

Think bold today for a brighter tomorrow.



# ESG Report

February 2019



## MC-UBS Group Brand Message

# Think bold today for a brighter tomorrow.

### The Logo



#### Symbol mark

The logo evokes the idea of buildings and land while representing both the "M" of Mitsubishi Corporation and the "U" of UBS A.G. The logo expresses the focus of our group, born from the combined expertise and experience of the two firms in real estate and finance.

### Mission, Vision & Core Values

## MISSION

**"Always Create New Value for People, the Community, and the World"**

Through real estate investment management, we create new demand in our society and new value that exceed people's expectations.

## VISION

We strive to be the leading group of professionals, trusted by people, the community, and the world.

## CORE VALUES

- M** **Mastery**  
We act proactively and professionally and adhere to the highest standards of compliance and discipline.
- C** **Challenge**  
We always challenge the unprecedented.
- U** **Uniqueness**  
We think outside the box and dare to be original.
- B** **Belief in ourselves**  
We believe in ourselves and are committed to our "MCUBSR" values.
- S** **Stewardship and Sensitivity**  
We take our dialogue with investors seriously, and fulfill our fiduciary duty. We are sensitive to changes in the world and respond to them appropriately.
- R** **Respect**  
We respect our colleagues and partners so that we can all work with pride and a smile.

## Corporate Profile

Corporate name: Mitsubishi Corp.-UBS Realty Inc.  
 Capital fund: ¥500 million  
 Shareholder composition: Mitsubishi Corporation 51%, UBS Asset Management AG 49%  
 Offices: Head office Tokyo Building 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6420, Japan  
 Kansai office Herbis ENT Office Tower, 25th floor, 2-22, Umeda 2-chome, Kita-ku, Osaka-shi, Osaka 530-8602, Japan

## Certifications



2018 Constituent  
 MSCI Japan ESG  
 Select Leaders Index

Euronext® Reitsmarket GRESB  
**Global Sustainable NR Index**

## Contents

### Editorial Policy

The MC-UBS Group and all of the funds under management by the Group are actively engaged in practices that promote sustainability within the J-REIT industry, information on which they disclose to stakeholders. For this term, information pertaining to sustainability published on the websites of each management company and investment corporation has been consolidated in this document, *ESG Report February 2019*, in order to provide a clear explanation of our initiatives as a Group.

*ESG Report February 2019* serves as an informative tool for stakeholders with a high level of interest in sustainability and therefore makes reference to GRI standards. This report has been reviewed by CSR Design Green Investment Advisory Co., Ltd., which has expertise in sustainability pertaining to the real estate sector, on matters concerning materiality.

Going forward, we hope to gather opinions from those who read this report in order to further improve subsequent reports. In addition, we hope that this report can be used as an effective means to maintain a dialogue with our stakeholders.

Month of issuance: February 2019  
 Frequency of updates: Once annually  
 Reference guidelines: GRI standards  
 The GRI Guidelines Index will be posted at the end of February 2019.  
 Contact Information  
 Tel: +81-3-5293-7000 (main)  
 E-mail: contact-us\_mcubs@mc-ubs.com

2	Message from the President	20	Social
4	Sustainability Strategy	21	Communication with Stakeholders
4	Sustainability Strategy	22	Communication with Local Communities
6	ESG Materiality and the SDGs	23	Communication with Tenants
8	Creating a Positive Impact	25	Employees
10	Supported Initiatives	28	IR Activities
11	Environmental	29	Corporate Governance
12	Environmental Approvals and Evaluations for Group Assets	30	Corporate Governance
13	Climate Change	31	Compliance
14	Energy	32	Investment Corporation Overview
16	Water / Waste		
17	Pollution Prevention / Building Safety		
18	Biodiversity		
19	The Green Bond		

# Message from the President



The MC-UBS Group is committed to furthering its ESG activities for the benefit of all of its stakeholders.

My name is Katsuji Okamoto, president & CEO of Mitsubishi Corp. -UBS Realty Inc. (MCUBS).

MCUBS is an asset management company established in 2000 in the initial days of the J-REIT market as a joint venture between Mitsubishi Corporation, one of Japan's leading trading companies, and UBS AG, one of the world's leading financial groups. The MC-UBS Group is one of Japan's largest asset management companies, drawing on its organizational capabilities as a team of professionals to manage three J-REITs: Japan Retail Fund Investment Corporation (JRF), which focuses on retail properties; Industrial & Infrastructure Fund Investment Corporation (IIF), which focuses on both industrial and infrastructure properties; and MCUBS MidCity Investment Corporation (MidCity),\*<sup>1</sup> which invests mainly in office buildings.

With more than ¥1.44 trillion\*<sup>2</sup> in total assets under management by our three J-REITs, we are in the top tier of Japanese asset management companies dealing in listed

real estate investment corporations. As an industry leader, we put utmost importance on dialogue with our unitholders. In addition, we have received international recognition for our pioneering initiatives on sustainability, specifically in the field of environmental, social, and governance (ESG) issues that have become a focus in recent years. For example, we became the first J-REIT asset management company to sign up to the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI). Furthermore, as pages 11 to 31 of the report will show, the active ESG efforts of our J-REITs have been evaluated, and as of December 31, 2018, all three J-REITs number among the eight listed on the MSCI Japan ESG Select Leaders Index, adopted by the Government Pension Investment Fund (GPIF), with favorable reviews.

