to as "real estate-related assets").</p>
Asset management fee 5	<p>Calculation method of compensation: Amount equivalent to 0.5% of the sale price in the case where the Investment Corporation sold real estate-related assets.</p> <p>Asset management fee 5 shall not arise, however, if the sale of the relevant real estate-related assets would result in a loss on sale after deduction of the amount equivalent to asset management fee 5 calculated in accordance with the foregoing.</p>

A breakdown of the compensation that TRIM received from JPR is as follows.

	Jun. '19 Fiscal Period (Jan. – Jun. 2019) (thousands of yen)	Dec. '19 Fiscal Period (Jul. – Dec. 2019) (thousands of yen)
Fixed compensation	75,000	75,000
Incentive-based compensation1	276,506	280,189
Incentive-based compensation2	223,388	213,945
Incentive-based compensation3	24,302	-
Total	599,196	569,134

c) Transactions with interested parties

The appropriateness and validity of transactions between JPR and interested parties are reviewed and examined by the Compliance Committee, which meets once a month as a rule. The four full-time directors of TRIM and one outside member who is independent from TRIM and its sponsors attend the meetings of the Compliance Committee, and proposals shall be approved unanimously by all the members, in principle. The Compliance Committee secures its fairness through the participation of the independent outside member.

3. Compliance system

Compliance is essential for the continuous growth of JPR. Through sound management and operation of JPR based on laws, regulations and other requirements, Tokyo Realty Investment Management, Inc. (TRIM) will endeavor to merit the trust of JPR, its unitholders, tenants and a variety of other stakeholders.

(1) Basic Policy on Compliance by TRIM

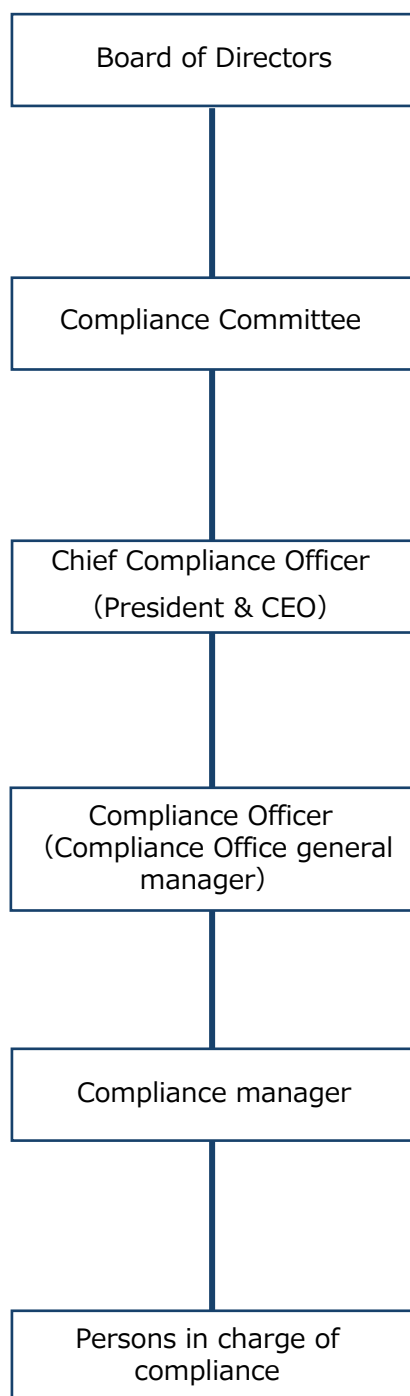
In an effort to correctly recognize social and public duties within asset management for investment corporations, and maintain and enhance the trust of investors and society, Tokyo Realty Investment Management, Inc. (TRIM) shall follow the following basic policy as a code of conduct for its officers and employees in order to ensure that every member of the company adheres to the utmost professional ethics, abides by laws and regulations, and implements sound business operations with integrity.

