



JPR SUSTAINABILITY REPORT

Japan Prime Realty Investment Corporation

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I . About JPR

1. 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 16 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 into urban retail properties and properties in major regional cities by setting management standards that are focused on the portfolio quality.

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

2. 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 (JPY40,730 million in total values)).
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.

3. Characteristics of JPR

JPR has the following characteristics.

a) Track record of stable management for more than 16 years

Since the listing, JPR has improved its portfolio quality while steadily expanding the asset size.

b) Portfolio focusing on office properties in Tokyo

Built the portfolio with a focus on office properties in Tokyo with growth potential while complementing profitability by urban retail properties and properties in regional cities.

c) Advantages of a developer-affiliated REIT

Acquires properties in excellent locations centered on large development properties by demonstrating the advantages of a developer-affiliated REIT.

d) Continuation of internal growth based on a high occupancy rate and increased rents

Since December 2014, JPR has maintained a portfolio occupancy rate of 97% or more and continued to increase rents through rent revisions.

e) Stable financial base for the long term

With high, stable credit ratings, JPR has established a financial base with a focus on stability based on long-term debts at fixed interest rates.

II. Sustainability report

1. Top message

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, is spreading. The concept of ESG (a collective term for the three aspects of environment (E), social (S) and corporate governance (G) that should be focused on when aiming for sustainable growth) is becoming a global trend, mainly among institutional investors who manage long-term funds. As such, we are entering 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, undertake a mission of developing with society, and their ESG initiatives are inseparable from their sustainable growth. Being acutely aware of this mission, JPR has been working on environmental and energy-saving measures in the office properties it holds and an improvement in tenant satisfaction for many years as part of its brand strategy. In addition, JPR is also working actively to contribute to local communities and strengthen its governance. At the same time, TRIM manages the assets of JPR based on its corporate philosophy of “providing value to all stakeholders such as customers, employees, society and shareholders by providing professional investment management services with sincerity and a sense of responsibility.”

We will continue to contribute to the realization of a sustainable society and the development of cities as a member of society by further advancing these initiatives.

Satoshi Okubo, Executive Officer, Japan Prime Realty Investment Corporation

Yoshihiro Jozaki, President and CEO, Tokyo Realty Investment Management, Inc.

2. Sustainability Policy & Management

(1) Sustainability Policy

For JPR to grow stably over the medium to long term, it is essential to address such social requirements as considerations to the environment, society and 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 responsibilities, TRIM is 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 environmental load through managing the assets owned by JPR.

- We will promote energy saving and reduction of greenhouse gas emissions. We will endeavor for effective use of water resources and work on the "3Rs" (reuse, reduce and recycle) of waste.
- 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 through managing the assets owned by JPR, in an effort to contribute to enhancing the brand value of the entire area in which such assets are located.

iv. Initiatives on Behalf of Employees

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

v. Initiatives on Behalf of the 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 holding on to our high moral standards.

(2) Sustainability Management

TRIM has established the Sustainability Committee to promote sustainability initiatives continuously in an organized manner.

Chaired by the President and CEO, the Sustainability Committee consists of the Sustainability Committee, which comprises the division head-level 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.














(3) Contribution to 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 make a contribution to their achievement.

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



Relationship between the materialities of JPR and TRIM and the goals of the SDGs
 JPR and TRIM have stipulated materialities and work on them as follows.

Areas	Goals of SDGs	Details of contribution
Initiatives on behalf of the environment	   	Increase energy efficiency by renewing facilities and equipment.
Initiatives on disaster prevention	 	Promote preparedness for responding to large-scale natural disasters affected by climate change, etc.
Initiatives on behalf of local communities		Support personal connections in cities through various local contribution and welfare support activities.
Human capital development	 	Work to cultivate human resources to accelerate the growth of TRIM employees.
Initiatives on tenant satisfaction		Aim to contribute to economic development through the provision of offices that satisfy tenants.
Respect for human rights	  	Work on respect for human rights, the prohibition of acts of discrimination and harassment and the creation of a pleasant work environment.

3. 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 operation at the properties it owns. In pursuing eco-friendly management, JPR also considers issues such as facility user comfort and biodiversity.

(1) Energy-saving and Reducing CO2 Emissions

① Environmental 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 2016.”

② Managing energy-saving and reducing CO2 emissions

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, emergency exit lighting, etc.

✓ 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 area

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) 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.