Against this backdrop, the MC-UBS Group has engaged in dialogue with our unitholders and discovered that, with information regarding its ESG initiatives being spread over

two management companies and three investment corporations, it was difficult to follow all of our activities. Also, while it is true that the Sustainability Committee, of which I am chairperson, shares our sustainability policy and oversees activities throughout the Group, I believe we need a method to convey our Groupwide policy to unitholders instead of only relying on the IR activities of each fund.

To this end, in this term we have compiled the ESG activities across the entire Group and published them in this ESG report for the term, with the hope of sharing the Group's basic ESG approach and activities with all of our stakeholders, including our unitholders.

Pages 4 to 10 explain our sustainability strategy and primarily look at the MC-UBS Group approach to sustainability in terms of the "what"—what aspects we are responding to—and the "why"—why these responses are necessary. From page 11 onward, we break down the "E," "S," and "G" of ESG and answer the question of "how" by looking at specific examples of our efforts. With this being our first report, there may be some inadequacies in content, information, and composition, but I hope that it will help you better understand the ESG efforts of the MC-UBS Group.

Looking to the future, we are committed to making further advances as one of Japan's leading asset management companies for listed real estate investment corporations. This growth will be driven by well articulated Group initiatives that take full account of our environmental and social responsibilities. We ask for your continued support and understanding in our endeavors.

\*1 The asset management company of MCUBS MidCity Investment Corporation is MCUBS MidCity Inc., a subsidiary of MCUBS.

\*2 As of December 31, 2018

February 2019

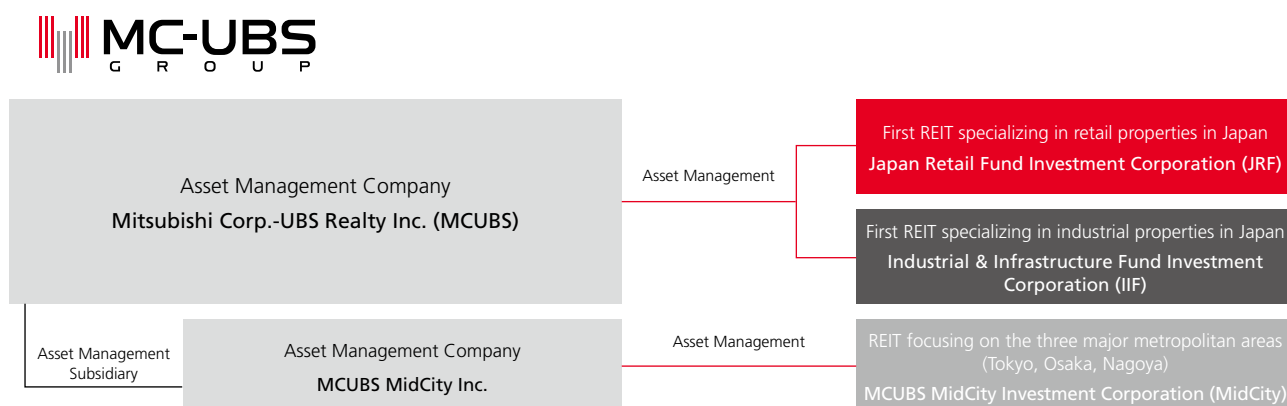


Katsuji Okamoto  
President & CEO

## Group Organizational Chart

The sponsors of the MC-UBS Group, Mitsubishi Corporation and UBS AG, carry with them knowledge of and experience in the real estate and financial markets, respectively, cultivated over many years. With this as our base, we would like to build real estate investment trusts and provide an abundance of investment opportunities for investors in Japan and overseas.

Through this manner of business, we can contribute to investors, contribute to the growth and development of domestic and overseas investment markets, and contribute to the real estate market. This goal forms the basic management policy of our business.



# Sustainability Strategy

## The MC-UBS Group's Vision for Sustainability

Supported by the funds procured from investors and other parties, the MC-UBS Group manages various types of properties, including commercial facilities, industrial facilities, and offices. Amid the rising level of interest from global investors toward environmental, social, and governance (ESG) factors, the Group is undertaking ESG-related initiatives based on an awareness shared across the organization.

The Group has formulated the Environmental Charter and the Responsible Property Investment Policy as a clarification of its strategies and policies. In doing so, the Group is integrating ESG considerations into its investment and asset management processes. The Group is also working to incorporate ESG within its Mission, Vision & Core Values with the aim of establishing a shared awareness of ESG across the entire Group.

### Environmental Charter



**MCUBS**  
**MidCity**

See page 11.  
<https://www.mcubs-midcity.com/en/sustainability/policy.html>

### Responsible Property Investment Policy



**MCUBS**  
**MidCity**

<https://www.mc-ubs.com/english/sustainability/invest.html>  
<https://www.mcubs-midcity.com/en/sustainability/policy.html>

## Our Sustainability Targets

Mitsubishi Corp.-UBS Realty Inc. (MCUBS) has set the following sustainability targets to realize its vision for sustainability.

1. Installation of solar power panels and other environmentally friendly facilities to improve the profitability of assets
2. Monitoring of energy consumption
3. Monitoring of ESG activities of funds under management through participation in surveys conducted by GRESB and other external evaluation institutions, after which survey results are utilized to make further improvements

## Collaboration between Mitsubishi Corporation and UBS AG

Our Sustainability Committee keeps in close communication with our sponsor, Mitsubishi Corporation. Starting with the adoption of a sustainability strategy based on Mitsubishi's Three Principles, this communication has led to the sharing of know-how and examples of successful initiatives between the Company and Mitsubishi. In addition, examples of our Green Buildings were showcased in Mitsubishi's *ESG Data Book 2018*, issued in December 2018.

