United Urban Investment Corporation

ESG Report 2020

Toward Sustainable Growth

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Note: In this report, abbreviated names are used for United Urban Investment Corporation and Japan REIT Advisors Co., Ltd. as follows.
UUR: United Urban Investment Corporation **JRA: Japan REIT Advisors Co., Ltd.**



Pursuing the sustainable growth of United Urban Investment Corporation

Toward 2030 and beyond

United Urban Investment Corporation (UUR) invests and manages real estate for the benefit of our full range of stakeholders. Holding contributions to people, local society, and the natural environment as foundational, we believe that conducting activities to realize a sustainable society is an important business challenge for real estate investment corporations from a long-term perspective.

In Japan REIT Advisors Co., Ltd. (JRA or asset management company of UUR), the Sustainability Committee was established in 2013 and has been engaged in solving ESG issues.

As a part of the initiatives for **Environment**, JRA established the Energy Saving Committee and the Energy Saving Working Group in 2012 and has endeavored to reduce energy consumption. Also, JRA selected “Energy management/use of renewable energy” as one of the ESG materiality which is in line with SDGs and has been making efforts with our partner companies towards our target, cut 40% of GHG (greenhouse gas) emission by 2030 compared to 2014, pursuant to the Paris Agreement. One of the initiatives in 2020 is the replacement of existing energy source with renewable energy (water or geothermal) categorized as RE100 at two UUR’s properties.

One of the highlights of **Social** initiatives in 2020 was, with groundbreaking talents being sought after, the revamp of the performance appraisals/feedback system by aiming to further value employees with willingness to take on new challenges and to nurturer such corporate culture. Also, as a part of measures to give further support on diversified workstyle, JRA provided all employees including contract workers with the IT infrastructures and the system to work remotely and to work flexible. Moreover, in response to requests from local governments to help prevent the infection spread of COVID-19, UUR has been offering our hotels for a lodging facility for medical treatment for the COVID-19 patients with mild or no symptoms who need medical treatment as well as medical personnel.

Initiatives for **Governance** at JRA include the bonus package fully linked to the UUR’s EPS and the employee stock purchase plan to further enhance the governance structure and the awareness of UUR’s sustainable growth. Also, UUR selected the female supervisory officer in its board, and the management structure has been more diversified and reinforced.

Please read through this report as it also introduces more initiatives.

In the future, we will endeavor to build relationships of trust with our stakeholders by further promoting ESG initiatives in our real estate investment and management and by making appropriate disclosures of the business results. Together with you, we will pursue the sustainable growth of UUR, while also fulfilling our social responsibility towards realizing a sustainable society.

March 2021



Japan REIT Advisors Co., Ltd.

President and CEO

Norimasa Gaun

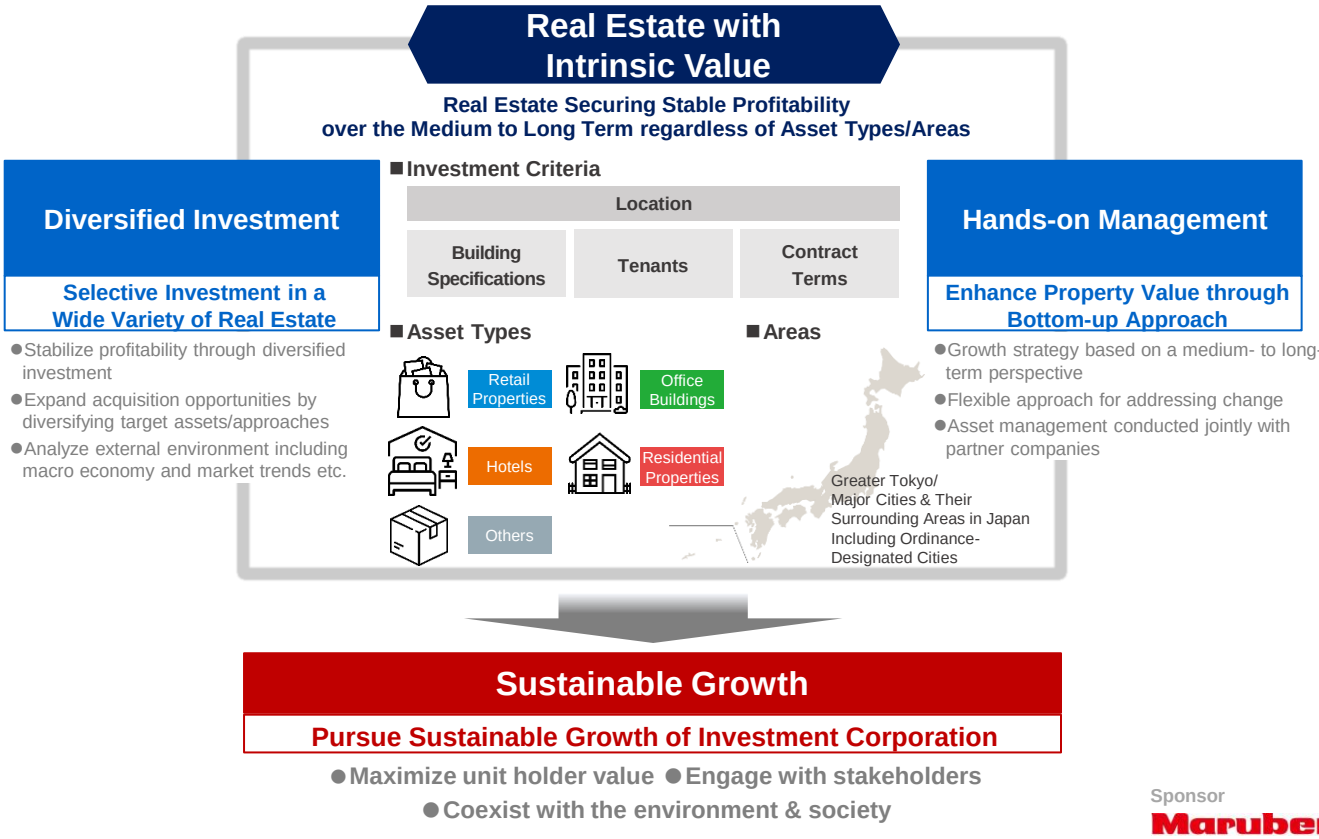
United Urban Investment Corporation

Executive Officer

Ikuo Yoshida

United Urban Investment Corporation

A J-REIT Pursuing Sustainable Growth by Identifying Real Estate with Intrinsic Value



Sponsor
Marubeni

Note: As stipulated in the Investment Trust Act, UUR entrusts an asset management of its portfolio to JRA. Please see page 32 for the organization structure of JRA.

Sustainability Committee – Promoting ESG Initiatives

- UUR formulated the Environmental Policies in 2012 (see page 14). And in 2013, JRA launched the Sustainability Committee (CIO as the chairman) to be engaged in solving ESG issues across its teams. With a focus on a speedy decision-making, executive officers (CEO, CFO, CCO) participate as a committee member.
- Also, JRA established the Energy Saving Committee and the Energy Saving Working Group in 2012 as a taskforce to reduce energy consumption.
- Following the long-term goals agreed in the Paris Agreement, UUR sets a target to reduce the greenhouse gas (GHG) emission by 40% by 2030 compared to 2014 (see page 10).

Members of the Sustainability Committee

CIO	Chairman of the Sustainability Committee
CEO CFO CCO	
Investment	Analysis of the environmental and social impact of assets to be acquired
Corporate Planning	Participate in initiatives, plan and promote highly effective ESG policies
Asset Management	Execution of ESG policies for operating properties, approach clients
Asset Administration	GRESB, environmental certifications
Finance	Green finance, information disclosure
General Affairs	Workstyle reform, capacity development, energy conservation
Risk Management	Analysis of qualitative risks in the medium- to long-term, expand green leasing
CCO	Establish governance at an even higher level

Energy Saving Committee
Energy Saving Committee Working Group

Toward 2030 and beyond

Recent Initiatives

External Evaluation

GRESB Real Estate

Highest “Green Star” rating for the sixth consecutive year

GRESB 2020

GRESB Public Disclosure

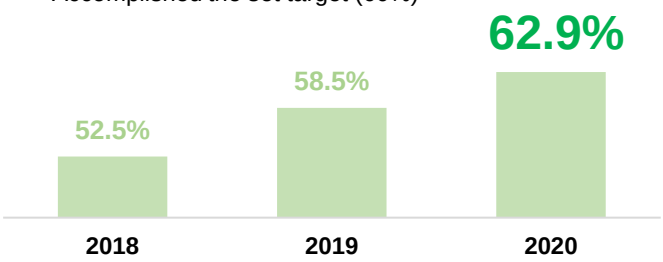
Highest “A” ranking for the third consecutive year

GRESB Public Disclosure 2020

Environmental Certification Coverage

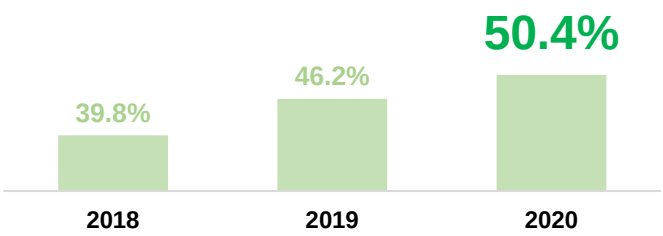
GFA base

Accomplished the set target (60%)



Number of properties base

Accomplished the set target (50%)



Easing Climate Change

Reduction of GHG (Green House Gas) emission at office buildings

2019

0.07451

t-CO^2/m^2

15.8%

Reduction

2014 → 2019

Rationalization of Energy Use

Classification of business operators by the Japanese Government based on Rationalization in Energy Use Law

Highest rating **S Class**

Out of 62 J-REITs, only 6 have held the rating for 5 consecutive years

(as of December 2020)

Switch to renewable energy

Replace the electronic power source at UUR’ properties

	TENJIN LUCE	Tenjin Loft Building
Energy source*1	Water/ Geothermal	Water
Energy category	Saiene ECO Plan*2 (RE100)	RE100
Supplier	Kyushu Electric Power, Co. Inc.	Marubeni Power Retail Corporation
Service to start	Apr. 1, 2020	Oct. 1, 2020
Clean energy coverage*3	100%	100%

*1 Subject to change; most appropriate clean energy to be selected.
*2 One of the service plans provided for corporates by Kyushu Electric Power, Co. Inc.
*3 Percentage of clean energy used out of total energy used in the subject properties.

What is RE 100?

- RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity. Electricity is required to be produced from renewable sources.
- These can include biomass (including biogas), geothermal, solar, water, and/or wind



Prevent the Spread of COVID-19

Received patients with mild or no symptoms for medical treatment as well as medical personnel

In response to requests from local governments to help prevent the collapse of the medical care system caused by the spread of COVID-19, hotels owned by UUR have been used as a lodging facility for medical treatment for the COVID-19 patients with mild or no symptoms who need medical treatment as well as medical personnel.

The initiative continues as of March 2021.





Hotel staff participating in the infection prevention training by experts in preparation for the acceptance of patients who need medical treatment

Guideline for preventing infection spread

Implement measures to prevent the infection spread at each of UUR's properties based on the guidelines recommended by national and local governments since August 2020.

Loisir Hotel & Spa Tower Naha





Thermal cameras at receptions to check the health condition of guests

Okinawa Prefecture declares measures to prevent the spread of infection



As A Responsible Member of Society

Offer space for UNHCR fund raising campaign

- On behalf of UNHCR (United Nations High Commissioner for Refugees), Japan for UNHCR conducted fund raising campaigns at UUR's properties (Luz Shonan Tsujido, Luz Funabashi).
- Japan for UNHCR is an official representative point of contact of UNHCR.

Example: Luz Shonan Tsujido



December 2020

Governance

Change of supervisory officers (September 1, 2019)

Ratio of females in the board* 0% ▶ 33%

* Executive Officer + Supervisory Officer

Avg. consecutive years served by Supervisory Officers 6 years ▶ 2 years

Toward sustainable growth of UUR

External Certification/Evaluations/Initiatives

GRESB (Global Real Estate Sustainability Benchmark)

The highest status of Green Star was granted to UUR in 2020 for the sixth consecutive year. It is granted to entities which have exhibited excellence in both dimensions of Management and Policy and Implementation and Measurement. The Three-star rating, which is under a five-grade evaluation system that reflects overall global ranking based on an applicant's total scores, was granted to UUR.

In addition, the highest rating of A was granted to UUR for the third consecutive year. UUR's accomplished disclosure of information regarding environmental considerations and sustainability initiatives were evaluated.

PRI (Principles for Responsible Investment)

PRI comprises six principles that require PRI signatories to fulfill their responsibilities of ESG issues through investment activities. JRA has agreed with the basic concept of PRI, and was approved as a signatory institution in November 2018.

The Six Principles
Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
Principle 6: We will each report on our activities and progress towards implementing the Principles.