		FY2016	FY2017	Change
Electricity Use	Total (mWh)	95,500	94,084	-1,416
	Intensity (mWh/m ²)	0.151	0.147	-0.004
Office Property	Total (mWh)	64,242	63,743	-449
	Intensity (mWh/m ²)	0.141	0.137	-0.004
Retail Property	Total (mWh)	31,259	30,341	-917
	Intensity (mWh/m ²)	0.179	0.174	-0.005
Gas Use	Total (mWh)	22,669	20,150	-2,518
	Intensity (mWh/m ²)	0.036	0.031	-0.005
Office Property	Total (mWh)	6,554	7,697	1,143
	Intensity (mWh/m ²)	0.014	0.017	0.002
Retail Property	Total (mWh)	16,115	12,453	-3,662
	Intensity (mWh/m ²)	0.093	0.072	-0.022
Heat Consumption	Total (mWh)	9,698	9,672	-26
	Intensity (mWh/m ²)	0.015	0.015	0.000
Office Property	Total (mWh)	6,615	6,880	264
	Intensity (mWh/m ²)	0.015	0.015	0.000
Retail Property	Total (mWh)	3,082	2,793	-290
	Intensity (mWh/m ²)	0.018	0.016	-0.002
Water Use	Total (m ³)	434,036	442,231	8,195
	Intensity (m ³ /m ²)	0.692	0.691	-0.001
Office Property	Total (m ³)	264,077	266,447	2,370
	Intensity (m ³ /m ²)	0.579	0.572	-0.007
Retail Property	Total (m ³)	169,958	175,784	5,825
	Intensity (m ³ /m ²)	0.991	1.010	0.019
Total CO ₂ Emission	Total (t-CO ₂)	52,957	50,215	-2,742
	Intensity (t-CO ₂ /m ²)	0.084	0.078	-0.006
Office Property	Total (t-CO ₂)	34,120	33,048	-1,071
	Intensity (t-CO ₂ /m ²)	0.075	0.071	-0.004
Retail Property	Total (t-CO ₂)	18,837	17,166	-1,670
	Intensity (t-CO ₂ /m ²)	0.108	0.099	-0.009
Scope1	Total (t-CO ₂)	3,973	3,530	-443
	Intensity (t-CO ₂ /m ²)	0.006	0.006	-0.001
Scope2	Total (t-CO ₂)	48,984	46,685	-2,299
	Intensity (t-CO ₂ /m ²)	0.078	0.073	-0.005

(2) Conservation of water resources

JPR switches to apparatus with greater water-saving effects with the renewal of toilets and kitchenettes. In addition, to manage water consumption, 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 recycled water to reduce water consumption.

(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	2016	2017
Annual waste amount	4,903	5,031
Recycling rate	55.6%	55.8%

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

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, etc. 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, etc. that contains PCB. During the period until the treatment, JPR stores and manages the electrical equipment, etc. 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, utilize renewable energy through the introduction of solar power generation equipment. The amount of power generated is as follows.

Portfolio	2016	2017
Olinas Tower	8,483	9,082
Tokyo Square Garden	53,152	55,386



Tokyo Square Garden
(Roof top)



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.



Tokyo Tatemono Honmachi 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.

(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.

4. Sustainability certification, etc.

(1) Acquisition of DBJ Green Building Certification

JPR has acquired the DBJ Green Building Certification that 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.

Properties with the best class environmental & social awareness	
	 <p>Olinas Tower</p>
	 <p>Tokyo Square Garden</p>
Properties with exceptionally high environmental & social awareness	
	 <p>PR Sendagaya Building</p>  <p>Oval Court Ohsaki Mark West</p>
Properties with excellent environmental & social awareness	
	 <p>Omiya Prime East</p>  <p>Rise Arena Bldg.</p>  <p>Yume-ooka Office Tower</p>  <p>Kanematsu Bldg.</p>  <p>BYGS Shinjuku</p>  <p>Shinagawa Canal Bldg.</p>

Properties with high environmental & social awareness		
	 <p>JPR Crest Takebashi Bldg.</p>	
	 <p>Minami Azabu Building</p>	 <p>JPR Chiba Building</p>

(2) Designation as "Green Star," the Highest Ranking in GRESB Survey

The Global Real Estate Sustainability Benchmark is a benchmark system for evaluating environmental, social and 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.

As of September 2018, approximately 75 GRESB members (pension funds and other institutional investors) with total assets under management of approximately 1,980 trillion yen (approximately US\$18 trillion [at a rate of 110 yen to the U.S. dollar]) use the data of the GRESB assessment results in selecting investment objects and in discussions with counterparties of investment. A total of 903 entities globally, comprising real estate companies, REITs and funds, participated in the 2018 survey.

With regard to JPR's initiatives on sustainability, the 2018 survey acknowledged its superiority both in the "Management & Policy" and "Implementation & Measurement" dimensions, and designated JPR as "Green Star" for the fifth consecutive year. Moreover, JPR was granted "4 Stars," a higher mark, in the GRESB Rating (five-level rating with the highest being "5 Stars") for the third consecutive year. In addition, JPR received a "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



(3) 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>

Rank A (★★★★)



Yakuin Business Garden

(4) Winning the Award for Town Creation with Flowers and Greenery (Yakuin Business Garden)

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]



5. Initiatives on Behalf of the Social

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 the stakeholders that last for a long time.

(1) 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 it is the quickest way to enhance CS is to directly hear the requests and comments of tenants and users and reflect them to 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 Performance 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 **Periodical CS Surveys**

JPR periodically conducts CS surveys and inspections in order to check the level of its tenant services for each building.