Meanwhile, our other sponsor, UBS AG, is engaging in advanced ESG activities on a global scale. By having employees seconded to the Company from UBS participate in our Sustainability Committee, we are able to learn about examples of global initiatives and acquire relevant knowledge, which we then leverage within our own sustainability activities. Furthermore, we mutually share know-how and expertise with UBS, and examples of the MC-UBS Group's initiatives have been introduced as best practices in the CSR reports published by UBS.



## Sustainability Promotion Structure

With the increase in ESG-related demand from global stakeholders, MCUBS established the Sustainability Committee in 2013 to further promote responsible property investment (RPI) across the organization. During the same year, the Company commenced initiatives regarding the sustainability of Japan Retail Fund Investment Corporation (JRF), Industrial & Infrastructure Fund Investment

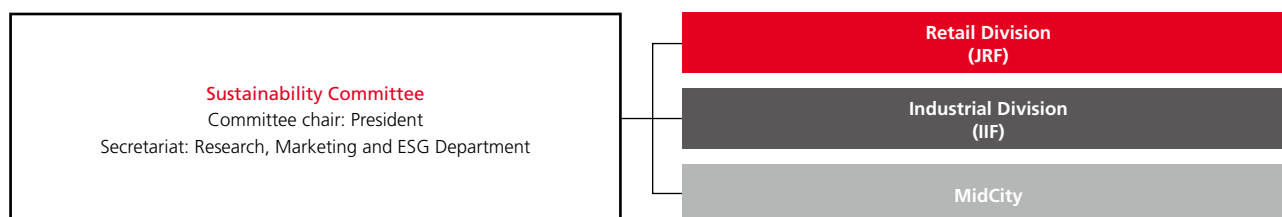
Corporation (IIF), and asset management companies. In 2015, we welcomed MCUBS MidCity Inc. into the Group and integrated employees from the company into our Sustainability Committee. By doing so, we have been able to share information on sustainability with MCUBS MidCity Investment Corporation (MidCity) and across the organization while examining efforts to resolve issues together.

## Monitoring Activities by the Sustainability Committee

MCUBS discusses sustainability activities carried out during the current fiscal year at meetings of the Sustainability Committee. In the following fiscal year, the Company will

make improvements as appropriate to initiatives deemed to be lacking based on the results of these discussions.

### Organizational Chart of the Sustainability Committee



### Main Members of the Sustainability Committee

<b>Committee chair:</b>	President of MCUBS
<b>Committee members:</b>	MCUBS: Vice President, General Manager of Retail Division, General Manager of Industrial Division, General Manager of Corporate Division, etc. MCUBS MidCity Inc.: President and Vice President
<b>Observers:</b>	Full-Time Corporate Auditors, Division Managers, and Directors in Charge of Investment and Investor Relations, etc.
<b>Secretariat:</b>	Research, Marketing and ESG Department

### Frequency of Meetings

The Sustainability Committee meets approximately four times a year. In addition, subcommittee meetings are held at an appropriate frequency, where more detailed discussion takes place from a practical and operational standpoint.

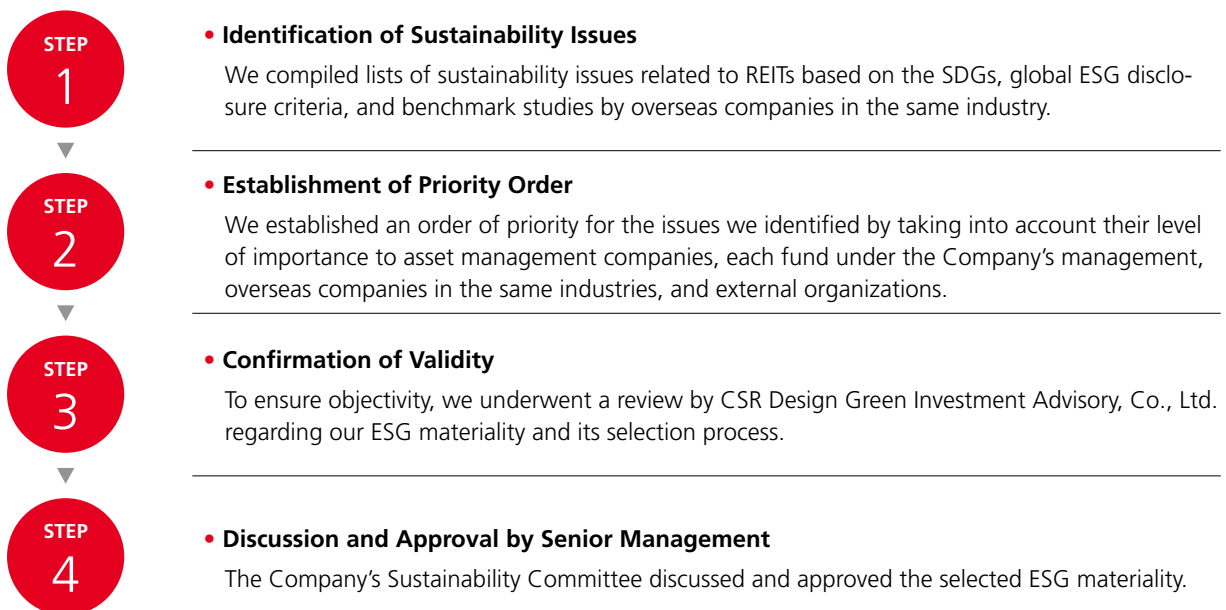
### Main Examination Items

- Sustainability targets and plans for each fiscal year
- Reports on activities related to the United Nations Environment Programme Finance Initiative and Principles for Responsible Investment
- Reports on the ESG activities of each fund
- Discussions on the certifications received by each fund
- Discussions on the issuance of Green Bonds