ISO14001

JRA has been practicing operations that take ESG into consideration for quite some time, and JRA was granted certification as it was confirmed that our environmental management systems satisfied the requirements based on the environmental management system standard (called "Requirements" in ISO14001) of ISO14001.



MUFG ESG Rating Certificate for J-REIT supported by JCR

UUR and JRA were granted an S rating, the highest rank in a five-stage ranking system. In particular, the fact that UUR and JRA set up the policies on their supply chain and put them into practice were highly evaluated, to say nothing of building their own ESG promotion structure.



TOKYO Workstyle Reform Declaration

Declaring that it will engage in the company-level work-style reform by becoming a better workplace for its employees and pushing its employees to take leaves in order to refresh, JRA was recognized as TOKYO Workstyle Reform Declaration Company by the Governor of Tokyo.

Through work-style reform including frequent catch-ups on how work hours can be shortened and the recommendation of taking a week-long paid vacation per year, JRA encourage its employees to improve productivity and take more than 10 paid holidays once a year.

Actions on ESG Materiality

Decision-Making Process for ESG Materiality Selection

STEP 1

Identify risks and issues regarding ESG

Upon considering the asset characteristics and management policies of UUR as well as external evaluations on ESG and societal trends, etc., JRA's Sustainability Committee makes selections taking external opinions into consideration (see the table on the right).

STEP 2

Specify issues that should be prioritized

Investigate the issues that each department of JRA is concerned with, and the management team (CEO, CIO, CFO) will specify issues that are likely to impact UUR's performance as materiality.

STEP 3

Set action plans and targets

Specify actions to take and targets to achieve in response to every materiality that each department shall tackle throughout the year.

STEP 4

Progress review on action plans and targets

The management team reviews the progress and achievement of the action plans and targets for the selected materiality and discuss goals for the next year.

Risks/Issues Concerning ESG Selected by UUR

	Items in green had been selected and are being addressed.	2019	2020	2021
Environment risks/issues	Energy consumption/management	✓	✓	✓
	Green certified buildings	✓	✓	✓
	Tenant and property manager engagement	✓	✓	✓
	Safety of buildings			
	Resilience			
	Biodiversity and habitat			
	Waste management			
	Water consumption/management			
	Climate risk management			
	Environmental attributes of building materials			
	GHG emissions/management	✓	✓	✓
Social risks/issues	Employee performance/ career development			✓
	Supply chain management	✓		
	Diversity and equal opportunity			
	Employee satisfaction/wellness	✓	✓	✓
	Contribution to local community/ local government		✓	✓
	Contribution to real estate industry		✓	
	Satisfaction, health, and comfort of building users			
	Child labor/Forced or compulsory labor			
	Labor-management relationships/Worker rights			
	Asset level safety for tenants			
Governance risks/issues	Disclosure and assurance	✓	✓	✓
	Disclosure for investors		✓	✓
	Executive compensation/ Employee remuneration	✓		✓
	Bribery and corruption			
	Shareholder rights			
	Data protection and privacy			
	Political contributions			
	Whistleblower protection		✓	
	Board skills/diversity	✓		

Materiality and Related SDGs

Among various ESG issues, UUR has selected some to be addressed as a real estate investment trust based on the concept of SDGs (Sustainable Development Goals). Major ESG initiatives on which UUR places a high priority have been specified as materiality. The action plans and targets for each item under materiality are monitored annually and reviewed accordingly.



Achievements/Results of Materiality

2020

	Materiality	Achievements	Results*
Environment	**Energy management/ use of renewable energy**	**Long-term Goal: Cut the greenhouse gas (GHG) emission by 40% by 2030 compared to 2014.** **2019 Results -15.8%**	3
Environment	**Green certified buildings**	**GRESB** Real estate evaluation: Highest “Green Star” rating for the sixth consecutive year. Disclosure evaluation: Highest “A” ranking for the third consecutive year **Environment Certification Coverage** December 2019 / December 2020 # of property base: 46.2% / 50.4% GFA base: 58.5% / 62.9%	3
Environment	**Tenant and property manager engagement**	**Long-term Goal: Incorporate green lease clauses in 100% of contracts by 2030.** Contracted area where tenants have agreed the UUR’s green lease clauses out of total contracted area of buildings categorized as office buildings by UUR (exclusive of residential area within those office buildings) November 2019: 40.1% / November 2020: 58.0%	3
Social	**Employee job satisfaction/wellness**	• Ensure business continuity in the COVID-19 pandemic with remote working facility installment. • Engagement survey covering all employees including contract workers.	3
Social	**Contribution to local community/ local government**	Hotels owned by UUR have been used as a lodging facility for medical treatment for the COVID-19 patients with mild or no symptoms who need medical treatment as well as medical personnel.	3
Social	**Contribution to real estate industry**	Joined online seminars organized for individual investors as a presenter.	2
Governance	**Disclosure and assurance**	Rolled out the construction work management system to enhance the UUR’s asset management capability.	3
Governance	**Disclosure for investors**	• Annual publication of ESG Report. • Timely disclosure at website on management condition.	3
Governance	**Whistleblower protection**	Compliance training covering all employees including contract workers (November 2020).	3

*3: Reached target, 2: Improving (though target has not been reached), 1: Continuing to tackle the issue



2021

	Materiality	Action plan/Target
Environment	**Energy management/ use of renewable energy**	**Cut the greenhouse gas (GHG) emission by 40% by 2030 compared to 2014.**
Environment	**Green certified buildings**	• Acquire external environmental certification including GRESB Green Star. • Raise environment certification coverage to 65% (GFA based) by 2021.
Environment	**Tenant and property manager engagement**	**Incorporate green lease clauses in 100% of contracts by 2030.** Contracted area where tenants have agreed the UUR's green lease clauses out of total contracted area of buildings categorized as office buildings by UUR (exclusive of residential area within those office buildings)
Social	**Employee job satisfaction/wellness**	• Enhance productivity and quality of outcome through IT investment • Nurture a more collaborative corporate culture where employees value in each other and give support. • Encourage to take more paid leaves.
Social	**Contribution to local community/ local government**	As a responsible member of society, contribute to disaster prevention measures and revitalization for local communities.
Social	**Employee performance/ career development**	• Encourage to acquire qualifications and to take job specific training programs. • Provide job type trainings.
Governance	**Disclosure and assurance**	Further strengthen the asset management capability with the system installed in 2019.
Governance	**Disclosure for investors**	More investor-friendly disclosure on non-financial information including ESG related initiatives (Receive higher rating).
Governance	**Executive compensation/ Employee remuneration**	Introduce a performance-based fee structure on an asset management services.

Marubeni

As A Member of Marubeni Group

As a responsible global company, Marubeni (sponsor company of JRA) has been addressing the ESG issues with its group companies.

- Marubeni understands that its employees are valuable assets in its business and promotes their work-life balance, wellness and women's empowerment.
- Not only receiving external certifications/evaluations, but Marubeni has also acquired external recognition in ESG investment indices.

For details, please see the Marubeni website.

As a member of Marubeni group, JRA understands the Marubeni's approach and initiatives to sustainability and incorporates them in its own asset management.



Marubeni
Sustainable Development Report 2019

Marubeni's Approach to Sustainability

Participation in International Initiatives

UN Global Compact	In December 2012 Marubeni declared its support for the UN Global Compact (see p.23). Marubeni Corporation engages in activities as a Corporate Member of the Global Compact Network Japan (GCNJ), the local network of United Nations Global Compact in Japan. Working Groups (WG), which are organized by theme, are held mainly by the network members of GCNJ. Marubeni takes part in seven WGs including Committee of Supply Chain, Environmental Management, Human Rights Due Diligence.
CDP	CDP is a project that calls on companies in various countries to disclose environmental information, including climate change measures. CDP analyzes and assesses the collected information and makes it available to investors. CDP's database of environmental information on corporate climate change measures is one of the largest in the world. Marubeni has participated in the initiative of CDP since 2007 and has submitted to the CDP climate change questionnaires and the CDP's Water Security Program questionnaires.

External Recognition

女性が活躍しています！	**"Eruboshi" Company** Marubeni has been certified as an "Eruboshi" company by the Minister of Health, Labor and Welfare for its efforts in promoting women's participation in the workplace. The "Eruboshi" certification is awarded to applying companies, based on the Act on Promotion of Women's Participation and Advancement in the Workplace ("Act to Promote Women's Participation") enforced on April 1, 2016. Marubeni has received the second highest rank out of the three grades.
プラチナくるみん 子育てサポートしています	**"Platinum Kurumin" Certification** Marubeni has received the "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare as an exemplary company that offers a higher standard of support for childrearing.
2020 健康経営優良法人 Health and productivity ホワイト500	**Health and Productivity Management Organization 2020 (White 500)** As an organization with an excellent track record of health management, Marubeni was certified as a Health and Productivity Management Organization 2020 (White 500) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. Health and Productivity Management Organization 2020 (White 500) is based on initiatives that align with regional health issues and health promotion endeavors supported by the Nippon Kenko Kaigi; it endeavors to highlight outstanding enterprises engaged in efforts to advance health management. And Marubeni has been selected three years in a row.

Marubeni

Inclusion in Leading ESG Investment Indices

FTSE4Good Global Index Series	The FTSE4Good Global Index Series was developed by FTSE Russell*1, a global index provider, a part of the London Stock Exchange Group. The Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.
FTSE Blossom Japan Index*	The FTSE Blossom Japan Index, created by FTSE Russell, is designed to measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices.
MSCI Japan Empowering Women Index*	The MSI Japan Empowering Women Index was developed by MSCI, and Japanese companies with high levels of gender diversity are selected from various industries.

*These indices are selected by the Government Pension Investment Fund for Japan (GPIF) as indices for ESG investment (as of June 2020).

ESG Initiatives by Marubeni

Marubeni takes various initiatives on ESG and makes disclosure of ESG related data and information.

Environment

- **Climate Change (see below)**
- Sustainable Forestry
- Water Management
- Environmental Data
- Disclosure in line with the recommendations of the TCFD
- Conservation of Biodiversity and Habitats
- Environmental Management System (ISO14001)

●Climate Change

Basic Approach

Climate change is becoming an issue with significant impact across a wide range of areas, including global warming, changes to the natural environment, and an increase in natural disasters.

As we engage in global businesses, the Marubeni Group acknowledges that the climate change issue is a serious risk, while also recognizing that it may offer business opportunities. The Marubeni Group considers our contribution in the areas of both mitigation and adaptation of climate change as our priority subject. We will take initiatives for contribution through our businesses.

Business Policies Pertaining to Sustainability

Cut coal-fired power generation capacity in half by 2030*1

*1 Compared to 2018 (Approx. 3GW)

From FY 2021
At all domestic business locations

Make electricity purchased to carbon neutral*2

＊2 Based on the renewable energy procurement requirements set by RE100, the International Environmental Initiative

For details, please see the Marubeni website.

Governance

- Corporate Governance Report
- Corporate Governance Structure
- Compliance
- Disclosure Policy and IR Policy
- Marubeni's Corporate Governance Code Initiatives
- Basic Internal Control Policy
- Risk Management

For details, please see the Marubeni website and page 29 in this report.

Marubeni

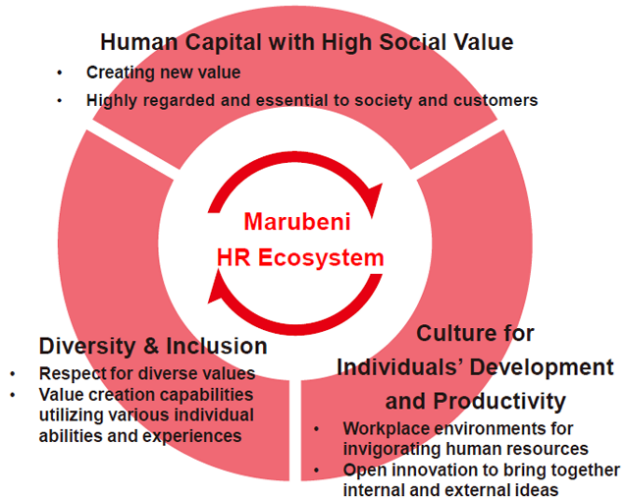
Social

- ●Respect for Human Rights
- ●Basic Supply Chain Sustainability Policy
- ●Responsibility to Customers
- ●**Human Resources Strategy (see below)**
- ●Work Environment for Diverse Individuals
- ●Communication with Employees
- ●Ensuring Occupational Health and Safety
- ●Supply Chain Sustainability Survey
- ●Policies and Initiatives Considering Environment and Society
- ●**Human Resource Development (see below)**
- ●Promote Work Style Reforms
- ●Employee Data

●Human Resources Strategy Marubeni HR Ecosystem

For Marubeni, we regard human capital as our most valuable asset. This is the thinking behind the “Marubeni Group HR Strategy” in GC2021. The goal is to create a “Marubeni HR Ecosystem” that promotes the involvement of every single Marubeni Group employee in creating new value as part of the “Global Crossvalue Platform”.