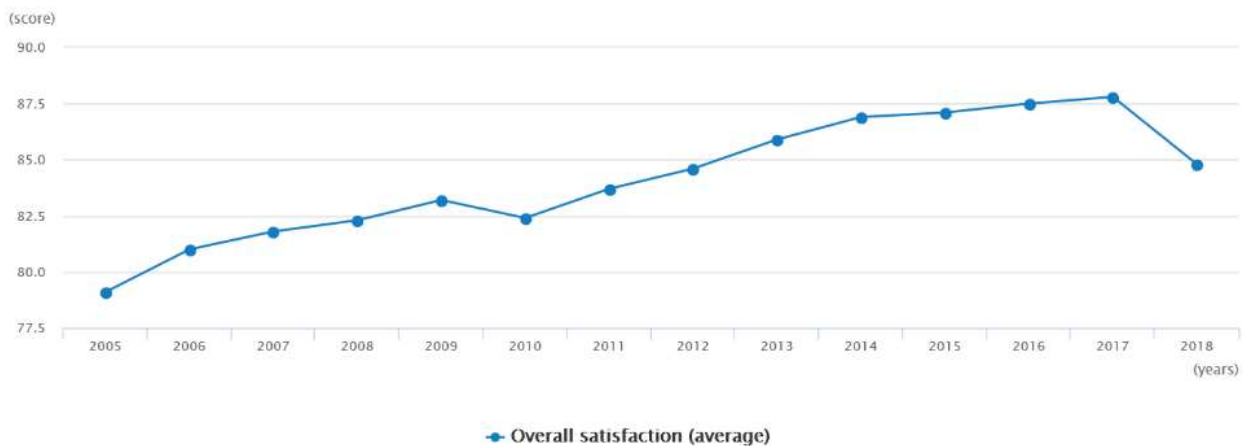
Based on the inspection results, discussions are made to identify the issues and countermeasures for each building, with an aim to continuously enhance the services offered by JPR as a whole.

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.



[Overview of the 2018 CS Survey]

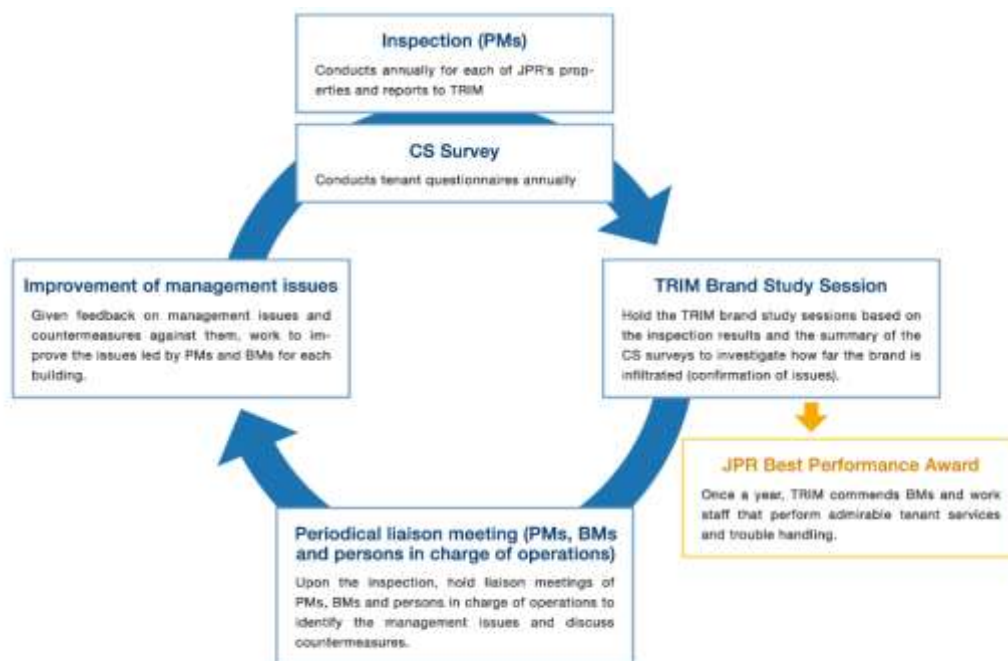
Survey period: May - June 2018 Surveyed buildings: 45 buildings with 498 tenants

Questionnaire items: management and administration, responses to tenants,

crime prevention and safety, emergency responses and environmental preservation, etc.

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 further.

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 2018 Selected!**

The Best Performance Award 2018 was given to BYGS Shinjuku Bldg., which continuously acquired a high score in the tenant satisfaction survey although it is a building that is extremely difficult to operate and manage because it is a “large building with a total floor space of more than 20,000 m2 and more than 20 tenants,” a building “with a public nature and the retail floor connected directly underground with a station that many people visit every day” and a building that “requires building management capabilities along with aging.”