# ESG Materiality and the SDGs

Through the meetings of the Sustainability Committee, the MC-UBS Group has examined its vision and targets for sustainability and carried out efforts toward their realization. As the level of interest toward ESG is rising, we have identified and visualized ESG material issues related to sustainability (materiality). By doing so, we have further clarified the dialogue we hold with global stakeholders and the efforts we pursue in collaboration with other organizations. These issues were identified based on the Group’s Corporate Philosophy and Environmental Charter but also incorporate the ideas of the Sustainable Development Goals (SDGs), globally shared goals promoted by the United Nations.

## ESG Materiality Selection Process



Through the ESG materiality selection process detailed above, we have identified the following ESG materiality as having a high level of importance to the MC-UBS Group at this time.

First, as a real estate asset management company, it is absolutely essential that MCUBS ensures the quality of the buildings it manages through certifications and other means and addresses issues related to climate change and energy efficiency. Accordingly, we will aim to improve the amenities and convenience of our buildings. Also, we will cultivate employees who can realize this aim for our buildings and work to improve their level of satisfaction.

Next, in addition to responding to climate change and energy efficiency, we must work together with our tenants and local community members to address the issues of efficient water use and waste disposal. By doing so, we will work to establish partnerships and build green communities.









Going forward, after further clarifying the level of priority of these issues and working to visualize them, we will strive to achieve their resolution while promoting dialogue with all of our stakeholders.






## List of Sustainability Issues

- Response to sustainability certifications
- Building resilience
- Response to climate change
- Energy efficiency
- Ensuring of health and well-being of and convenience for people (tenants)
- Employee cultivation and level of satisfaction
- Efficient water use
- Waste disposal
- Partnership with tenants
- Collaboration with local communities
- Biodiversity in areas surrounding our buildings
- Employee diversity
- Compliance
- Supply chain management



## Our ESG Materiality and Closely Related SDGs

Level of importance	Most important ESG materiality	Closely related SDGs
★★★★	Response to sustainability certifications	 
	Building resilience	 
	Response to climate change	
	Energy efficiency	
	Ensuring of health and well-being of and convenience for people (tenants)	
	Employee cultivation and level of satisfaction	

Level of importance	Important ESG materiality	Closely related SDGs
★★	Efficient water use	
	Waste disposal	
	Partnership with tenants	 
	Collaboration with local communities	

### Review by Expert Institutions (Excerpt)

We believe that the ESG materiality selected by the MCUBS Group is appropriate for a real estate management group. Below, we offer some issues we feel that the MCUBS Group should examine, including efforts we hope the Group pursues going forward.

#### Selection Process

When determining the order of priority, we think that the MCUBS Group should clarify how the issues it selects reflect the opinions of its external stakeholders as well as how these issues relate to the materiality selected by its parent company. In addition, after selecting the materiality, it is extremely important that the Group establishes key performance indicators (KPIs) for these issues and conducts operating and monitoring activities based on these KPIs. We therefore hope that the Group examines the establishment of such KPIs in the near future.

#### ESG Materiality

We recognize that the importance of promoting people's health and well-being will become more significant going forward. Accordingly, we sincerely hope that the MCUBS Group leads the J-REIT sector in accomplishing this goal. Furthermore, in terms of sustainability certifications, we would like the Group to understand that these certifications include elements that relate to not only environmental performance but also to building resilience as well as the health and well-being of people.



Ryuichi Horie  
President & CEO  
CSR Design Green  
Investment Advisory  
Co., Ltd.

# Creating a Positive Impact

## Reopening of the Oyama Yuen Harvest Walk Shopping Center

JRF reopened the Oyama Yuen Harvest Walk shopping center, one of its properties located in Oyama, Tochigi Prefecture, in October 2017 after renovations.

### Overview

- JRF implemented environmentally friendly initiatives such as planting local native species, carrying out greening of sidewalks, implementing measures against rainwater, etc.
- This renewal provided a community venue for residents in living near the commercial facility and strengthened club activities for local high schools and universities, as well as heightening responses to disasters.
- The parking lot was renovated with a new outdoor square. We added facilities to make this square more of a communal place by incorporating a playground that utilizes prefectural timber and increasing appeal through tree planting, etc.
- We significantly changed the parking lot flow lines separate from the facility renewal, reducing congestion on the national highway.



### Positive Impact

- Improvement in profitability (Economic)
- Consideration for the environment through greening (Environment)
- Improvement of environmental performance of facilities (Environment)
- Channeling rainwater aboveground by introducing permeable pavement and strengthening disaster-preparedness measures (Environment/Society)
- Providing community space for visitors, including local residents (Society)
- Reducing congestion on national highways by changing parking lot flow lines (Society)



This property was erected on the site of the Oyama Amusement Park, a familiar spot that was representative of the Northern Kanto region for half a century and was closed in February 2005. Oyama Yuen Harvest Walk consists of six buildings, including a home center, a York

Benimaru supermarket, a promenade, and a shopping mall. The property also features 2,000 parking spaces, plus an additional 1,000 spaces for bicycles, roughly 70 medium- to large-sized stores (including specialty shops), and an eight-screen cinema complex.