- i. In conducting operations of asset management for investment corporations, our officers and employees shall abide by public and voluntary regulations set forth in laws and regulations related to the relevant operations, government and ministerial ordinances, voluntary rules of the industry and internal rules on its own (hereinafter, the laws and regulations, etc.).
- ii. Our officers and employees shall fully understand the purposes and substance of the laws and regulations stated in the above item and, when their actions, although seemingly compliant with the provisions of laws and regulations, etc., have deviated from the purposes and substance of the provisions, they shall strictly refrain from taking such actions.
- iii. Our officers and employees shall recognize that progress in financial liberalization and greater relaxation of restrictions on asset management, etc. would increase and diversify risks as well as require business management to more closely observe the principle of self-responsibility. With such recognition, they shall endeavor to thoroughly implement risk management.
- iv. Our officers and employees shall endeavor to enhance their asset management and risk management capabilities for implementing operations of asset management for investment corporations so as to maintain and enhance the trust imparted by investors and society. Each division and group of TRIM shall work to establish a system that helps reinforce the capabilities of its members in order to achieve the purposes of such operations.
- v. Our officers and employees shall recognize that securing fair and free competition is indispensable for the continuity and sound development of TRIM, and shall avoid any behavior that hampers fair competition, such as industry meetings to restrict competition, consent with other companies intended to restrict trade, restraint of business activities of suppliers or client companies by taking advantage of a superior position in business, and unjust discrimination in transaction terms and conditions.
- vi. Our officers and employees shall fully recognize the importance of protecting personal information and, when handling customer data and other internal information possessed by the company, implement appropriate and stringent control of such information in accordance with the internal rules.
- vii. Whether business or personal, we will oppose with firm resolve any demand, including provision of donations and contributions and subscription of information magazines as well as provision of money and other articles, from anti-social forces that threaten the order and safety of civil society.
- viii. We will prevent any laundering of money generated from criminal behavior.

- ix. We will work to utilize the company's assets and expenses fairly and efficiently, and will not make inappropriate, unjust or inefficient use of them, such as confusing business and private use and spending for unnecessary items or matters.
- x. We will abide by the employment regulations, labor agreements and other rules to secure a sound, efficient and comfortable workplace environment. Moreover, our officers and employees shall not engage, among themselves, in 1) lending money or similar behavior and 2) sending courteous gifts beyond the extent deemed appropriate under normal social conventions.
- xi. We will respect individual human rights and personality. We understand that it is unacceptable, in terms of common sense in society, to assume discriminatory behavior by reason of nationality, sex, birthplace, religion, belief, illness or physical features, or behavior that may result in sexual harassment, and will not engage in such behavior.
- xii. Fully understanding that we are involved in business of a highly public nature, we will maintain efforts to enhance our ethical view in our social life and act with a good sense of social being.

(2) Organization to Promote Compliance

TRIM promotes compliance through the following organization.



- Establish, modify or abolish regulations and systems
- Establish and modify basic policy on compliance
- Cope with material lawsuits and disputes
- Prepare internal information about programs

- Report deliberation details and results to the Board of Directors
- Invite independent and outside experts as special members
- Deliberate on the establishment, modification or abolishment of compliance manuals and regulations
- Deliberate on transactions with interested parties
- Deliberate on internal audit programs
- To be held once a month as a rule

- Have ultimate responsibility for matters related to compliance
- Receive necessary reports from the Compliance Officer

- Make necessary reports to the Chief Compliance Officer (President & CEO)
- Coordinate with compliance managers and persons in charge of compliance
- Establish and enhance the compliance system
- Discuss compliance-related issues with compliance managers and persons in charge of compliance and report them to the Compliance Committee
- Concurrently serve as Internal Audit Officer

- Supervise and execute operations for ensuring compliance in the relevant department
- Report to the Compliance Officer immediately after confirming the occurrence of any issue related to compliance

- Verify whether compliance is maintained in the relevant group
- Understand and coordinate matters related to compliance in the relevant group
- Report to the relevant compliance manager immediately after confirming the occurrence of any issue related to compliance

- At present, the Compliance Committee has called on an outside attorney as its special member.
- In an effort to strengthen its compliance system, TRIM receives advice from outside advisers with regard to the enhancement of internal control.
- The Compliance Officer is authorized to suspend the execution of actions that conflict with relevant regulations including laws regulations and internal rules.

(3) Provision of Compliance Training

TRIM periodically provides training for all of its officers and employees to inform themselves on matters of compliance. TRIM has been working on raising awareness of the importance of compliance, such as making training participation compulsory for all officers and employees, and implementing tests to assess their understanding or conducting questionnaires after training sessions.

(4) Prevention of Transactions with Anti-Social Forces

Neither TRIM nor its officers and employees shall have any relations whatsoever with anti-social activities and anti-social forces that threaten the order and safety of civil society and hamper economic activities. Any unjust demand from anti-social forces, including the provision of donations and contributions as well as the provision of money and other articles will be firmly opposed.