The special award was given to JPR Ginza Namiki-dori Bldg. and Tokyo Tatemono Kyobashi Bldg., both of which acquired high evaluations for their finely-tuned response to problems, as well as Tokyo Tatemono Yokohama Bldg., which exercised high coordination skills although the moving in and out of tenants and the renovation work of the communal areas made progress simultaneously. The special award was also given to Tokyo Tatemono Honmachi Bldg., JPR Dojima Bldg., JPR Chayamachi Bldg., JPR Shinsaibashi Bldg. and Sompō Japan Wakayama Bldg. where the BMs were committed to the safety of users as a concerted effort, regardless of their responsibilities, under the circumstances where disasters such as earthquakes, intense rainfall and typhoons took place continuously in the Kansai area in fiscal 2018.

Best Performance Award



BYGS Shinjuku Bldg



JPR Ginza Namiki-dori Bldg.



Tokyo Tatemono Kyobashi Bldg.



Tokyo Tatemono Yokohama Bldg.



Tokyo Tatemono Honmachi Bldg.



JPR Dojima Bldg.



JPR Chayamachi Bldg.



JPR Shinsaibashi Bldg.



Sompō Japan Wakayama Bldg.

The special award

(2) Safety and Security Initiatives

JPR 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 are considered a particular risk when it comes to safety, JPR has developed its own in-house safety standards which 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 JPR is further promoting risk reduction by sharing detailed safety information with users.

② Earthquake- and disaster-prevention initiatives

a) Earthquake prevention initiatives

Since the Great East Japan Earthquake in 2011, there has been increased concern about the earthquake resistance of buildings. JPR is 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 which fail to meet certain earthquake-proofing standards.

b) 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, a crisis response headquarters will be set up, and preparations have been made to preserve assets and ensure rapid deployment of countermeasures, with the primary goal being to protect the lives of people.

c) 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 implemented. TRIM is also striving to improve its response capabilities and conducting regular training 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.

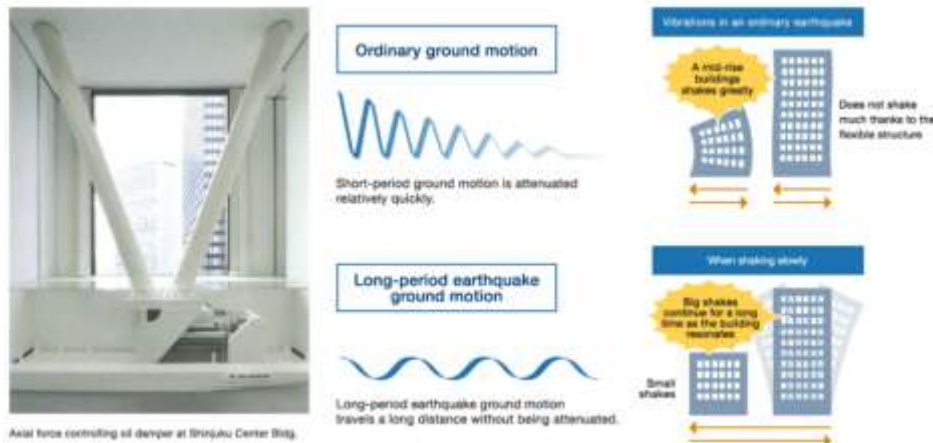
d) Using PML Values in Preparation for Earthquake Risks

PML represents Probable Maximum Loss, or the maximum amount of loss by earthquakes.

PML indicates the degree of damage to a building caused by an assumed earthquake of maximum magnitude (that could happen 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 is, the lower the amount of loss becomes. JPR checks the earthquake resistance performance and the PML value when determining whether to acquire a property or not, 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.

- e) 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 broke out, this countermeasure minimized the damage to the building, reducing maximum distortion by 22% and maximum acceleration by 29%.



Countermeasures against Long-Period Earthquake Ground Motion Minimize Damages

When the Tohoku Region Pacific Coast Earthquake occurred, the long-period earthquake ground motion that was generated at the epicenter attacked Shinjuku, far from the center of the earthquake. At TOH-TEN-KOH, a restaurant on the top floor of Shinjuku Center Bldg., however, there was no damage other than a broken dish. This exemplifies how effectively the countermeasures taken in advance minimized damages.

6. 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 consists mainly 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 therefore strives to engage in dialogue with local residents, offer its land and facilities as venues for people to interact with each other, 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 potato cultivation has been carried out 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 in the rooftop garden. It was attended by around 6,000 people, including local residents and building tenants. In addition, the building has undertaken various other 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 Example property: JPR Sendagaya Building

In November 2017, an event to sell baked goods made at Okashi-ya Palette was held at JPR Sendagaya Building. Okashi-ya Palette is a welfare workshop backed by NPO Palette Inc. supporting social participation and independence of people with disabilities through the baking and selling of cookies and cakes. JPR was able to hold this event thanks to the tenant of the building, Daikyo Incorporated, who introduced the NPO to us. JPR carries out such initiatives to support social contribution activities.



④ Morning Clean-up Activities

TRIM, together with its main sponsor (Tokyo Tatemono Co., Ltd.), 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 taken part 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.