Property details



JRF

<https://www.jrf-reit.com/english/portfolio/s-24.html>

## Acquisition of OTA Techno CORE

In January 2019, IIF decided on an impact investment project (a silent partnership, herein referred to as the “Tokumei Kumiai”) related to the OTA Techno CORE building. This is the first case of a J-REIT making such an agreement based on the Principles for Positive Impact Finance.

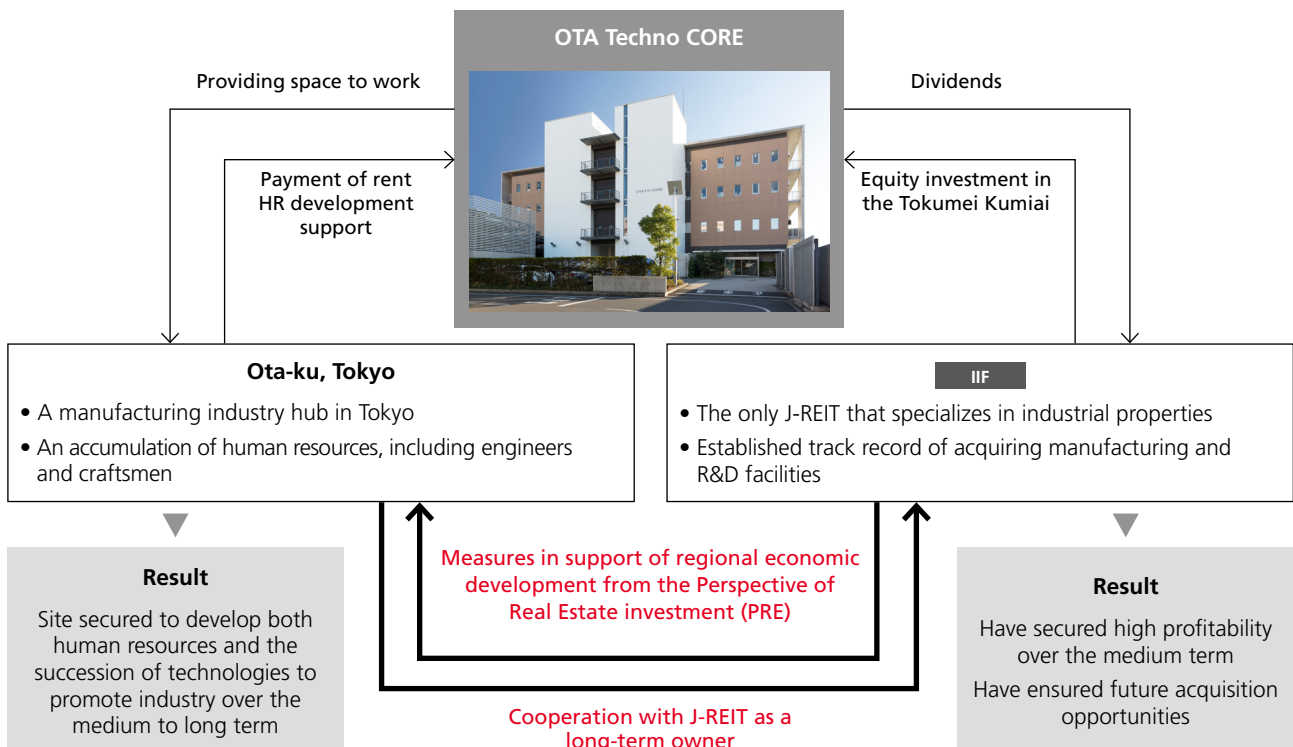
### Measures Based on the Sustainable Development Goals (SDGs) and the Principles for Positive Impact Finance

- The investment is in line with the materiality of the SDGs, which is emphasized by MCUBS and will contribute to the creation of a sustainable society.
- Furthermore, a third-party opinion has been obtained stating that the project is in accordance with the Principles for Positive Impact\* of the United Nations Environment Programme Finance Initiative (UNEP FI).



\* Principles adopted in January 2017 by members of the United Nations Environment Programme Finance Initiative (UNEPFI), namely, financial institutions, to achieve sustainable development and the SDGs as a series of shared principles for financing that will lead to efforts to maximize the positive impact on the economy, society, and the environment while addressing any negative impacts thereon.

## Measures for the Creation of a Sustainable Society



Property details



IIF

[https://www.iif-reit.com/upd3/irpr\\_news/pdf/xjs0065C35967E1A8F97.pdf](https://www.iif-reit.com/upd3/irpr_news/pdf/xjs0065C35967E1A8F97.pdf)

# Supported Initiatives

## Principles for Responsible Investment (PRI)

Signatory since August 2013  
First J-REIT asset manager

In solidarity with the fundamental ideas of the PRI, MCUBS became a signatory in August 2013. MCUBS is the first J-REIT asset manager to become a signatory of the PRI. In addition, MCUBS has been active as a member of UNEP FI's Property Working Group (PWG) since 2016.

Signatory of:



## Montreal Carbon Pledge

Signatory since September 30, 2015  
First J-REIT asset manager

MCUBS became the first J-REIT asset manager to sign the Montreal Carbon Pledge on September 30, 2015. Since then, MCUBS has continued to disclose the amount of CO<sub>2</sub> emissions through its corporate website and works on the reduction of its environmental impact for a sustainable society.