Moreover, TRIM has established “rules for facing anti-social forces” with the aim of preventing the company from being damaged by anti-social forces and to help it perform its social responsibilities. Under the rules, TRIM endeavors to eliminate anti-social forces through constant, close coordination with such external specialized institutions as the police and lawyers.

4. Risk Management

JPR and TRIM have developed an effective risk management system for the asset management of JPR through the following verification systems to produce the maximum effect. The policy of JPR and TRIM is to make as many efforts as possible to avoid the occurrence of risks on investment and management and to take measures if a risk has occurred.

(1) JPR's system

It is stipulated that JPR's executive officers shall hold Board of Directors meetings at least once every three months, and in reality, meetings are held roughly once a month as a rule. In addition to the discussion of matters stipulated by law, Board of Directors meetings also involve approving certain transactions with interested parties and detailed reports on the execution status of JPR's and TRIM's operations. These procedures maintain a structure that enables supervising officers to accurately monitor the execution of executive officer operations from a standpoint that is independent of TRIM, parties with an interest in TRIM, and other interested parties as prescribed by law. Moreover, by means of these procedures, JPR strives to verify whether there is any possibility of a conflict of interest in transactions with parties with an interest in TRIM or other interested parties and to manage risks relating to conflicts of interest.

JPR has the right to receive reports from TRIM and to examine TRIM's account books and other documents. By exercising these rights, JPR maintains a structure that enables it to monitor TRIM's execution of operations.

In addition, JPR strives to prevent activities such as insider trading by officers through the establishment of insider trading regulations.

(2) TRIM's system

As a rule, TRIM monitors and manages operation- and management-related risks through multiple verification systems at different levels.

TRIM has established portfolio operation standards and investment standards in its operation guidelines. It strives to manage risks relating to real estate and real estate trust beneficiary rights by adhering to such guidelines.

- a) TRIM has established portfolio operation standards and investment standards in its operation guidelines. It strives to manage risks relating to real estate and real estate trust beneficiary rights by adhering to such guidelines. TRIM has established Investment Policy Committee regulations with the aim of clarifying the decision-making process for key matters related to JPR asset management. It also strives to manage risk by establishing objective operating procedures, such as creating procedure manuals each covering the inspection, acquisition, operation, and management of real estate as well as other tasks.
- b) TRIM has established compliance regulations and a compliance manual, while the compliance officer and Compliance Subcommittee verify legal compliance and the Compliance Committee verifies the presence of conflicts of interest in transactions with interested parties. Through these measures, it strives to prevent the risk of legal violations and conflicts of interest.
- c) TRIM aims to prevent activities such as insider trading by its officers and employees through the establishment of insider trading regulations.
- d) TRIM has established a forward commitment manual, and when making forward commitments, it strives in particular to manage risk through a process involving careful reviews and thorough deliberation.

* Forward commitment refers to agreements for transactions that will be carried out at a later date. In the case of J-REITs, risk disclosure is required for transactions that will be carried out more than one month after the agreement date.

5. Information security

To continuously conduct its business securely, JPR and TRIM strives to make appropriate use of information and prevent unauthorized access and information loss/leakage. In managing information, it implements safety measures to counter various threats (damage, accident, mishandling, unauthorized use, destruction, theft, and leakage). It has also put recovery measures in place in the event that problems occur and has established a contingency plan for dealing with any damage.

TRIM has also made security management preparations and has established a department to oversee information management. This department ensures the validity of information management and protection through regular inspections and has developed safety measures and steps to be taken if problems occur.



LR Independent Assurance Statement

Relating to Japan Prime Realty Investment Corporation and Tokyo Realty Investment Management, Inc.'s Environmental and Social Data within its Sustainability Report for the calendar year 2017-2019

This Assurance Statement has been prepared for Japan Prime Realty Investment Corporation in accordance with our contract but is intended for the readers of this report.

Terms of engagement

Lloyd's Register Quality Assurance Limited (LR) was commissioned by Japan Prime Realty Investment Corporation ("the Company") to provide independent assurance on its environmental data of its investment property and social data of Tokyo Realty Investment Management, Inc. ("TRIM") which is entrusted by the Company the asset management work within its Sustainability Report ("the report") for the calendar year 2017-2019 (from 1 January 2017 to 31 December 2017, 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019) against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE 3000 and ISO 14064-3:2006 for greenhouse gas ("GHG") data.