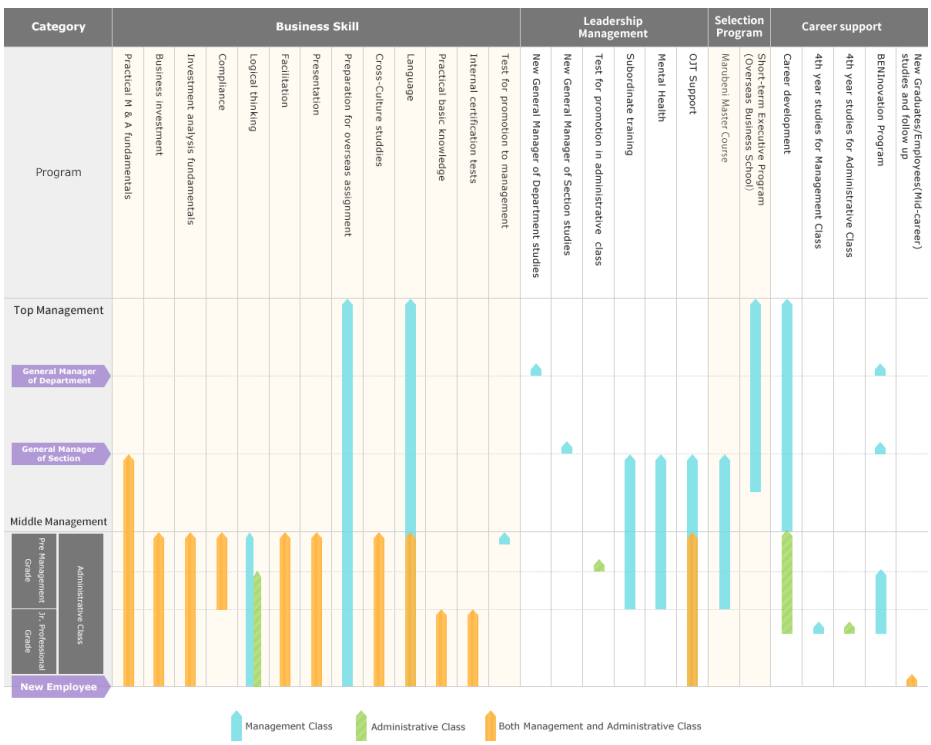
For details, please see the Marubeni website.



●Human Resource Development Marubeni Global Academy（MGA）

In order to train individuals who can succeed globally, human resource development is being enhanced through both On the Job Training (main focus), as well as Off the Job Training (supporting function).

For Off the Job Training, a review of the company-wide training system was conducted starting in the fiscal year ended March 31, 2017. As a result, the Marubeni Global Academy (MGA) has been improved and enhanced as the support function to achieve the Marubeni Group human resources strategy.



For details, please see the Marubeni website.

Environment

Disclosure according to SASB

- UUR prepares a summary of our non-financial information on environment in accordance with a real estate standard in **Sustainability Accounting Standards Board (SASB)** with aim to improve disclosure quality. For details of the SASB report, please see page 36.

Engagement with Partner Companies

- **Basic Supply Chain ESG Policy** (see page 35) and **Environmental Policies** (see below) were established by UUR, and property managers, all of which have been entrusted with the services of JRA, have agreed to follow both policies.
- Both policies were sent to tenants and service providers for UUR's properties in order to raise their awareness of UUR's initiatives on ESG. UUR also tackles environmental issues in partnership with tenants and service providers.
- In November 2019, the Basic Supply Chain ESG Policy was revised. In the second half of 2021, it is planned to get property managers, tenants, and service providers to agree with the policy revisions.

Environmental Policies

UUR, aware of its corporate social responsibility, will do its utmost to contribute to the sustainable prosperity of our society under the considerations on the environment and efforts for reduction of environmental burden.

1. **Energy conservation and measures for global warming**
   UUR will proactively promote efficient use of resources and energy and contribute toward realization of a low-carbon society through introduction of technologies and systems that are friendly to the environment.
2. **Reduction of environmental burden**
   UUR will make efforts for reduction of environmental burden and realization of a recycling society through such measures as water conservation, reduction (curbing of waste), reuse and recycling together with reduction of carbon emissions.
3. **Compliance with environment-related laws and regulations**
   In compliance with the environment-related laws and regulations, UUR will strive to preserve the environment.
4. **Promotion of environmental communication**
   UUR will work to disclose its initiatives on the environment and other environment-related information proactively and collaborate with our various stakeholders through communication with society.
5. **Environmental education and enlightenment**
   Through education and enlightenment on the environment, UUR will work to improve environmental awareness.
6. **Continuous improvement**
   In order to improve its environmental performance mentioned above, UUR will make continuous efforts to strengthen its environmental management system.

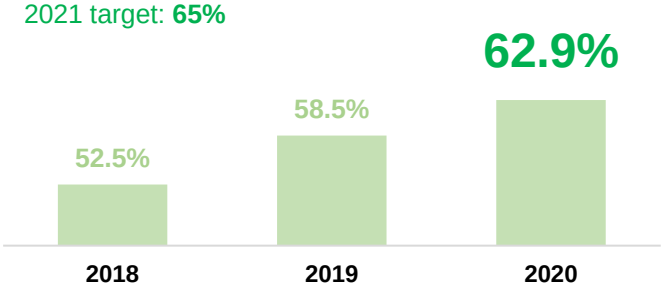
Note: Revised November 2018.

Environmental Performance

Environment Certification Coverage

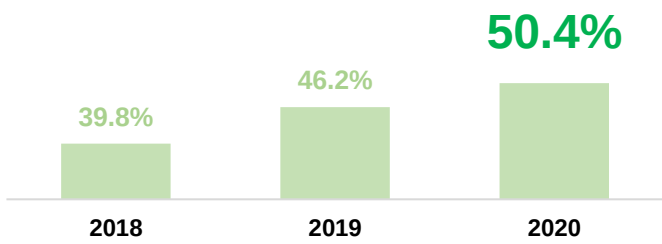
Based on GFA

Accomplished the set target (60%) by end of 2020.
2021 target: **65%**



Based on # of properties

Accomplished the set target (50%) by end of 2020.
2021 target: **52%**



of Properties with Environment Certification

DBJ Green Building		13	CASBEE		27	BELS		25
DBJ Green Building 2018	★★★★	1	CASBEE	★★★★★	8	BELS	★★★★★	3
	★★★	8		★★★★	19		★★★★	2
	★★	3					★★★	11
	★	1					★★	9

Note: as of December 2020. ARENA TOWER has received recognition under both DBJ Green Building Certification and BELS. In addition, as for LOOP-X・M, which consists of two buildings: Loop-X (office building) and Loop-M (residence), Loop-X has received CASBEE and Loop-M has received BELS, respectively. Therefore, each overlap is deducted in a calculation of the portfolio's environment certification coverage.

Renewal of Environmental Certification

- UUR asks energy experts to conduct energy conservation diagnoses and has been introducing energy-saving equipment including LED lighting systems and highly efficient air conditioning.
- UUR reacquires certifications for properties for which the certification period has expired. CASBEE Certification acquired for six properties in 2014 have been renewed. Of the six properties, three (one of them was sold in March 2020) surpassed the previous ranking of A to achieve the highest ranking of S thanks to the effects of installing energy-saving equipment.

Pacific Marks Shinjuku Parkside	Pacific Marks Yokohama East
	

Renewal of CASBEE

★★★★ A ranking ▶ ★★★★★ **S ranking**

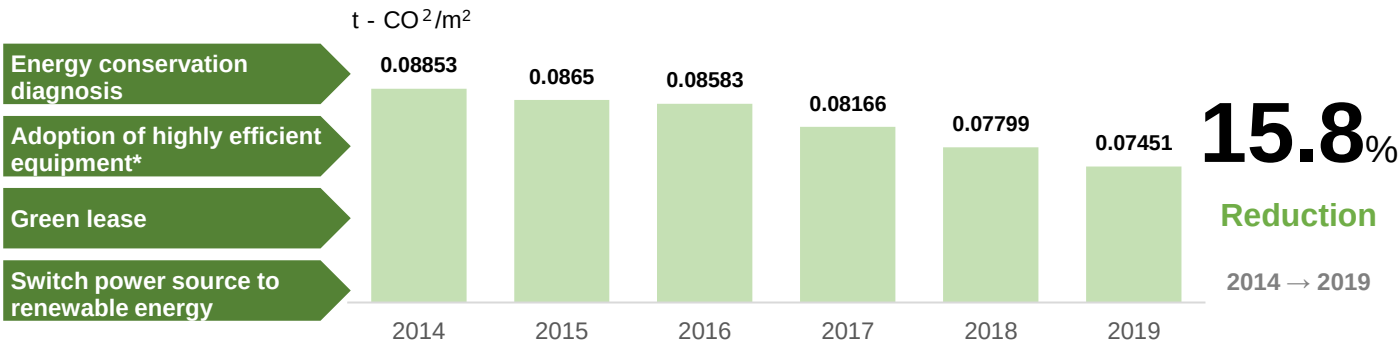
Initiatives to Easing Climate Change

- UUR endeavors to lower annual energy consumption by more than 1% on a five-year average across its properties, a target indicated by the Japanese Government, based on the standard unit of energy calculated by considering energy usage and total floor space, etc., of its properties.
- UUR has been awarded the highest rating of “S” for four consecutive years in the 2019 classification of business operators conducted and published by the Japanese Government.

Sustainability Objectives

As an owner of large-scale business facilities whose greenhouse effect gas emissions are assumed to be high, United Urban sets a target to reduce the “specific energy consumption rate” by 1% per annum on average for 5 years (“Specific energy consumption rate” is calculated by the factors like energy consumption, floor space, etc.).
Untied Urban will accomplish the target by such means as introducing highly-efficient equipment suitable to each facility on replacement of air-conditioners or lighting equipment (see the UUR website).

Greenhouse Gas (GHG) Emissions at Office Buildings



*Switch to LED lighting and renew A/C.

Highest rating S class

Out of 62 J-REITs, only 6 have held this rating for five consecutive years

(as of December 2020)

Environment KPI (For data coverage ratio, see the SASB Report on page 36 in this report)

	A (Energy consumption & CO_2 emissions)					B (Water usage)	
		Electricity usage	Gas usage	CO_2 emissions			Water usage
				Scope 1	Scope 2		
	# of Properties monitored	GJ	GJ	thousand t-CO_2	thousand t-CO_2	# of properties monitored	thousand m^3
2014	69	1,133,104	136,440	7	60	60	613
2015	74	1,168,739	122,683	6	62	63	623
2016	71	1,239,085	154,803	8	66	95	1,394
2017	72	1,254,262	165,330	8	61	105	1,518
2018	71	1,336,657	170,936	9	64	109	1,598
2019	74	1,331,084	165,093	8	63	118	1,699

Note: From April to March every year.

For details, please see the UUR website.

Reduction of Electricity Consumption

- UUR endeavors to collet electricity consumption data at its properties through smart meters* installed at properties and information provided by partner companies.
- Based on the measured results of electricity consumption, JRA's Asset Administration Department and energy experts conduct annual energy conservation diagnoses.
- Based on the results of the diagnoses, the Asset Administration Department hashes out an operational improvement plan concerning electricity consumption, and the Asset Management Department and work with partner companies to execute the improvement plan.
- A year after the initial diagnosis, a follow-up diagnosis takes place. In addition to reviewing the energy conservation measures, it clarifies issues of execution in the improvement plan with partner companies.
- Furthermore, the management criteria (manual) stipulated in the Energy Saving Act (Act Concerning the Rational Use of Energy) is regularly reviewed for each property, and efforts are made towards continuous energy saving.

*Properties with smart meters: 18 of 29 retail properties and 15 of 33 office buildings (as of December 2020). Electricity consumption data can be accessed in real time on the electric company's website.

Flow of Energy Conservation Diagnosis

Collect electricity consumption data

↓

Select properties for energy conservation diagnoses

☑ Properties where its electricity consumption between April to September is 5% or more year on year.

Energy conservation diagnosis and operational improvement plan

☑ Field work on more than 50 items concerning the operational status of facilities including air-conditioning and heating facilities, and lighting facilities.

☑ Consider operational improvement plan based on diagnosis results.

Follow-up diagnosis (one year later)

☑ Verify energy conservation effects.

☑ Clarify issues regarding the operational improvement plan.

Energy consumption diagnosis at SS30



Switch to Renewable Energy

Replace the existing electronic power source at UUR' properties

	TENJIN LUCE	Tenjin Loft Building
Energy source*1	**Water/ Geothermal**	**Water**
Energy category	Saiene ECO Plan*2 (RE100)	RE100
Supplier	Kyushu Electric Power, Co. Inc.	Marubeni Power Retail Corporation
Service to start	Apr. 1, 2020	Oct. 1, 2020
Clean energy coverage*3	100%	100%

*1 Subject to change; most appropriate clean energy to be selected.
*2 One of the service plans provided for corporates by Kyushu Electric Power, Co. Inc.
*3 Percentage of clean energy used out of total energy used in the subject properties.