Signatory of:



## United Nations Environment Programme Finance Initiative (UNEP FI)

Signatory since October 2016  
First J-REIT asset manager

Acknowledging the proactive sustainability initiatives of MCUBS, UNEP FI invited MCUBS to participate in the UNEP FI's Property Working Group (PWG). MCUBS became the first J-REIT asset manager to both sign up to UNEP FI and join the PWG of the initiative in October 2016. PWG is a working group consisting of 20 major real estate investors around the world, with MCUBS being the third member from Japan.

Through becoming a signatory, for the asset management of each investment corporation, MCUBS is sharing best practice cases globally and continues striving to reduce its environmental load and realize a sustainable society.



## United Nations Global Compact (UN Global Compact)

Signatory since October 2016  
First J-REIT asset manager

MCUBS became the first J-REIT asset manager to sign up to the UN Global Compact in October 2016. As a signatory and respecting the principles of the UN Global Compact, MCUBS has further strengthened its corporate governance in the areas of human rights, labor, the environment, and anti-corruption, based on its corporate mission to "always create new value for people, the community, and the world."



## Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

Signatory since June 2013

In solidarity with these principles put forth by the Ministry of the Environment, MCUBS became a signatory in June 2013.

MCUBS MidCity Inc. became a signatory in February 2016.



## Japan Association for UNHCR

For five consecutive years, MCUBS has received a letter of appreciation from the Japan Association for UNHCR (United Nations High Commissioner for Refugees), which closely coordinates with UNHCR Representation in Japan, for making JRF's vacant space from existing properties available to the Campaign for United Nations Refugee Support Activities free of charge.

MCUBS will continue to hold a high level of interest in reducing its environmental load and making contributions to local society.

MCUBS MidCity Inc. has also supported the UNHCR since 2016.





# ENVIRONMENTAL

---

## Environmental Charter

The MC-UBS Group formulated the Environmental Charter, which sets out our environmental principles and action plans. MCUBS then formally established it in June 2013.

---

### Environmental Charter

At Mitsubishi Corp.-UBS Realty Inc., we consider the Earth itself to be our most important stakeholder and are continuously working toward the realization of a sustainable society through our business activities.

- We will strive to reduce greenhouse gas emissions by continuously implementing new efficiency measures and embracing new technologies.
- We will promote the sustainable use of natural resources including energy, minerals, food stocks, and water throughout our global business operations.
- We recognize the critical importance of what ecosystems can provide and are committed to protecting ecosystems and mitigating any potential impacts on biodiversity.
- We will strive to create and enhance environmental benefits by undertaking conservation activities and reducing our environmental footprint.
- We will continue to actively engage and work with our various stakeholders openly and transparently and disclose information on the environmental impacts of our business operations in an appropriate and timely manner.
- We will conduct all of our activities in compliance with environmental laws while adhering to international rules and social standards.

---

MCUBS MidCity Inc. established the Environmental Charter in December 2015, which sets out our environmental principles and action plans.

# Environmental Approvals and Evaluations for Group Assets

At the MC-UBS Group, we make active efforts to achieve sustainability, but we also believe in the importance of acquiring positive ratings and appropriate certifications for these efforts. To meet the demand of investors, tenants, and other stakeholders worldwide, we acquire a wide range of domestic and overseas certifications, from performance assessments of individual buildings to evaluations of entire funds.

## Conditions Regarding the Acquisition of Certifications






We have received several positive overall ratings of our funds under management from GRESB (Global Real Estate Sustainability Benchmark), the current global standard for real assets. Our funds received certification in their early stages, including IIF, which became the first J-REIT to be selected as a Sector Leader in 2013. In 2018, JRF, IIF, and MidCity each received the highest ranking given by GRESB, the Green Star, for the fourth, sixth, and third consecutive years, respectively. In addition, JRF was named Sector Leader for the Asian business sector. In addition, JRF became the

first J-REIT to participate in the CDP (formerly, the Carbon Disclosure Project) climate change program in 2016.




Regarding performance evaluations on real estate, we have acquired certifications for CASBEE for Real Estate, DBJ Green Building, and BELS. For further details, please see below.

Going forward, the MC-UBS Group will maintain its policy of improving the ratings of its overall funds under management while increasing its proportion of properties with certifications from external parties.

As of December 10, 2018

	JRF	IIF	MidCity
<b>GRESB</b> 	<b>Real Estate Rating</b> Green Star: (fourth consecutive year) 5 stars Sector Leader  <b>Public Disclosure Rating</b> A	<b>Real Estate Rating</b> Green Star: (sixth consecutive year) 4 stars  <b>Public Disclosure Rating</b> A	<b>Real Estate Rating</b> Green Star: (third consecutive year) 5 stars  <b>Public Disclosure Rating</b> A
<b>CDP Climate Change Program</b> 	C (second consecutive year)		
<b>Certification for CASBEE for Real Estate</b> 	S : 11 properties (first rating acquired in 2015) A : 1 property (first rating acquired in 2015)	S : 1 property (first rating acquired in 2018) A : 5 properties (first rating acquired in 2014) B+ : 2 properties (first rating acquired in 2016)	A : 1 property (first rating acquired in 2008)
Includes properties subject to reporting system of local municipalities			
<b>DBJ Green Building Certification</b> 	5 stars: 1 property (first rating acquired in 2015) 4 stars: 7 properties (first rating acquired in 2014) 3 stars: 5 properties (first rating acquired in 2014) 2 stars: 4 properties (first rating acquired in 2014) 1 star: 2 properties (first rating acquired in 2016)	5 stars: 1 property (first rating acquired in 2015) 4 stars: 4 properties (first rating acquired in 2015)	4 stars: 4 properties (first rating acquired in 2012)
<b>BELS Certification</b> 	4 stars: 1 property (first rating acquired in 2017)	5 stars: 2 properties (first rating acquired in 2016) 4 stars: 2 properties (first rating acquired in 2014) 2 stars: 4 properties (first rating acquired in 2016)	3 stars: 1 property (first rating acquired in 2016) 2 stars: 2 properties (first rating acquired in 2016)