⑤ Sanno Matsuri

Sanno Matsuri is a festival held 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 known as 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 in the town during this festival.

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

7. Initiatives Aimed at Employees

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,” and TRIM believes that if the officers and employees exercise their advanced expertise through their own 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 promoting 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 show 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) Personnel development

TRIM fully supports employees' attitudes to challenge matters based on the idea that employees are the greatest management resource. We strive to create an environment where all employees can exert their full capacity and realize the creation of higher added value and new value as professionals in real estate investment management.

① Personnel development

TRIM proactively supports executives and employees in developing their skills in order for all of them to be able to exercise strong expertise. TRIM's support includes bearing expenses for taking seminars and training and introducing e-learning training to help them improve their skills as well as encouraging them to acquire ARES Certified Master certification and other qualifications by bearing the expenses.

Furthermore, TRIM recognizes that developing human resources for the future management team is crucial for sustainable growth of JPR & TRIM, and provides career development in accordance with the position level.

As of the end of March 2018, TRIM employees held the following qualifications.

Real estate transaction specialist	33 employees
ARES Certified Master	15 employees
Real estate appraiser	4 employees
First-class architect	1 employees
Certified public accountant	1 employees
Securities Analysts Association of Japan	4 employees

【Related data】	Fiscal 2014 (Apr. 2014- Mar. 2015)	Fiscal 2015 (Apr. 2015- Mar. 2016)	Fiscal 2016 (Apr. 2016- Mar. 2017)	Fiscal 2017 (Apr. 2017- Mar. 2018)
Annual total of hours spent on education and training	829 hours	686 hours	679 hours	707 hours
Hours spent on education and training per employee	20.2 hours	17.6 hours	16.2 hours	18.1 hours
Ratio of executives and employees receiving education and training	100.0%	100.0%	100.0%	100.0%

② Personnel system

TRIM places importance on the development/demonstration of skills of each and every employee, and has established regulations for the personnel system in an aim to treat employees 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 real capabilities as professionals while each setting higher goals. The evaluator regularly conducts interviews with employees to share thoughts on the roles expected of them that are appropriate to their skill development stages as well as the actual achievements. TRIM utilizes the interview as an important opportunity for promoting skill development while presenting the evaluation in a more convincing manner. At the same time, TRIM provides the evaluator with evaluation training to ensure fair evaluation and guidance.

③ 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 surveys of all employees, including contract employees, concerning a wide range of matters such as human resource measures for the workplace, treatment, etc. The results of the survey are reported to the management team and feedback is provided to employees to improve the workplace environment.

④ Employee awards program

TRIM has established an awards program to recognize employees with notable achievements. By presenting an award, TRIM fosters a corporate culture which 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 each and every employee 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 constant long hours of work as well as to thoroughly abide by labor-related laws. TRIM takes measures that include the proper management of the working status of all employees and provision of instructions for improvement as necessary while reporting to the management team.

[Related data]	Fiscal 2014 (Apr. 2014- Mar. 2015)	Fiscal 2015 (Apr. 2015- Mar. 2016)	Fiscal 2016 (Apr. 2016- Mar. 2017)	Fiscal 2017 (Apr. 2017- Mar. 2018)
Overtime hours per employee (monthly)	17.3 hours	14.8 hours	13.8 hours	13.2 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 also 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 even employees with chronic diseases to be able 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 2014 (Apr. 2014- Mar. 2015)	Fiscal 2015 (Apr. 2015- Mar. 2016)	Fiscal 2016 (Apr. 2016- Mar. 2017)	Fiscal 2017 (Apr. 2017- Mar. 2018)
Ratio of paid leave taken	71.0%	87.4%	77.2%	87.5%

③ Healthcare

TRIM considers the health of executives and employees as an important matter for the company and addresses health management as a critical issue in management. While bearing the expenses for health checkups in order to promote them and bearing the expenses for influenza vaccinations among other things, 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 which 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 to consult.

【Related data】	Fiscal 2014 (Apr. 2014- Mar. 2015)	Fiscal 2015 (Apr. 2015- Mar. 2016)	Fiscal 2016 (Apr. 2016- Mar. 2017)	Fiscal 2017 (Apr. 2017- Mar. 2018)
Ratio of employees receiving health checkups	100.0%	100.0%	100.0%	100.0%

(3) Diversity

TRIM respects the diversity of each and every employee regardless of nationality, gender, age, values and attributes, and is creating an environment where employees can succeed regardless of such 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 with various ways of thinking and values is to accept each other without denying the opinions of the other person and to interact with them with respect and dignity. TRIM eliminates harassment such as discrimination and abuse as the footing for a work 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 individualities and skills.

【Related data】	Fiscal 2014 (Apr. 2014- Mar. 2015)	Fiscal 2015 (Apr. 2015- Mar. 2016)	Fiscal 2016 (Apr. 2016- Mar. 2017)	Fiscal 2017 (Apr. 2017- Mar. 2018)
Number of employees taking childcare leave	0	0	2	1
Number of employees working reduced hours	0	0	0	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.