What is RE 100?

- RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity. Electricity is required to be produced from renewable sources.
- These can include biomass (including biogas), geothermal, solar, water, and/or wind



Effective Use/Reuse of Water

In addition to proactive implementation of water conservation equipment, UUR has installed equipment that reuses water at properties for reduction of water consumption and effective use of water.

	Number of properties applicable/introduced
Reuse of wastewater	8*1 Fiscal 2018 105,095m³ Water charges in Tokyo's 23 wards: ¥404/m³ *2
Water conservation equipment	24

Example of reuse of wastewater: Water filtration system at Shinjuku Washington Hotel Honkan



Example of water conservation equipment: Water sprinkler equipment at Luz Jiyugaoka



*1 Number of properties where reuse of wastewater could be measured between April 2018 and March 2019.
*2 As of December 2019. Standard charge for general meters with a diameter of 100 mm or more.

Sea Water Filtration System

Loisir Hotel & Spa Tower Naha installed a system that filters ocean water that has permeated through the ground, and has reduced its water charges and environmental burden by cutting waterworks usage.

While the occupancy remained low almost all through the year in 2020 due to the COVID-19 pandemic, the y-o-y change was as follows.

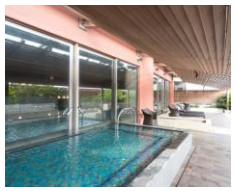
Reduction Effect (April – December 2020)

	2019		2020
Waterworks Usage **- 89%**	128,181m³ per/year	▶	13,537m³ per/year
Water Charges **- 37Mn**	42.3 Mn per/year	▶	5.0 Mn per/year

Loisir Hotel & Spa Tower Naha





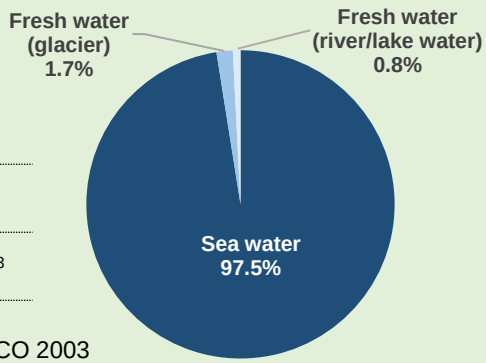


Column: Planet of Water – How much water would be available for us?

Volume of daily fresh water that is available for human being

0.01% (100,000km³)

Area occupied by the water	2/3
Water volume in the globe	1.4 billion km³



Source: World Water Resources at the Beginning of the 21st Century, UNESCO 2003

Other Initiatives to Reduce Environmental Burden

Acquisition/Asset Management of Mixed Properties

With an operational policy of diversified investment (see page 4), UUR also invests in mixed properties in CBD of regional hubs. Mixed facilities in locations with high traffic convenience are able to fulfill multiple needs of users. As such, they provide convenience to the users, curbs the environmental burden (gas emissions of automobiles, etc.) derived from commuting, and contribute to the promotion of compact cities.

7 of **38** mixed properties are comprised of three or more use types

Major Mixed Properties with Three or More Use Types

Shin-Osaka Central Tower	RIHGA Royal Hotel Kokura・ ARUARU City	SS30
Office/Hotel/Retail/Fitness	Hotel/Retail/Office/Parking lot	Office/Hotel/Retail/Fitness
		

Greenfield Development

J-REITs cannot take risks in real estate development. However, there are cases when UUR is involved in development projects of its sponsor, Marubeni an its group companies as well other developers from the planning stage under the premise the building will be reconstructed, renovated, or that UUR will acquire preferential negotiation rights upon completion of the projects. In these cases, UUR keeps the focus on profitability and quality that will enable the completed properties to obtain high environmental evaluations.

UUR'S Main Properties Where It Was Also Involved in Development from the Planning Stage

the b fukuoka tenjin Development	Luz Shonan Tsujido Sponsor support	GRAND-SQUARE Meieki-minami Sponsor support
BELS ★★★	**DBJ Green Building** ★★★	**CASBEE** ★★★★
		

Conservation of Biodiversity

In view of conservation of biodiversity, United Urban has established the policy not to introduce any alien species concerned to spread widely and become a threat to the surrounding ecosystem.

Investigation of Toxic Substances

- UUR uses third parties for environment assessment when acquiring, and evaluating environmental risks before investment decisions.
- When toxic substances are found, only properties deemed to have sufficient measures to outflow or disperse toxic substances will be acquired, in line with the asset management guidelines.

Environmental Due Diligence

Review of consistency with investment management guidelines

- ☑ Usage/storage of asbestos, PCB, CFC, etc.
- ☑ Usage of chemical substances, etc.
- ☑ Possibility of soil contamination in light of past/present usage

Acquisition of engineering report

☑Soil/underground water ☑ CFC ☑ Asbestos ☑ PCB, etc.

Soil assessment

Investment Committee

Waste Management KPI

	Non-hazardous Waste	Hazardous Waste
2016	8,177 t	0
2017	8,798 t	0
2018	9,203 t	0
2019	9,473 t	0

Recycling Rate	Incineration Rate	Landfill Rate	# of properties monitored
51.3%	45.0%	3.7%	68
48.6%	45.2%	6.1%	70
48.0%	49.1%	2.9%	70
45.4%	49.1%	5.4%	77

Note: From April to March every year.

Green Finance - Opportunities for Green Investment

As a way to diversify financing, UUR obtains loans from financial institutions or issues corporate bonds in order to appropriate the whole proceeds for the following uses including the acquisition of eligible green assets*, refinancing of borrowings for the acquisition of eligible green assets, or redemption of corporate bonds.

*New and existing properties that have obtained or are expected to obtain DBJ Green Building Certification (three stars or better), Certification for CASBEE for Real Estate (A rank or higher), or BELS Certification (two stars or better)

Eligible Green Assets

59 properties ¥**367.4** Bn

Green Trust Loan ¥ **14.5** Bn

Retail Green Bonds ¥ **10.0** Bn

Amount of green finance	All J-REITs	296.1 Bn
	UUR	24.5 Bn (8% of total)

Note: All data is as of December 2020.

Main Eligible Green Assets

Mallage Kashiwa	ARENA TOWER	Yotsuya 213 Building
		
CASBEE ★★★★★	**DBJ Green Building** ★★★★ **BELS** ★★	**BELS** ★★★★★

Society

S



*Service providers (management (PM/BM) companies/engineering companies/suppliers of goods, etc.)/tenants.

Strategies to Retain/Develop Talents

As a member of Marubeni group, JRA understands Marubeni's HR strategy (see page 13) and its HR development strategy (see page 13) and incorporates them into its HR strategies to retain and develop its talents.

Strategies for Talent Development

- **Performance appraisals/feedback** With groundbreaking talents being sought after, JRA revamped the performance appraisal system in 2020 by aiming to further value employees with willingness to take on new challenges and to nurture such culture. Under the new system, each employee including contract worker has an opportunity to have the performance appraisal meeting once a year and the mid-term review and feedback meeting once to three times a year (For the status of implementation, see page 33).
- **Training Programs** From the perspective of hands-on management (see page 4), JRA provides all employees including contract workers with support for their career development by encouraging them to acquire qualifications and to take job specific training programs (see below) along with their career plans. All requisite expenses to acquire/renew the qualifications are covered by JRA.

Strategies for Talent Retention

- In addition to the internal talent development, JRA has been recruiting external talents based on its business plan.
- Also, JRA puts priority on talent sourcing by using the mutual dispatch system between employees at JRA and Marubeni and its group companies.

*Inclusive of contract workers and temporary staffs.

For details on Marubeni's HR strategy and HR development strategy, please see page 13. Also, HR data at JRA is summarized on page 33.

Promote Employee Wellness

Employee Engagement Survey

- Conduct **every year** since 2018 covering **all employees including contract workers*** to **monitor employee satisfaction**
- Survey results are shared with all employees (For details, see p.33)

*Inclusive of contract workers and temporary staffs.

Support Variety in Workstyle

- Arrange **infrastructure for remote working**
- Introduce **the systems for flexible working, short-hour working and taking annual paid holidays by hour.**
- Promote work-life balance, career continuity for all employees as well as business continuity.

Bonus

Fully linked to the EPU of UUR

(Exclusive of employees from Marubeni and its group companies)

Marubeni Hotline

Compliance service for executive officers and all employees including contract workers (For details, see p.32)

Employee Stock Purchase Plan

(Cumulative Unit Investment System*)

Since 2019

Welfare Services

for all employees including contract workers

(For details, see p.33)

*All employees including contract workers are eligible to acquire a fixed amount of UUR's units through a cumulative stock investment program provided by a brokerage company in a constant manner. As a part of welfare services, it aims to provide support on mid- to long-term asset-building and to increase awareness of UUR's growth.

Main Training Programs at JRA

Job specific training	All employees including contract workers are obliged to take courses arranged by job type to acquire business skillset including time management, logical thinking.
Managerial/ Leadership development training	• All employees in charge of team management are required to take annual training programs on personnel evaluation, harassment, leadership, coaching, etc. • Team leaders and leader-candidates of each team are sent to various management programs on leadership, numerical management organized by Marubeni's group companies as well as next-generation leadership programs for the real estate/financial industry offered by external parties.
Compliance training	All employees are obliged to take compliance trainings every fall. Please see page 31 for details.
ESG training	Thematic trainings on ESG issues and solutions are provided by JRA or external speakers for all employees including contract workers at least once a year to raise ESG awareness across the company.
e-learning	All employees including contract workers are eligible to join the online exclusive training programs to obtain knowledge and skills that are needed for operations including risk management, financial accounting, business planning, and marketing, etc.
Seminar	External professional seminars including those about ESG issues are announced internally and all employees including contract workers are strongly recommended proactive participations to such seminars.

Gender Diversity & Work-Life Balance

- JRA has been practicing a diversified work environment in terms of gender and nationality.
- Also, JRA has been continuing to improve employees' work-life balance and secure their career continuity by introducing various working systems such as the short-hour working system, the annual paid holidays by hour. In 2020, JRA arranged the infrastructure for remote working and the system for flexible working.
- Since JRA was founded in 2003, 100% of employees who have taken maternity/childcare leaves have returned to work and have continued their career.

Female employees

43%

Female managers

(Chief Manger and higher)

26%

December 2020

One week per year

Recommendation to take consecutive paid holidays

Ten or more days a year

Recommendation to take paid holidays







Team Building Workshop for All Employees

All employees including contract workers learned "why the SDGs are necessary for our world" through games and deepened mutual understanding each other (October 2019).

For JRA's HR data, please see page 33.

Basic Approach to the Human Rights

- In December 2012 Marubeni (sponsor company of JRA) declared its support for the UN Global Compact. The compact was proposed in 1999 by then UN Secretary-General Kofi Annan, and formally launched in the following year.
- Participating corporations seek to support and practice 10 principles relating to the areas of human rights, labor, environment, and anti-corruption.
- As a member of Marubeni group, JRA is working to realize the ideals of the UN Global Compact by supporting these 10 principles.
- In the Human Rights Week (from December 4 to 10 every year) set by the Japanese government, CCO gives a talk to JRA's all employees including contracted workers as a part of training to have better understanding of human rights.

10 Principles of the UN Global Compact

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: Make sure that they are not complicit in human rights abuses.
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4: The elimination of all forms of forced and compulsory;
	Principle 5: The effective abolition of child labor; and
	Principle 6: The elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges
	Principle 8: Undertake initiatives to promote greater environmental responsibility; and
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Contribution to Community – as a responsible member of society

Investment in Facilities for Public Interest

With an operational policy of diversified investment (see page 4), UUR invests in medical facilities with high public interest. Also, by drawing in medical institutions, clinics, and day-care facilities into its properties, UUR provides convenience and security to users.

Medical facilities

Plussing Wave Enoshima	Medical mall with a drugstore and a supermarket
Quartz Tower	Medical building that provides general dentistry services
Asuto Nagamachi Dental Clinic	Dental office with a nursery

3 properties, ¥ **8.7** Billion

Based on acquisition price.
(as of December 2020)

Medical institutions/clinics

28 properties, 50 corporate entities

Day-care centers/nurseries

4 properties, 5 corporate entities

(as of December 2020)

Asuto Nagamachi Dental Clinic



Attracting Municipalities and Public Organizations

Some properties have municipalities and public organizations tenants, and their spaces serve as a base to provide various public services. With the understanding that “real estate acts as a part of social infrastructure,” UUR operates its properties for public interest in cooperation with partner companies.

Main properties/tenants

Mallage Kashiwa	Kita-Kashiwa 2 Community Support Center
Pacific Marks Kawasaki	Japan Legal Support Center Kawasaki
Pacific Marks Higobashi	Edobori Notary Office
RIHGA Royal Hotel Kokura/ARUARU City	Kitakyushu Manga Museum

9 properties **10** tenants

Note: Excluding publicly managed residences.