Detailed examples of our environmental approval and evaluation

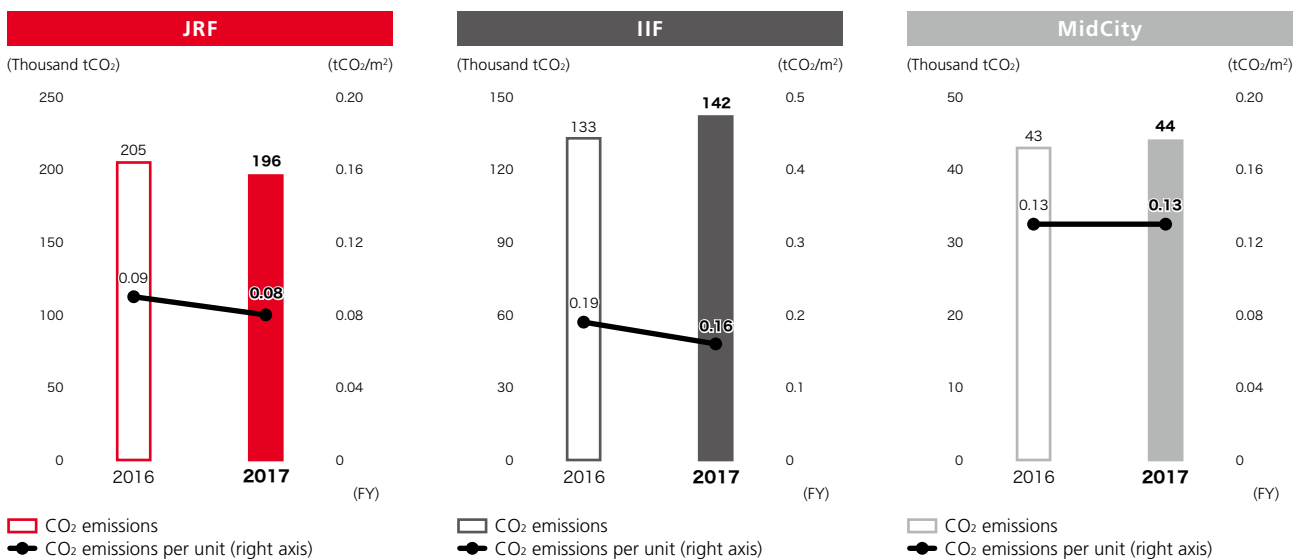
	<a href="https://www.jrf-reit.com/english/sustainability/environment/index.html">https://www.jrf-reit.com/english/sustainability/environment/index.html</a>
	<a href="https://www.iif-reit.com/english/sustainability/environment/index.html">https://www.iif-reit.com/english/sustainability/environment/index.html</a>
	<a href="https://www.midcity-reit.com/en/sustainability/evaluation">https://www.midcity-reit.com/en/sustainability/evaluation</a>



# Climate Change

As of the end of December 2018, the MC-UBS Group is one of Japan's largest real estate management companies and operates real estate covering 190 properties with a total acquisition value of approximately ¥1.4 trillion. With climate change becoming a growing problem with each passing year, we are implementing environmentally friendly and energy-saving measures for our properties and making efforts toward more efficient energy use in order to show greater consideration for the environment and lessen our environmental impact. To lower CO<sub>2</sub> emissions, one of the risk factors for climate change, we are moving forward with a system that will assess and manage emissions across our entire portfolio. In particular, JRF, a J-REIT with the largest commercial facility REIT, is the first in Japan to take part in the CDP (formerly, the Carbon Disclosure Project), and has been actively promoting its efforts since joining in 2016.

## CO<sub>2</sub> Emissions



### Environmental Performance Data

Data and emissions per unit are calculated based on the total leasable floor area (after considerations for rate of occupancy).

#### Data collection rate

Fund	Category	2017	2016
JRF	CO <sub>2</sub> emissions and energy amount	92.7%	88.4%
	Water consumption	92.7%	90.1%
	Waste generated	88.5%	99.1%
IIF		100%	100%
MidCity		100%	100%

#### Aggregation period

Fund	2017	2016
JRF	March 2017–February 2018	March 2016–February 2017
IIF	January 2017–December 2017	January 2016–December 2016
MidCity	January 2017–December 2017	January 2016–December 2016

For examples of the environmental initiatives for each fund, please refer to the links below.