(4) Labor-Management Relationship

TRIM believes that the prosperity of JPR and TRIM lies in good relationships between the management and employees. TRIM provides regular opportunities such as exchange meetings between the management and employees to create an open environment by placing emphasis on dialogues between the management and employees. TRIM will continue to bolster internal communication by establishing a forum for direct dialogues between the management and employees on an ongoing basis.

Since its founding, TRIM has never taken any measures similar to personnel reductions and has never experienced labor problems such as strikes.

(5) Data Related to Employees

Data Related to Employees	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of full-time directors	5	5	5	5
(of which, male)	5	5	5	5
(of which, female)	0	0	0	0
Number of employees (regular/contract)	41	39	42	39
Ratio of regular employees against all employees	93.0%	90.0%	91.0%	95%
Number of regular employees	38	35	38	37
(of which, male)	34	31	34	31
(of which, female)	4	4	4	6
Number of contract employees	3	4	4	2
(of which, male)	0	0	0	0
(of which, female)	3	4	4	2
Number of employees seconded from other companies	16	15	14	13
(of which, male)	15	14	13	12
(of which, female)	1	1	1	1
Ratio of female employees	17.0%	21.0%	19.0%	20.5%
Ratio of female executives	0.0%	0.0%	0.0%	0.0%
Ratio of female directors	0	0	0	0
Average length of service ※	5 years and 4 months	6 years and 2 months	6 years and 3 months	6 years and 10 months
(of which, male)	5 years and 4 months	6 years and 6 months	6 years and 2 months	6 years and 7 months
(of which, female)	5 years and 3 months	5 years and 5 months	6 years and 5 months	7 years and 5 months

Data Related to Employees	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of new hires ※	6	1	4	1
(of which, male)	4	0	4	1
(of which, female)	2	1	0	0
Number of employee turnover ※	3	2	0	2
(of which, male)	3	2	0	2
(of which, female)	0	0	0	0
Employee turnover rate ※	7.3%	5.1%	0.0%	5.1%
Ratio of paid leave taken ※	71.0%	87.4%	77.2%	87.5%
Ratio of employees receiving health checkups ※	100.0%	100.0%	100.0%	100.0%
Annual total of hours spent for education and training	829 hours	686 hours	679 hours	707 hours
Hours spent for education and training per employee	20.2 hours	17.6 hours	16.2 hours	18.1 hours
Ratio of executives and employees receiving the education and training	100.0%	100.0%	100.0%	100.0%
Ratio of executives and employees receiving sustainability training	100.0%	100.0%	100.0%	100.0%
Overtime hours per employee (monthly) ※	17.3 hours	14.8 hours	13.8 hours	13.2 hours
(of which, male)	19.4 hours	16.9 hours	15.2 hours	14.1 hours
(of which, female)	10.4 hours	7.3 hours	8.9 hours	9.1 hours
Number of employees taking childcare leave ※	0	0	2	1
Number of employees taking long-term nursing care leave ※	0	0	0	0
Number of employees working reduced hours ※	0	0	0	2

8. Initiatives Aimed at Unitholders/Investors

Efforts are made to disclose timely, accurate information that is useful to unitholders and investors as well as 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 disclosure of impartial information including not just information required to be revealed based on timely disclosure rules but also other information judged to be of use to investors in making investment decisions.

(2) Status of IR-related activities

In addition to timely information disclosure, JPR strives for 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, videos of results briefings, etc.), 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, financial outlook, etc., 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 a total of around 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.

9. 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.

(1) 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 in order to ensure 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 (comprising unitholders), the Board of Directors (comprising 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 a misconduct or a 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 this fact 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, etc.), 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

The 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.

The remuneration for supervising officers and the accounting auditor for the fiscal period ended December 31, 2017 (July – December 2017) and the fiscal period ended June 30, 2018 (January – June 2018) is as follows.

Portion	Name	Other Current Assignments	Total Fee during the Dec. '17 Fiscal Period (thousands of yen)	Total Fee during the Jun. '18 Fiscal Period (thousands of yen)
Executive Officer	Satoshi Okubo	Director, Tokyo Realty Investment Management, Inc.	2,400	2,400
Supervising Officers	Masato Denawa	Partner Attorney, Spring Partners	4,200	4,200
	Nobuhisa Kusanagi	Group Representative Partner of GYOSEI Certified Public Tax & Accountants' Co.		
Independent Auditor	EY ShinNihon LLC	-	13,000	16,200

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, TRIM has organized a more rigorous system to prevent conflicts of interest than those provided for by laws and regulations.

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, and 2) cases where the rent is frozen or set at a level below the average rent for the property when a lease is renewed.

(2) 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.