(as of December 2020)

Investment in Public Housing

UUR Court Sapporo Shinoro Ichibankan is a residence operated by Sapporo City. Through appropriate management and repairs of this property, UUR contributes to affordable housing program which supports the comfort and convenience for the citizens in Sapporo City.

UUR Court Sapporo Shinoro Ichibankan



Universal Design

Anticipating that various people will use a property given its characteristics, UUR seeks to install multipurpose toilets, corridors with sufficient width, slopes and handrails, elevators compatible with wheelchairs, parking space for physically-disabled persons, etc., at its properties.

Example: Luz Musashikosugi







As of December 2020, 96 out of 125 properties (excluding properties consisting of only land) owned by UUR are partially or fully equipped with universal designs.

Contribution to Community – as a responsible member of society

Initiatives to Prevent the Spread of COVID-19

Received Patients And Medical Personnel

In response to requests from local governments to help prevent the collapse of the medical care system caused by the spread of COVID-19, hotels owned by UUR have been used as a lodging facility for medical treatment for the COVID-19 patients with mild or no symptoms who need medical treatment as well as medical personnel (The initiative continues as of March 2021).





Hotel staff participating in the infection prevention training by experts in preparation for the acceptance of patients who need medical treatment

Guideline for Preventing Infection Spread

Implement measures to prevent the infection spread at each of UUR's properties based on the guidelines recommended by national and local governments since August 2020.

Loisir Hotel & Spa Tower Naha





Okinawa Prefecture declares measures to prevent the spread of infection



Thermal cameras at receptions to check the health condition of guests

Disaster Countermeasures/Support

- At each of UUR's properties, emergency power generators have been installed and emergency provisions have been stored in stages. Emergency drill is also conducted annually.
- As the landlord of real estate, which is believed to be a part of an infrastructure in the local community, UUR has agreed with some municipalities to open meeting rooms at some properties in case of emergencies.

Offer Space for UNHCR Fund Raising Campaign

- On behalf of UNHCR (United Nations High Commissioner for Refugees), Japan for UNHCR conducted fund raising campaigns at UUR's properties (Luz Shonan Tsujido, Luz Funabashi).
- Japan for UNHCR is an official representative point of contact of UNHCR.

Example: SS30



Based on written agreements concerning the support for people who are unable to return home after disasters, SS30 in Sendai City provides space as a shelter. Cooperating with Sendai City, emergency food will be supplied and SS30 will become a hub for emergency communication between local citizens.

Example: Luz Shonan Tsujido



December 2020

Safety and Hygiene

- As part of due diligence when acquiring properties, UUR conducts various inspections concerning external and internal environments of a subject property.
- After acquisition, regular examinations and inspections are conducted for the main facilities that secure safety and hygiene for tenants and facility users. When issues are found, cost will be paid to prevent or resolve the issues at an early stage.

Portfolio PML[*1]

6.01%

(as of November 2020)

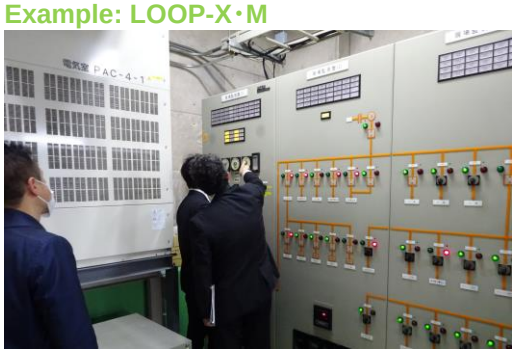
Due Diligence for Safety before Acquisition

☑ Seismic resistance (Does it secure features required by the new earthquake-proofing standards[*2] or better)
☑ Status of compliance with Fire Service Act, City Planning Act, etc., and related laws and regulations
☑ Usage and management status of toxic substances including asbestos, CFC, PCB, etc.
☑ Land use history, status of soil, etc.

Main Regular Inspections after Acquisition

☑ Elevator ☑ Firefighting equipment ☑ Special building ☑ Air quality
☑ Drinking water ☑ Pests and rats

Example: LOOP-X・M



*1 Probable Maximum Loss. Potential damage (percentage of the building's replacement cost) during a 475-year earthquake (probable maximum earthquake).
*2 Earthquake-proofing standards for buildings, etc., based on the Building Standards Act amended in 1981.

Engagement with Partner Companies

- **Basic Supply Chain ESG Policy** (see page 35) and **Environmental Policies** (see page.14) were established by UUR, and property managers, all of which have been entrusted with the services of JRA, have agreed to follow both policies.
- Both policies were sent to tenants and service providers for UUR's properties in order to raise their awareness of UUR's initiatives on ESG. UUR also tackles environmental issues in partnership with tenants and service providers.
- In November 2019, the Basic Supply Chain ESG Policy was revised. In the second half of 2021, it is planned to get property managers, tenants, and service providers to agree with the policy revisions.

Green Lease Agreed **58.0%** <Target> **100% by 2030**

Note: as of November 2020. Contracted area where tenants have agreed the UUR's green lease clauses out of total contracted area of buildings categorized as office buildings by UUR (exclusive of residential area within those office buildings)



Green Lease Articles (excerpts)

i. The landlord and tenant will cooperate in initiatives to keep and improve comfort and productivity of the property (sharing of data, legal compliance, etc.) with the view of energy conservation, environmental friendliness, etc.
ii. The landlord and tenant can negotiate sharing of benefits when cost-saving from equipment renovation such as LED light installation in areas leased to the tenant is expected.

UUR's Green Lease Articles were introduced as an example for green lease initiatives in the Green Lease Guide (to the right) published by the Ministry of Land, Infrastructure, Transport and Tourism with the aim of popularizing green leases.

Example of Achievement under Green Lease

UUR covered the cost to change the lighting in an exclusive section of Pacific Marks Yokohama East and Pacific Marks Shin-Yokohama to LED lighting, which consumes 38% less electricity. The benefits of the reduction in electricity costs is being shared with tenants through increased contracted rents.

Investment Value	Rent Income	
¥ 8 Mn	¥ 1.8 Mn per year	Increase

Pacific Marks Shin-Yokohama



Engagement with Investors/Fiduciary Duty

- UUR puts priority on fair disclosure to all investors and conducts timely disclosure in addition to stipulated disclosure, simultaneous Japanese/English press releases, and improvement of its website with viewer friendliness in mind.
- An “A” rating, the highest rating, was granted to UUR for the third consecutive year in GRESB’s disclosure of evaluations in 2020, as its disclosure of information regarding environmental considerations and sustainability initiatives were commended in particular.
- In addition, UUR has been pursuing direct communication with various investors. While seminars for investors were canceled and travelling were restricted due to the COVID-19 pandemic, UUR had a dialogue with investors through conference calls and web meetings. The latest IR activities are summarized in the table on the right.



GRESB®
Public Disclosure 2020

Meetings with Investors

Institutional Investors	Japan	Overseas
2019	144	67
2020	140	58

Individual Investors	No. of seminars UUR participated	Seminar Participants
2019	11	1,068
2020	2	316

Collaboration with Industries/Educational Institutions

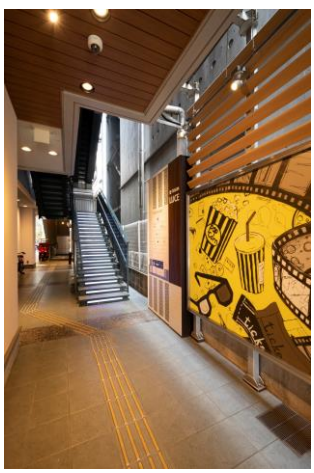
- JRA is a regular member of Investment Trusts Association (ITA) and Association for Real Estate Securitization (ARES). JRA employees have been the member of ARES's J-REIT Business Committee and Market Trend Committee for its better operation and management as well as its roll to develop financial literacy for individual investors.
- With collaborative asset management in mind, UUR has been taking initiatives for vibrant local economy and community by liaising with educational institutions.

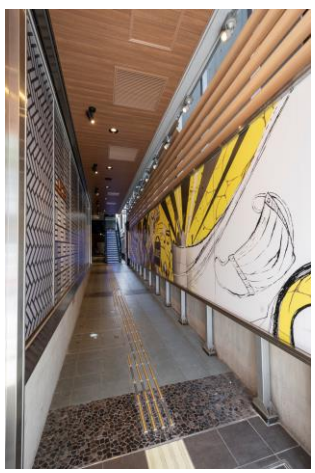
Example: Tenjin Luce

UUR decided to roll out a wall decoration at a UUR’s property, Tenjin Luce, through a collaboration with a local university in Fukuoka.

While this initiative has created a new motivation to stop by the property, the university students have a unique opportunity to present their achievements of research (the wall designs are to be renewed periodically).

This initiative not only contributes to the property’s performance, but also takes part in a service to society and a creation of the life of the community.







Governance

G



Corporate Governance

Diversity in Management

Two Supervisory Officers were assigned as of September 1, 2019 and the new management structure with diversity in age, gender and expertise was adopted.

Each executive brings knowledge from their specialized field and manage various risks to prevent conflicts of interest and maximize unitholders' interest.

Females in the board* 0% ▶ **33%**

*Executive Officer + Supervisory Officers

Avg. consecutive years served by Supervisory Officers 6 years ▶ **2** years

Note: As of December 2020.



Supervisory Officer Kumiko Sekine | Executive Officer Ikuo Yoshida | Supervisory Officer Kenichiro Okamura

Profile of Board of Directors

Title	Name	Assigned since	Profile	Annual compensation	UUR Shares held
Executive Officer	Ikuo Yoshida	September 2017	Apr. 1979 – Mar. 2009 Marubeni Corporation, engaged in real estate development business in Japan and overseas Apr. 2009 – Mar. 2011 Executive Officer, Marubeni Corporation; Chief Operating Officer, Development & Construction Division Apr. 2014 – Jun. 2018 President & CEO, JRA **Expertise: Corporate management, Real estate/Asset management**	¥12 Mn	0
Supervisory Officer	Kenichiro Okamura	2019 September	Certified Public Accountant Present Chief Executive Officer, Kaede Accounting Advisory, Inc. Representative Partner, Kaede Tax Corporation Outside Corporate Auditor, CYBERDYNE, INC. Outside Corporate Auditor, SG Holdings Co., Ltd. Outside Corporate Auditor, Kanematsu Sustech Corporation (auditing committee member) **Expertise: Accounting, Finance**	¥4.2 Mn	0
Supervisory Officer	Kumiko Sekine	2019 September	Attorney at Law Partner, Tanabe & Partners Judge of Utsunomiya Summary Court **Expertise: Corporate law, Risk management**	¥4.2 Mn	0

Officer Compensation System

UUR has set compensation as follows in accordance with Article 24 of Articles of the Investment Corporation.

Monthly Compensation (Maximum)

Executive Officer	¥1,000,000 per person
Supervisory Officer	¥350,000 per person

Existence of Differences in Opinion from the Accounting Auditor

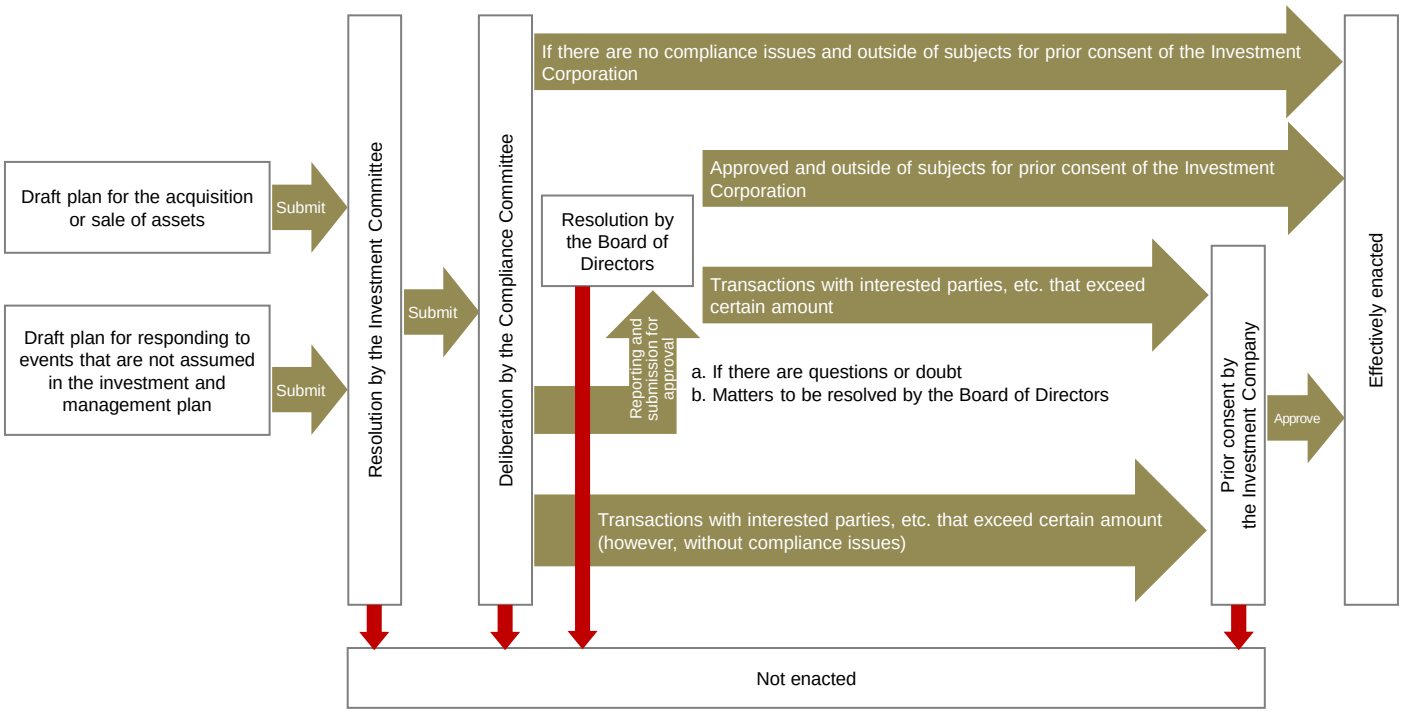
Ernst & Young ShinNihon LLC, the Accounting Auditor, has issued comments saying that there are no significant findings on the disclosed audit reports. Moreover, there are no differences of opinion between the Accounting Auditor and UUR. Currently, the average number of years that the Designated Limited Liability Partners/Executive Officers have spent in their position is 2.08 years (as of December 2020).