Our assurance engagement covered environmental data of the Company's investment property and social data of TRIM and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies for the selected dataset:
- Evaluating the accuracy and reliability of data listed below:¹

Environmental data²

- Electricity use (Total [MWh] and Intensity [MWh/m²])
- City gas use (Total [MWh] and Intensity [MWh/m²])
- Heat consumption (Total [MWh] and Intensity [MWh/m²])
- Water use (Total [MWh] and Intensity [m³/m²])
- Total GHG emissions data (Total [tCO₂] and Intensity [tCO₂/m²])^{3 4}
- Scope 1 GHG emissions^{5 6}
- Scope 2 GHG emissions (Market-based)
- Annual waste amount [tonnes]^{7 8}
- Recycling rate [%]

Social data⁹

- Number of full-time directors (Total and gender-segregated)
- Number of employees (regular / contract) (Total and gender-segregated)
- Ratio of regular employees against all employees [%]

¹ LR undertook a limited assurance engagement of the environmental and social data marked with "*" within the Sustainability Report.

² As for each energy use, water use and GHG emissions, the verification scope covers the breakdown of Office Property and Retail Property. In addition, each basic unit is calculated by multiplying the total floor area equivalent to the company's ownership interest by the average occupancy rate (rental area/leasable area) for each year.

³ GHG quantification is subject to inherent uncertainty.

⁴ Total GHG emissions is calculated as the sum of Scope 1 GHG emissions and Scope 2 GHG emissions.

⁵ Scope 1 GHG emissions cover energy-oriented CO₂ emissions.

⁶ Scope 1 GHG emissions don't cover the fuel usage for emergency generator.

⁷ The data collection period of annual waste amount and recycling rate is the fiscal year 2017 (from 1 April 2017 to 31 March 2018) and 2018 (from 1 April 2018 to 31 March 2019).

⁸ 3 small-scale properties of the total 62 investment properties aren't included in the total because they don't independently manage the waste.

⁹ The data collection period of social data is the fiscal year 2017 - 2019 (from 1 April 2017 to 31 March 2018, from 1 April 2018 to 31 March 2019, and from 1 April 2019 to 31 March 2020).



- Number of regular employees (Total and gender-segregated)
- Number of contract employees (Total and gender-segregated)
- Number of seconded from other companies (Total and gender-segregated)
- Ratio of female employees [%]
- Ratio of female executives [%]
- Number of female directors
- Average length of service (Average and gender-segregated)
- Number of new hires (Total and gender-segregated)
- Number of employee turnover (Total and gender-segregated) ¹⁰
- Employee turnover rate ¹⁰
- Ratio of paid leave taken
- Ratio of employees receiving health checkups
- Annual total of hours spent for education and training
- Hours spent for education and training per employee
- Ratio of executives and employee receiving the education and training
- Ratio of executives and employees receiving sustainability training
- Overtime hours per employee (monthly) (Average and gender-segregated)
- Number of employees taking childcare leave
- Number of employees taking long-term nursing care leave
- Number of employees working reduced hours ¹¹

Our assurance engagement excluded the data and information of the Company's contractors and any third-parties mentioned in the report.

LR's responsibility is only to the Company. LR disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that Company has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable environmental and social data

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

LR's approach

LR's assurance engagements are carried out in accordance with ISAE3000 and ISO 14064-3. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification;
- Interviewing with key people responsible for compiling the data and drafting the report;
- Sampling datasets and tracing activity data back to aggregated levels;
- Verifying the historical Environmental data / records for the calendar year 2017-2019¹² and the historical Social data / records for the fiscal year 2017-2019; and

¹⁰ Only voluntary resignation

¹¹ Only personal circumstances

¹² As for annual waste amount, LR verified the waste amount data / record for the fiscal year 2017-2018.



- By implementing a “No Visitor” Policy to the Company’s investment property due to the global infection spread of COVID-19, the interview and the verification for Olinas Tower and Kawasaki Dice was conducted remotely via emails and Microsoft Teams.

Observations

The Company and TRIM should further demonstrate the completeness, accuracy and reliability of its future environmental and social data reporting. Regarding the waste amount, this is particular to establish robust internal data control systems at both the headquarter and each investment property levels.

LR’s standards, competence and independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part 1: Requirements* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LR for Company and as such does not compromise our independence or impartiality.

Signed

Dated: 30 June 2020

Norihiko Kinoshita

LR Lead Verifier

On behalf of Lloyd’s Register Quality Assurance Limited

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LR reference: YKA00000819

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