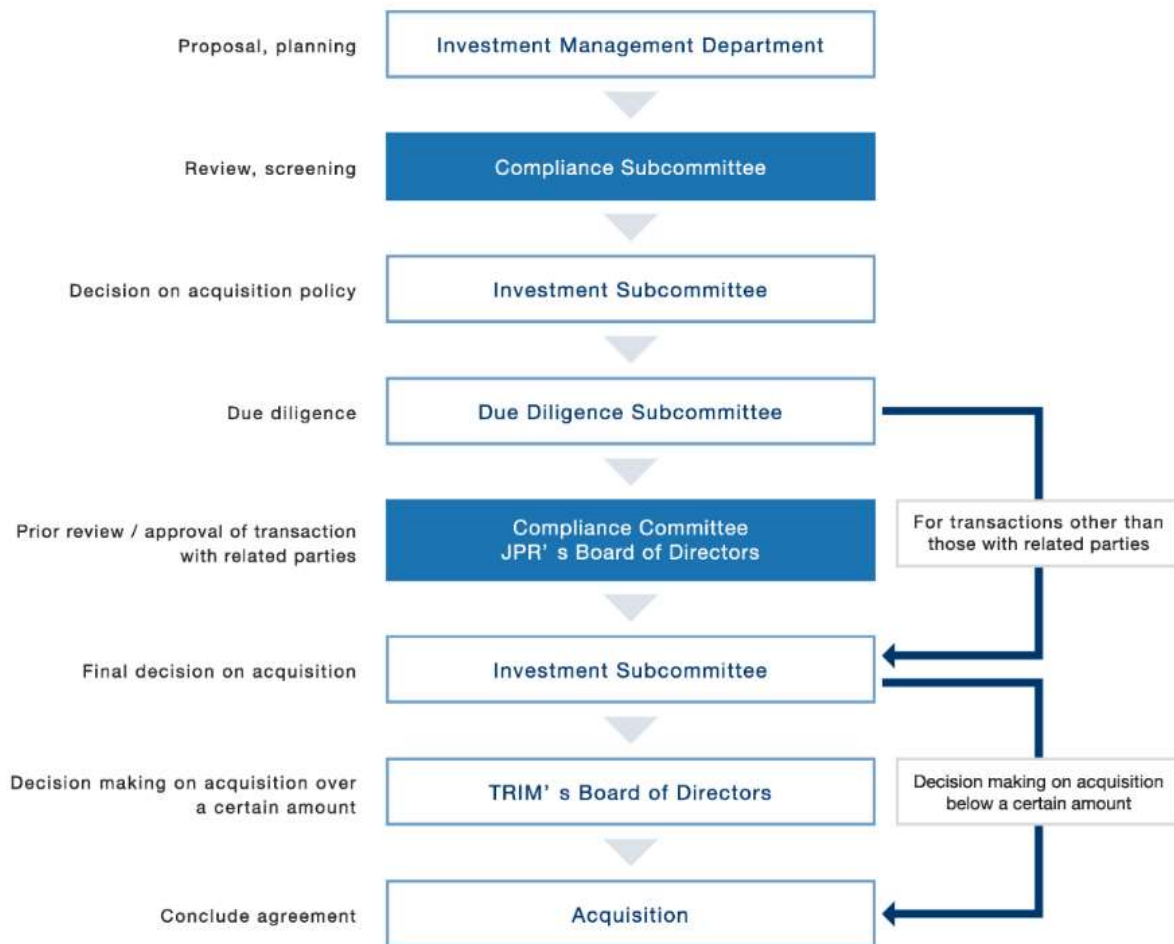


② **Investment management decision-making organs**

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 compensations 1, 2 and 3, and their specific amounts, calculation methods and the time of payment are clearly defined.

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 (Compensations for January through March, April through June, July through September and October through 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

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

	Dec. '17 Fiscal Period (thousands of yen)	Jun. '18 Fiscal Period (thousands of yen)
Fixed compensation	75,000	75,000
Incentive-based compensation1	267,233	271,473
Incentive-based compensation2	206,232	206,862
Incentive-based compensation3	-	-
Total	548,465	553,335

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 five 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