Compensation over the Past Year

33rd FP (Dec. 2019 to May 2020)	¥17.0 Mn
34th FP (Jun. 2020 to Nov. 220)	¥20.3 Mn

Internal Control for Investment and Management

By ensuring double and triple checks in decision-making for the acquisition and sale or investment and management of assets under management as shown in the below structure, full attention is being paid to transactions with sponsor companies, etc. and other transactions that involve concerns regarding conflicts of interest.



For the compliance committee and the compliance system, please see page 31.

Investment Committee

Member	Chairman (1): President & CEO, JRA Committee member (2): Non-executive Director, External expert (Attorney at Law)
Responsibility	Resolves important asset management plans and policies empowered by the Board of Directors and deliberates matters to be resolved by the Board of Directors of UUR.
Agenda	Acquire and dispose specified properties (lands and buildings) of UUR; Decide asset management plans for UUR's properties
Requirements for the meeting/resolution	Attendance of the external experts and more than half of members is required. The unanimous consent of the attendees is necessary for resolution. Interest related parties on relevant subjects are to be excluded on resolution.

Structure for Eliminating Antisocial Forces

- As a goal of JRA for the prevention of involvement by antisocial forces in its management activities and the prevention of any damage caused by those forces, we have declared, "we shall consistently and resolutely confront antisocial forces to endeavor to prevent money laundering and other transactions that may be suspected of criminality."
- In addition, for the purpose of an organization-wide response to such matters, it is explicitly stipulated in one of the ten rules for the conduct of JRA set forth in the Compliance Manual that "we strongly recognize our social responsibility and are committed to refraining from any and all transactions and connection with antisocial forces in both private and public activities to ensure compliance-oriented management."
- Moreover, based on the provisions of "no connection with antisocial forces, etc." in the rules, standards, etc. of JRA, we promote measures for severing all relationships with antisocial forces in our daily activities.

Compliance

Compliance System

UUR and JRA view strict compliance as one of the basic principles of business management and have developed the following compliance system.

●Outline of the compliance system

JRA has established the Compliance Committee to ensure legitimate asset management and a thorough and complete understanding of compliance with laws and regulations, internal rules, codes of professional conduct, etc. by all employees including contract workers, etc. and has appointed a Chief Compliance Officer (CCO) to supervise compliance matters.

●Establishment of the Compliance Committee and its role

The Compliance Committee does not pass resolutions or make decisions but was established for the purpose of submitting certain reports to the Board of Directors, not only on compliance but also broader matters such as professional standards and internal auditing. It deliberates on the following matters, when necessary, for submitting reports to or advising the Board of Directors.

- Deliberation on investment decisions from the perspective of compliance
- Response to acts that are, or may prove to be, problematic from the standpoint of the law, professional standards, etc.
- Formulation of internal audit plans and reports on internal audit results
- Institution and revision of internal rule
- Deliberation of other important compliance-related matters

●Faithful execution of the compliance decision process

The structure requires that, in specific transactions such as property acquisitions, the resolutions by the Investment Committee must be obtained, the transactions must then be scrutinized by the Compliance Committee, and if that scrutiny leads to a judgement that there are compliance-related problems or that such problems may arise, a decision by the Board of Directors must be made. With regards to transactions with "Sponsor/Stakeholder" category including related parties in particular, steps are taken to ensure that restraints are imposed. These take forms of strict processes to counter conflicts of interest, including involvement of external experts and exclusion of committee members in interest.

●Internal audit

Based on the **Internal Audit Regulations**, CCO formulates an internal audit plan and leads to early detection of violation of laws and immanent risks as a responsible asset manager as well as to prevention of violation of laws through the semi-annual physical inspection and the annual business specific audit conducted for selected departments. The internal audit plan and the audit results are immediately reported to the Compliance Committee. Furthermore, JRA is audited by its sponsor, Marubeni once or more a year and intends to early detection, prompt correction and prevention of recurrence of issues from every perspective.

Compliance Committee

Member	Chairman (1): CCO, JRA Committee member (3): President & CEO, JRA, General Manager of General Affairs Department, External expert (Attorney at Law)
Responsibility	Deliberate on subjects not only on compliance but also broader matters such as professional standards and internal auditing and submit report to the board of directors in case suspicion or doubt is found.
Agenda	Deliberate investment decisions from the perspective of compliance; Response to acts that are, or may prove to be, problematic from the standpoint of the law, professional standards, etc.
Requirements for the meeting/deliberation	Attendance of more than half of the members is required (Chairman or external expert must be present). In case that the external expert is absent, another meeting should be held instantly for the report to the external expert.

Compliance Training/Stringent Application of the Compliance Manual

JRA sets out the laws and concepts in the **Compliance Regulations** and the **Compliance Manual** for all employees including contract workers* to follow in each business conduct. All employees are obliged to take compliance trainings every fall.

Also, as a member of Marubeni group, all employees including contract workers make a written statement every year and submit to JRA's President/CEO to adhere to the code expressed in the JRA's Compliance Manual as well as the Marubeni's **Compliance Manual** and the **Anti-Corruption Policy**.

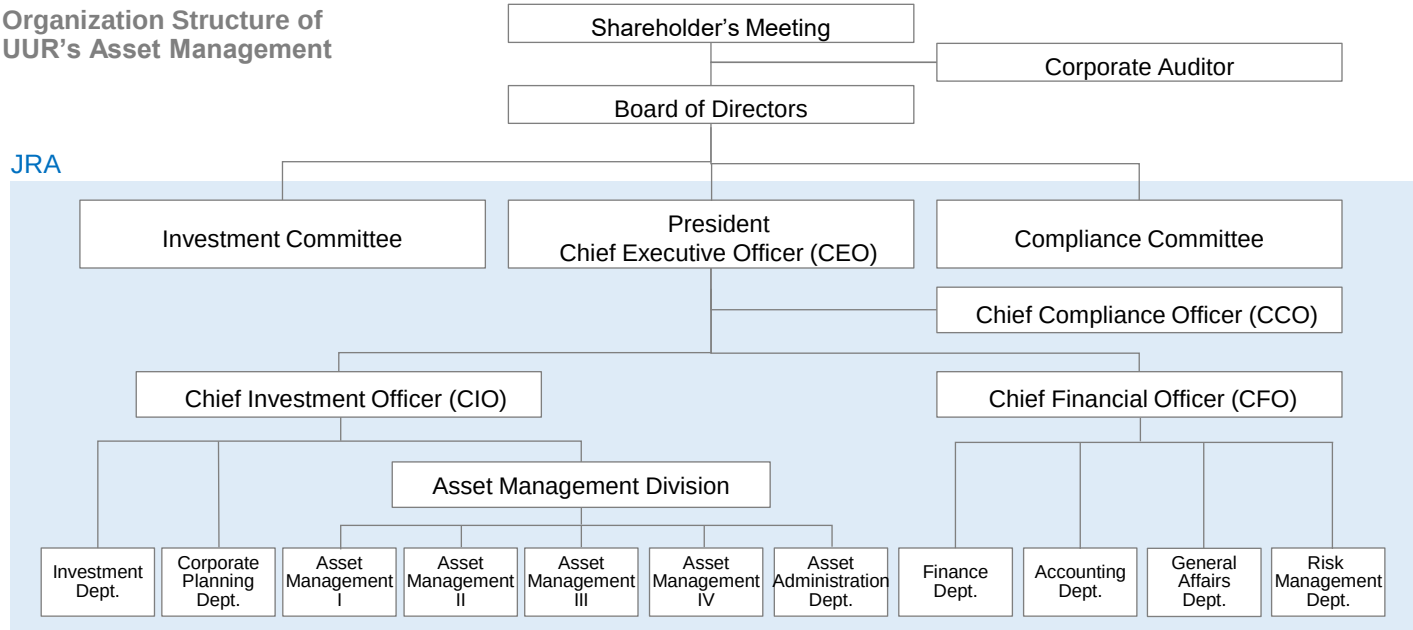
As same as the past years, there were no compliance violations that had a significant impact on JRA's operations in 2020.

*Inclusive of contract workers and temporary staffs.

For details, please see the Marubeni website.

Compliance

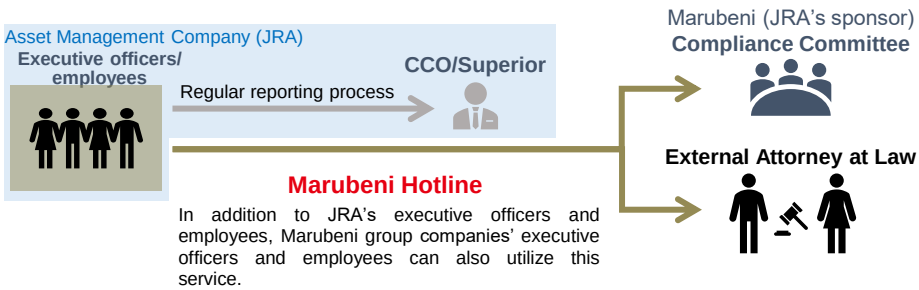
Organization Structure of UUR's Asset Management



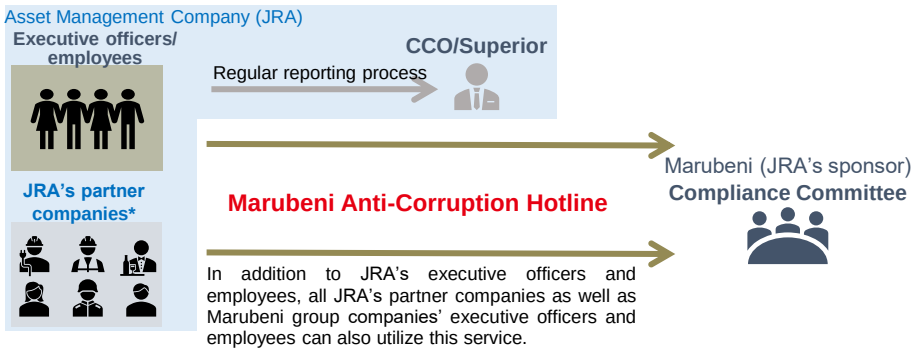
Compliance Access Points and Rules on Reporting

If any executive officers or employees (including contract workers) of JRA become aware of any conduct that is (or that is suspected of being) contrary to the compliance system, that conduct should be reported in accordance with the established guidelines of the appropriate organization. If the usual lines of reporting are not functioning properly for any reason, they can report through the following access points. In principle, a person filing a report or requesting a consultation shall remain confidential; provided, however, that a report or consultation through the Marubeni Anti-Corruption Hotline can be made anonymously. The outside legal counsel would not disclose the name of the reporter to the Compliance Committee if the reporter would not wish to be disclosed his/her name.

- **Marubeni Hotline** A service that enables people to directly consult a wide range of compliance issues under the Whistleblower Protection Act (For details, please see page 38 in the Marunbei's Compliance Manual).



- **Marubeni Anti-Corruption Hotline** A compliance service where people can make direct consultations regarding serious crimes such as bribery.



*Service providers (management (PM/BM) companies/engineering companies/suppliers of goods, etc.)/tenants),

For details, please see the Marubeni website.

Appendix

Supplementary Data of JRA

Full-time Officers and Employees at JRA

	Full-time Officers and Employees			Employees who took maternity/ childcare leaves	Employees who opted for shorter work hours	Average years of service	Usage of paid leaves per year per employee	
	Male	Female	Total				# of days	Ratio
2016	48	26	74	2	3	–	–	–
2017	47	29	76	2	4	5.6 years	12.7 days	71%
2018	43	30	73	3	3	5.8 years	12.1 days	66%
2019	43	32	75	1	7	5.7 years	12.7 days	70%
2020	46	35	81	3	5	6.6 years	7.1 days	39%

Note: From April to March every year. For 2020, from April 2020 to January 2021.

Participation Records of Training Programs

	2016	2017	2018	2019	2020
Average hours participated in training programs per officer or employee	7.8	11.7	13.3	13.1	4.9*
Ratio of officers/employees participated in professional training programs	88.8%	100.0%	100.0%	100.0%	100.0%
Ratio of officers/employees participated in training programs focused on sustainability	32.5%	40.8%	100.0%	100.0%	100.0%

Note: From January to December every year, except average hours participated in training programs per officer or employee (April to March every year).
*From April 2020 to January 2021.

Qualifications

Real Estate/Architecture	Real Estate Notary/Real Estate Appraiser/First-class Qualified Architect/Second-class Qualified Architect/ Qualified Lifecycle Manager of Buildings/Facilities/Qualified Building Cost Engineer/ Building Environment/Sanitation Engineer/Certified Facility Manager/Certified Building Administrator/ Director of Business Management for Condominium/CASBEE Appraiser for Real Estate
Accounting/Finance/Others	Attorney at Law/ARES (Association for Real Estate Securitization) Certified Master/Certified Internal Auditor

Note: As of January 2021.

Benefit Package for JRA Employees

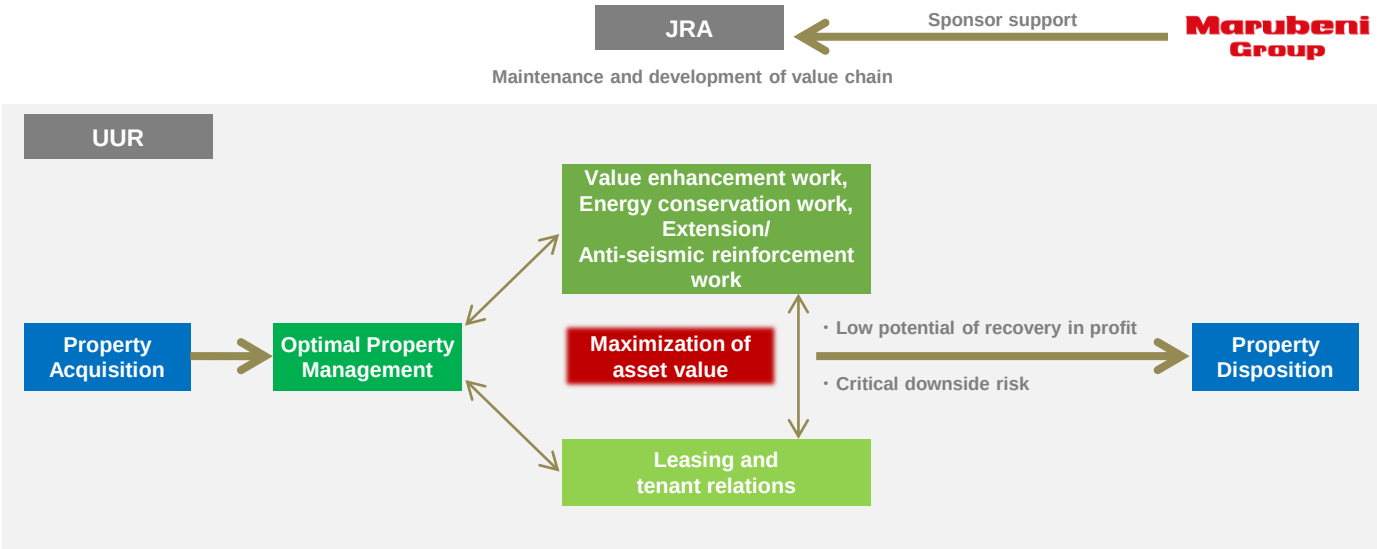
	All employees	
	Full-time employees	Contract workers
Social insurances (nursing care insurance, employees pension insurance, employment insurance, worker's compensation insurance)	○	○
Benefit program (Benefit Station)	○	○
Maternity leave	○	○
Childcare leave (until a child turns 1 year old)	○	○
Leave for nursing care	○	○
Medical checkup	○	○
Wellness program (grants for heal screening)	○	○
System for employees to acquire investment units from their monthly salary	○	○
Support program for acquiring/maintaining credentials	○	○
Retirement package	○	X

Employee Engagement: Survey/Feedback

	2018	2019	2020*
Survey period	November 2018	November 2019	January 2021
Survey group/# of survey targets (All employees including contract workers. Exclusive of those who take temporary leaves, etc.)	58	63	79
Effective response rate	94.8%	96.8%	100.0%
Satisfaction score(marks out of 5)	3.1 Total score was scored.	Job satisfaction 3.3 Company satisfaction 3.2	Job satisfaction 3.4 Company satisfaction 3.3
Employees who had a performance feedback and a career consultation with their supervisor	100%	100%	100%

*Survey company was changed.

Value Chain and Partner Companies



Item	Description
Property Acquisition	• Intend to secure stable earnings of UUR over the medium to long term • Consider the current economic situation, real estate market trends, etc. • Maintain profitability of the properties acquired for a certain period of time through diversification of their use and location • Property acquisition leveraging the extensive information network and expertise of JRA and the sponsor • Give preference to acquisition between limited parties while selecting open bid deals carefully in order to purchase properties at appropriate prices • Close investigation prior to acquisition including non-economical items, such as legal compliance, environmental burden, seismic resistance, etc.
Optimal Property Management (PM)	• Strive to maintain and enhance value and competitiveness of the properties through continuous capital expenditure from a medium- to long-term perspective • Aim for stable growth of operating revenues by striving for increase in revenues and optimization of expenses • Select the optimal property management companies considering each individual property
Value enhancement work, Energy conservation work, Extension/ Anti-seismic reinforcement work	• Implement construction work so that increase in revenues and decrease in expenses may be realized • Make investment decisions from a medium- to long-term perspective, even though income would decrease in the short run • Aim to achieve both economic efficiency and reduction of environmental burden
Leasing and tenant relations	• Find good tenants, start leasing without delay and obtain the highest rent possible • Propose relocation or expansion of floor space to potential customers for their sake • Establish win-win relationships with tenants, such as sharing the economic benefits brought by works for energy efficiency • Propose services and improvements to tenants according to their needs
Property Disposition	• Consider selling or other optimal solutions if recovery or maintenance of the respective property's profitability is thought to be difficult over the medium to long term
JRA (Asset Management Company)	• To maintain and develop UUR's value chain, employ staff who have extensive knowledge and experience • Strive for enrichment of work-life balance, treatment, and welfare programs to motivate employees' long-term commitment to their assignment • Provide various training courses and support for acquisition of qualifications for further enhancement of employees' expertise and skills
Marubeni Corporation (Sponsor)	• Marubeni Corporation, a general trading company that operates businesses across a broad spectrum of industries around the world, has supported the initiatives of UUR's value chain and seconded experienced staff to JRA

Basic ESG Policy on Supply Chain

1. UUR, not satisfied with simply strengthening its own ESG initiatives, supports strengthening ESG initiatives throughout its supply chain and aims to build an environmentally friendly, healthy and sustainable society.

2. Having set the Supply Chain Sustainability Guidelines below, UUR asks for the understanding and cooperation of its business partners in observing the guidelines to promote together with its business partners highly effective ESG initiatives. Further, when calling on its business partners, UUR will communicate the guidelines so that its business partners are fully aware of the guidelines in addition to assisting business partners' capacity building by making recommendations, requests or providing guidance as necessary and by sharing examples of good practice.

3. Supply Chain ESG Guidelines

1) Observance of Laws:
- ・Observe the laws of the countries where business is conducted and laws relating to business transactions.

2) Respect for Human Rights:
- ・Respect human rights without discrimination, harassment of any kind, abuse or other inhumane treatment
- ・No child labor or forced labor
- ・Proper management of employees' work hours, breaks and holidays and prohibition of excessive overtime work.
- ・Payment of the legally mandated minimum wage and endeavoring to pay at least a living wage. No inappropriate wage abatement.
- ・Respect for employees' right to unionize for the purpose of labor-management negotiations and right to collective bargaining.

3) Conservation of the Environment:
- ・Recognize that climate change issues are important and respond appropriately.
- ・Protect the natural environment.
- ・Reduce environmental burden, prevent pollution.

4) Fair Transactions:
- ・Conduct fair transactions and do not inhibit free competition.
- ・Prevent corruption; offer no bribes or illegal contributions.

5) Safety and Health:
- ・Ensure safe and healthy workplaces and maintain a good working environment.

6) Quality Control:
- ・Maintain the quality and safety of products and services

7) Information Disclosure:
- ・Timely and appropriate disclosure of information

4. As part of this Policy, UUR has set the following procedures for dealing with vendors that do not meet labor standards.

1) When it comes to light that a vendor has failed to meet labor standards relating to 1) Observance of Laws, 2) Respect for Human Rights or 5) Safety and Health, we will ask the vendor to:

- ・Ascertain the facts; and
- ・If these are true, prepare a report on the background of the issue and improvement measures.

Depending on circumstances, we may also inspect the vendor.

2) If we determine that improvement measures are insufficient, we will request that further measures be taken.

3) If, despite implementing steps 1) and 2) above, the situation does not improve, we will examine whether to continue our relationship with the vendor.

(Established November 24, 2017)
(Revised November 15, 2019)

Sustainability Accounting Standards Board (SASB)

While UUR has been proactively engaged in efficient and most relevant disclosure on non-financial information including our ESG initiatives and actions, it includes a broad range of data and information and how they are disclosed highly depends on industry which companies belong to and services which companies provide with. Therefore, UUR prepares a summary of our all ESG initiatives and actions in accordance with a real estate standard in **Sustainability Accounting Standard Board (SASB)**. We hope this summary helps to improve quality of disclosure and helps all investors have better understanding of what and how UUR has been working on for ESG issues.

The summary is based on the data as of November 2020, the latest fiscal period of UUR as this ESG report was published. The definitions of property type are as follows.

Retail facilities: (Mid/Small) Less than GFA 10,000m^2 (Large) GFA 10,000m^2 or more

Others: Logistics facilities, medical facilities, etc.

Disclosure Topics: Energy Management

SASB disclosure code #	Disclosure metrics	Entire portfolio	Office buildings	Retail properties (small- to med-scale)	Retail properties (large-scale)	Hotels	Others	Unit
IF-RE-130a.1	Energy consumption data coverage as a percentage of total floor area (Note 1)	86.9%	88.9%	89.2%	100.0%	98.2%	58.8%	% of floor area
IF-RE-130a.2	Total energy consumed by portfolio area with data coverage	193,321	58,570	13,922	56,517	49,093	15,219	MWh
	Percentage grid electricity	96.4%	94.8%	92.4%	96.5%	98.2%	99.4%	%
Reference:	Renewable energy generated on-site (Note 2)	1,091	0	0	0	0	1,091	kWh
IF-RE-130a.3	Like-for-like percentage change in energy consumption (Note 3)	- 4.9%	- 9.0%	- 1.4%	+0.9%	- 5.0%	- 9.7%	%
	Coverage for Like-for-like comparison	80.8%	88.0%	56.3%	91.6%	83.5%	61.9%	% of floor area
IF-RE-130a.4	Percentage of eligible portfolio that has an energy rating (Note 4)	16.0%	12.8%	15.0%	5.1%	20.2%	27.8%	% of floor area
Reference:	Percentage of eligible portfolio that has a green building certification (Note 5)	49.8%	82.8%	39.4%	85.2%	0.0%	21.3%	% of floor area

Note 1: Floor area for which UUR possesses data of energy consumed in the area as a percentage of the total floor area of the portfolio.

Note 2: Although renewable energy is generated on-site, at present, all the energy is sold without self-consumption.

Note 3: Comparison is made only for properties held over 24 months spanning the current year and the previous year. Properties sold/acquired or which have undergone major renovations during the period are excluded from the comparison. No normalizations are made to the reported figures to account for change in vacancy rate, etc.

Note 4: Properties certified with "BELS (Building-Housing Energy-efficiency Labeling System)" by a third party are reported.

Note 5: Properties certified with “DBJ Green Building Certification” and “CASBEE for Real Estate” evaluation certification by a third party are reported. No self-assessed properties or properties with certifications expired are included.

IF-RE-130a.5
Description of how building energy management considerations are integrated into property investment analysis and operational strategy

UUR sets the energy management of properties as one of the ESG Materiality issues because the impact on the environment as well as on the property management costs should be significant. Concerning GHG emissions based on energy consumption, we aim for 40% reduction compared to 2014 in accordance with the reduction targets for “the commercial and other sectors” set by the Japanese government.