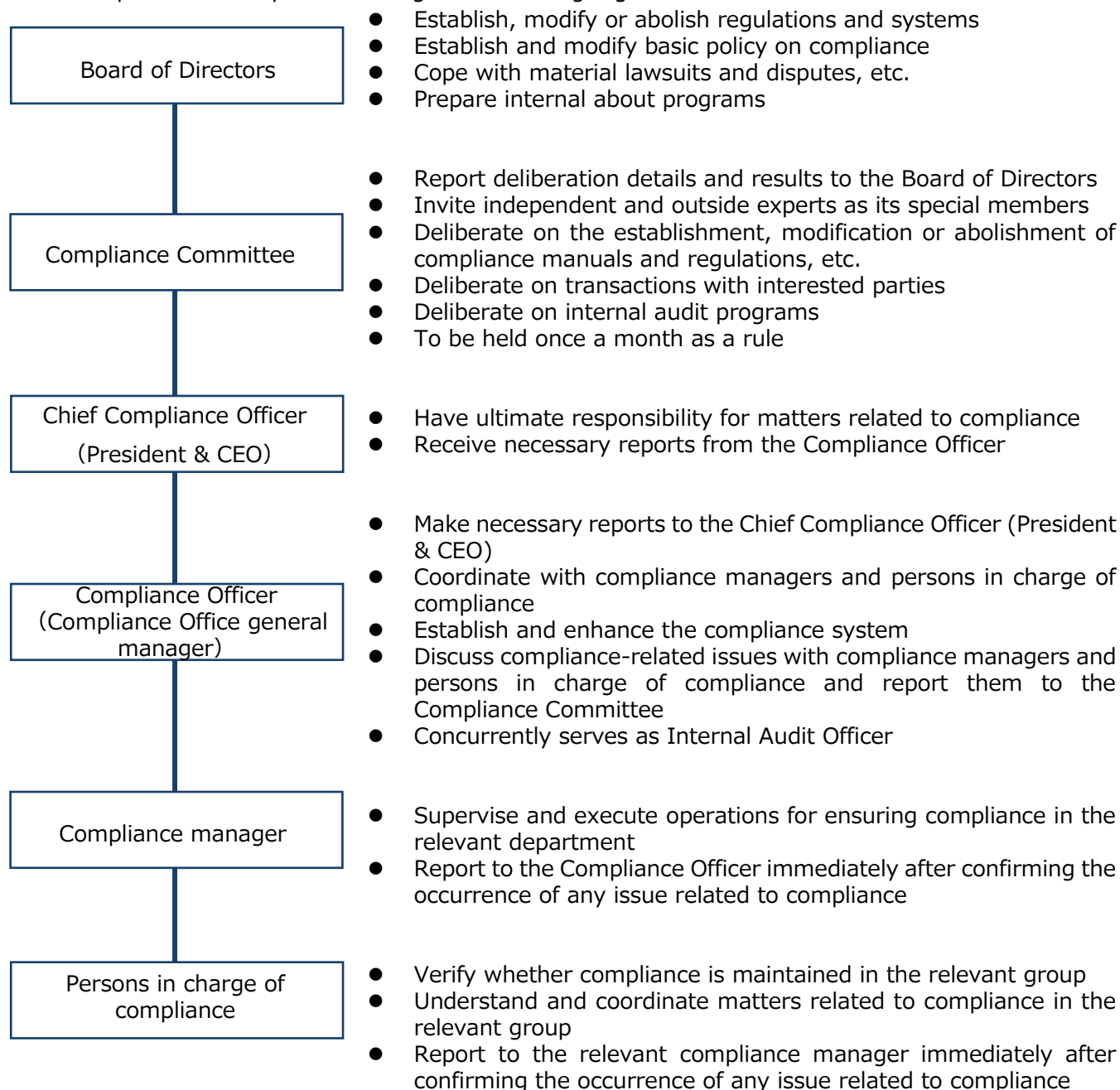
In an effort to rightly recognize social and public duties within asset management for investment corporations, and maintain and enhance the trust of investors and society, Tokyo Realty Investment Management, Inc. (TRIM) shall follow the following basic policy as a code of conduct for its officers and 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, etc. (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, though 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 observe more tightly 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 for restricting 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, etc.
- 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 monies generated from criminal behavior.

- ix. We will work to utilize the company's assets and expenses in a fair and efficient manner, 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, etc. 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 of society as well, to assume discriminatory behavior by reason of nationality, sex, birthplace, religion, belief, illness or physical features, etc. or behavior that may result in sexual harassment, etc., and will not engage in such behavior.
- xii. Fully understanding that we are involved in a business of a highly public nature, we will maintain efforts to enhance our ethical view in our social life as well, and act with a good sense of social being.

② Organization to Promote Compliance

TRIM promotes compliance through the following organization.



- 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 execution of actions that are in conflict with relevant regulations including laws regulations and internal rules.

③ Establishment of a helpline

The Tokyo Tatemono Group and TRIM have established the “Tokyo Tatemono Group Helpline” as a consultation and whistle-blowing channel to prevent the violation of laws and regulations and misconduct from occurring. In addition, they have also implemented a system for easy consultation and whistle-blowing by establishing a reception desk of an outside law firm and fully enforce the protection of the privacy of whistle-blowers and measures to prohibit their disadvantageous treatment on the grounds of whistle-blowing.

TRIM also takes appropriate measures against acts violating compliance by promptly taking

remedial actions and preventive measures.

④ **Provision of Compliance Training**

TRIM periodically provides training for all of its officers and employees to inform themselves on matters of compliance. The training sessions are held approximately ten times a year and, with the participation rate of almost 100%, function to disseminate compliance among the entire officers and employees. Questionnaires and confirmation tests might be conducted at any time after the sessions, and the results are utilized for future training.

⑤ **Prevention of Transactions with Anti-Social Forces**

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 provision of donations and contributions as well as provision of money and other articles will be opposed with firm resolve

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 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 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, etc.

JPR has the right to receive various 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.

- 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 strives 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 in a secure manner, 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, leakage, etc.). It has also put recovery measures in place in the event that problems occur and established a contingency plan for dealing with any damage.

TRIM has also made security management preparations and 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.