UUR works on energy management related to property management in accordance with the Environmental Policies established in 2012. UUR endeavors to “lower energy consumption intensity by more than 1% on a five-year average” at its properties, in line with a target set forth by the Japanese government. The intensity figure is calculated from energy usage and total floor space, etc., of the properties. Having the Energy Saving Committee and the Energy Saving Working Group established internally for promoting energy management, UUR works on reducing energy consumption with advice from external experts.

SASB

Disclosure Topics: Energy Management (cont'd)

IF-RE-130a.5
Description of how building energy management considerations are integrated into property investment analysis and operational strategy

UUR's real estate investment and management process incorporates energy management as described below.

JRA, the asset manager of UUR, is continuously and systematically implement initiatives for environmental performance improvement through the environmental management system based on ISO14001. UUR periodically discloses energy data of its properties and has been awarded the highest rank of "S" for five consecutive years in the Classification of Business Operators by the Ministry of Economy, Trade and Industry as an entity that has met targets set by the Japanese government.

For the management and monitoring of energy consumption of its portfolio, UUR understands and manages consumption by a dedicated IT system and efficiently collects accurate and timely data.

For due diligence upon property acquisition, UUR conducts qualitative evaluation such as the acquisition of environmental certifications or future potential to obtain them and energy efficiency assessment as prerequisite confirmation items. These factors are taken into consideration when making investment decisions.

As part of the operation and management of standing investments, the Energy Saving Committee and the Energy Saving Working Group monitor the energy consumption trends and consider and implement operational improvement measures as well as upgrading of facilities in order to achieve rational energy use. For example, electricity usage is checked at properties during summer months (April to September) when usage peaks, and for the properties where usage has increased by more than 5% from the previous year, factors are analyzed and operational improvement measures are considered.

In addition, based on the measured performance of electricity usage, properties have undergone energy assessments conducted by energy management experts, mainly on hotels and retail properties where electricity usage is relatively high. In the past four years, nine properties accounting for 22.5% of the entire portfolio have undergone energy assessments.

As shown in IF-RE-130a.3 in the table above, in fiscal 2020, energy conservation progressed with the installation of LED lighting for the entire portfolio as a focused measure.

Medium-term to long-term repair plans for the next five years are prepared for each property. Among the construction work scheduled, those expected to generate energy conservation effects will have such effects verified by energy experts.

In promoting rational energy usage in operation and management of properties, UUR requests all property managers who operate and manage properties to comply with the Environmental Policies and the Basic Supply Chain ESG Policy and has obtained their consent.

In some properties, even understanding energy consumption trends is difficult, where tenants manage energy consumption on their own and UUR does not have the authority to manage it.

Some properties generate renewable energy by installing solar panels on the roofs. The generated renewable energy is sold to external parties or consumed locally, bringing economic benefits to UUR. Considering the characteristics of the properties it owns, UUR has a policy to consider the use of renewable energy as long as economic efficiency can be ensured. Since the Marubeni Group, a sponsor of UUR, is engaged in power generation and energy conservation as businesses, utilization of batteries as well as switching to green power (purchase of renewable energy generated off-site) is also being considered for the future.

For the purpose of increasing objectivity and credibility of the results of the above-mentioned initiatives and the status of environmental and social friendliness of the owned properties, UUR has acquired external environmental certifications and evaluations from third parties. UUR utilizes DBJ Green Building certification, CASBEE for Real Estate certification and BELS evaluation for building-level certification, and participates in GRESB annually as a fund-level ESG benchmark.

While actively conveying these results to investors, lenders, tenants, etc. who value ESG, UUR positions certified properties as eligible green assets and utilizes them in green finance, which leads to achieving diversification in sources of financing. In 2019, UUR conducted green financing three times and raised a total of ¥14.5 billion.

SASB

Disclosure Topic: Water Management

SASB disclosure metrics #	Disclosure metrics	Entire portfolio	Office buildings	Retail properties (small- to med scale)	Retail properties (large-scale)	Hotels	Others	Unit
IF-RE-140a.1	Water withdrawal data coverage as a percentage of total floor area (Note 1)	90.4%	100.0%	89.2%	97.2%	100.0%	60.4%	% of floor area
	Data coverage in regions with High Baseline Water Stress	Currently, there are no properties located in regions with High or Extremely High Baseline Water Stress						
IF-RE-140a.2	Total water withdrawn by portfolio area with data coverage	1,699	406	136	317	744	95	1,000㎥
	Percentage water withdrawn in regions with High Baseline Water Stress	Currently, there are no properties located in regions with High or Extremely High Baseline Water Stress						
IF-RE-140a.3	Like-for-like percentage change in water withdrawn (Note 2)	- 6.1%	- 7.3%	- 3.0%	- 4.9%	- 6.7%	- 2.6%	%
	Coverage for Like-for-like comparison	69.1%	99.6%	63.2%	68.2%	53.0%	46.6%	% of floor area

Note 1: Floor area for which UUR possesses data for clean water consumed in the area as a percentage of the total floor area of the portfolio. Nearly the full amount of water withdrawn is purchased from public water utilities.
Note 2: Comparison is made only for properties held over 24 months spanning the current year and the previous year. Properties sold/acquired or which have undergone major renovations during the period are excluded from the comparison. No normalizations are made to the reported figures to account for change in vacancy rate, etc.

IF-RE-140a.4
Description of water management risks and discussion on strategies and practices to mitigate those risks

Regarding the management of water consumption, UUR owns only properties in major cities and their surrounding areas in Japan, and at present there are no properties located in areas with high water stress. However, in cases when a local and temporary shortage of water occurs due to weather, etc. and leads to limited water supply, property operation may be affected. As clean water purchased from the local public water utility is used in almost all properties, change in the amount of water purchased may affect the profitability of the properties. For these reasons, UUR is promoting the efficient use of water in the operation and management of properties, and the reduction of the amount of clean water consumed by using wastewater (reclaimed water). Please refer to the page 18 of this report for specific examples.

Regarding the wastewater used at its properties, UUR checks the status of drainage facilities at properties and whether there is a risk of violating environmental laws in the due diligence process upon property acquisition as well as monitoring after acquisition. At present, our understanding is that the risk of violation of environmental laws and regulations regarding wastewater and water treatment is low.

SASB

Disclosure Topic: Management of Tenant Sustainability Impacts

SASB disclosure metrics #	Disclosure metrics	Entire portfolio	Office buildings	Retail properties (small- to med scale)	Retail properties (large-scale)	Hotels	Others	Unit
IF-RE-410a.1	Percentage of new leases that contain a cost recovery clause for resource efficiency-related capital improvements (green lease) (Note 1)	62.5%	100.0%	0.0%	36.8%	5.7%	0.0%	% of floor area
	Associated newly leased floor area	65,114	62,964	0	1,738	412	0	m^2
(Option)	Green lease contracted area as a percentage of total leasable floor area (Note 2)	14.2%	58.0%	0.2%	6.7%	0.3%	0.0%	% of floor area
IF-RE-410a.2	Percentage of tenants that are separately metered or submetered for grid electricity consumption (Note 3)	90.2%	96.6%	100.0%	100.0%	100.0%	60.7%	% of floor area
	Percentage of tenants that are separately metered or submetered for water withdrawals (Note 3)	90.2%	96.6%	100.0%	100.0%	100.0%	60.7%	% of floor area

Note 1: Percentage calculated by using the figure of all lease agreements renewed or newly concluded in the past year (from December 2019 to November 2020) as the denominator.
Note 2: Calculated based on leased floor area for which green lease agreements have been concluded as of the end of November 2020.
Note 3: Percentage calculated by using the total leasable floor area as the denominator.

IF-RE-410a.3
Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants

As part of monitoring and managing the environmental impact of properties, UUR introduces green lease agreements and memorandums that stipulate that energy and water consumption data be shared between the owner and tenants, at the time of concluding or renewing lease agreements.

At many properties, the electricity/water consumption in the tenant-occupied areas is measured by smart meters and individual meters, and the measured amount is fed back to the tenant individually. As the figures are used as the base for calculating utilities costs charged to the tenants, in other words, UUR adopts a lease agreement format that leads to tenants' voluntary energy/water conservation efforts for their own economic incentive. Under such a lease scheme, the fact that UUR is engaged in efforts to reduce the environmental impact of buildings will lead to a mitigation in the monetary burden on tenants related to utilities costs, and a positive effect on maintaining and improving the occupancy rates can be expected.

In addition, all tenants are provided with written notice on UUR's Environmental Policies as well as Basic Supply Chain ESG Policy. UUR thus has opportunities to communicate its understanding and call for cooperation on sustainability considerations to tenants. Some properties have undergone work to install LED lights in tenant-occupied areas with the cooperation of tenants, and the achieved benefit of reduction in utilities costs were shared between the tenants and UUR. Please refer to the page 26 of this report for details.

SASB

Disclosure Topic: Climate Change Adaptation

SASB disclosure metrics #	Disclosure metrics	Entire portfolio	Office buildings	Retail properties (small- to med scale)	Retail properties (large-scale)	Hotels	Others	Unit
IF-RE-450a.1	Area of properties located in 100-year flood zones (Note 1)	321,422	187,309	11,425	12,224	46,431	64,034	㎡

Note 1: Among the total floor area of the portfolio, floor area indicated in the hazard maps prepared by the local governments as facing potential flooding with heavy rain of which occurrence is “once in 1,000 years.”

IF-RE-450a.2
Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks

UUR analyzes the business risks and opportunities associated with climate change and acknowledges the following as the major risks and opportunities:

[Physical Risks]

In many cases, properties in major urban areas are located in areas with rather low altitude or along the coast, and such areas face risk of flooding disasters. At present, approximately 21% of the portfolio (based on floor area) is exposed to flood risk, as reported in the above indicator IF-RE-450a.1.

If climate change progresses significantly (e.g., RCP8.5 scenario), flood risk will increase due to increased torrential rain damage and rising sea levels and increasing costs for flood preparedness and rising insurance premiums etc. may have negative financial impact. There is also the potential for increased exposure to flood risk as areas with risk exposure will increase.

Similarly, if climate change causes an increase in average temperature or the number of intense hot days, it will lead to additional costs for stronger air-conditioning functions of buildings as well as increase in utilities costs, which raise concerns over negative financial impact.

Among the physical risks, the risk of sudden climatic disasters (acute climatic disasters) such as typhoons and torrential rain may already be emerging. Within the UUR portfolio, there are some properties that were damaged by extreme weather in fiscal 2019. According to the RCP8.5 scenario, the frequency and severity of these climate-related disasters might increase between now and 2100.

UUR understands that climatic disaster risks can affect tenants' preferences in selecting properties, in addition to the negative financial impacts such as physical damage to assets, increase in maintenance and renovation costs and higher insurance premiums. In the event of a disaster, such risks might draw even stronger attention from tenants, and buildings in such areas as well as building having similar uses and shapes might be avoided by tenants. On the other hand, if a property gains reputation from tenants as being sufficiently prepared for climate disaster risks, the property can be expected to enjoy a stable occupancy over a long term. Based on these understandings, UUR is working to adapt to climate change by improving the disaster prevention measures of its properties with an aim to reduce physical risks and realize opportunities to stabilize profits. Please refer to the page 25 of this report for UUR’s disaster prevention measures.

SASB

Disclosure Topic: Climate Change Adaptation (Cont'd)

IF-RE-450a.2
Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks

[Transition Risks]

In Japan, laws and regulations on energy efficiency and carbon emissions of buildings are already stipulated by the government, etc., but at present there are no significant regulatory costs for UUR's properties. However, if the government introduces a policy to raise the level of regulations in order to achieve the target set for the Paris Agreement or imposes a tax on carbon emissions in the future, energy costs may increase and the burden of capital investment in facilities might grow in order to conform to the regulations. The number of national and local governments announcing their aim to achieve carbon neutrality by 2050 is increasing, including in European countries such as France, U.K. and Germany as well as in cities like New York City and Tokyo. Accordingly, in the case such policies start to take shape, we believe that the risk of tightening regulations will become apparent in the next 30 years.

In addition, in the case the transition to a low-carbon and decarbonized society progresses, the green characteristics of UUR's portfolio might receive greater consideration in terms of tenant preferences, investor preferences, social reputations, etc., which may impact the profitability of the properties, UUR's fund raising, etc. Even at present, there are survey results that show there is a rent premium for properties with green building certifications, and methods to raise funds through green bonds/green loans are growing in popularity. In the future, not only such "green premiums" but even the risk of "brown discounts" might occur for properties with poor green characteristics.

Based on such understandings, UUR is making efforts to manage the environmental impact including energy consumption status and improve energy efficiency at the portfolio operation stage while promoting greening of its portfolio by acquiring environmental certifications. Through such efforts, it aims to reduce negative financial impacts due to regulation risks and to improve reputation among tenants, investors, etc. who are caring for ESG. In particular, we understand that mitigating environmental impact is a business opportunity that brings the direct financial benefit of reducing building operation costs. Please refer to the page 16-20 of this report for UUR's efforts on reducing environmental impact across its portfolio and its contributions to mitigating climate change.

MEMO

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