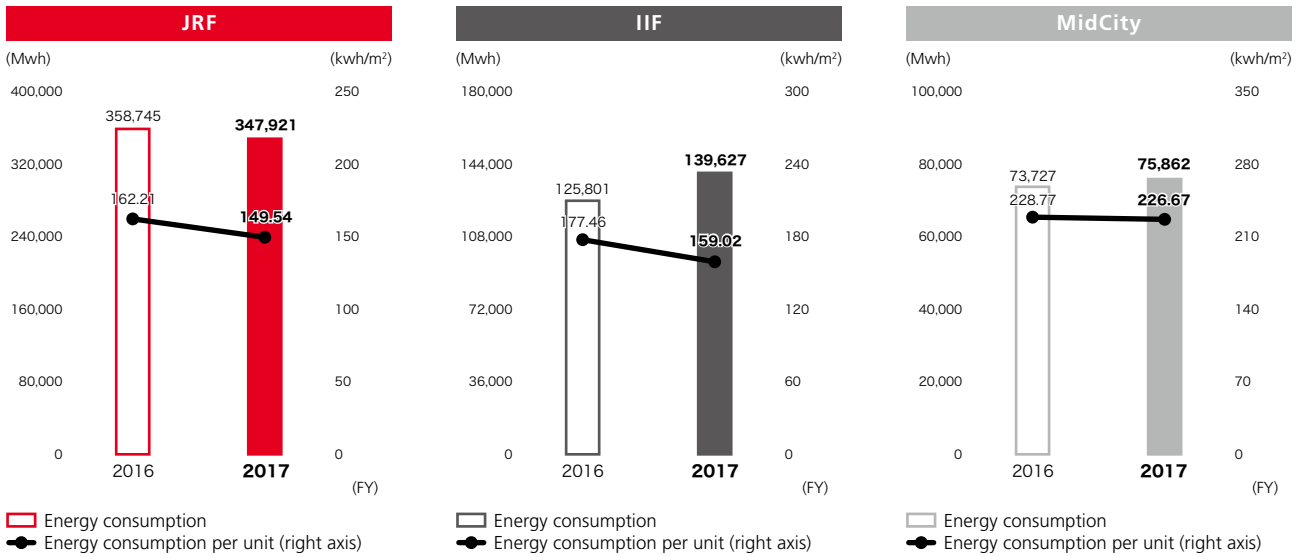


JRF	<a href="https://www.jrf-reit.com/english/sustainability/environment/index.html">https://www.jrf-reit.com/english/sustainability/environment/index.html</a>
IIF	<a href="https://www.iif-reit.com/english/sustainability/environment/index.html">https://www.iif-reit.com/english/sustainability/environment/index.html</a>
MidCity	<a href="https://www.midcity-reit.com/en/sustainability/environment">https://www.midcity-reit.com/en/sustainability/environment</a>

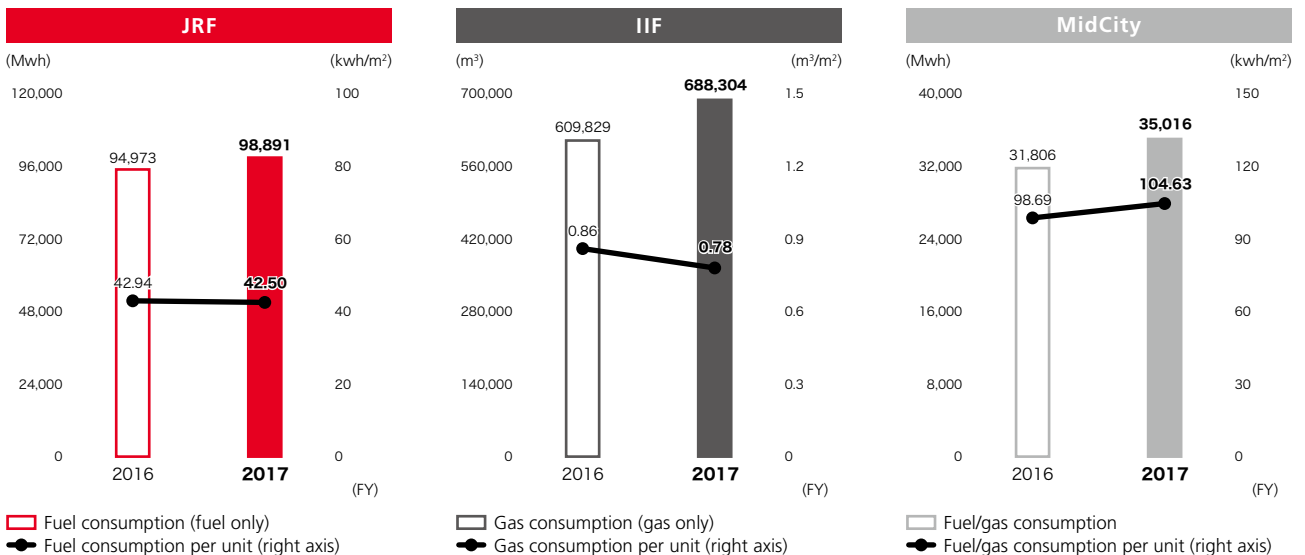
# Energy

The MC-UBS Group implements environmentally friendly and energy-saving measures and makes efforts toward more efficient energy use for the properties held by each investment corporation under management to show greater consideration for the environment and lessen its environmental impact. We collectively manage energy, fuel, and water consumption and analyze the accumulated data, which is both accurate and highly transparent to actively manage reduction of energy use.

## Energy Consumption



## Fuel Consumption





## Initiatives

### LED Lighting

JRF

Switching from conventional incandescent lighting to LED lighting reduces labor required for maintenance and also reduces the cost of purchasing parts and equipment over

the long term. JRF actively promotes the use of LED lighting, which reduces electricity consumption through its high luminous efficiency.

#### Properties

- GYRE
- La Porte Aoyama
- KAWASAKI Le FRONT
- mozo wonder city
- Kyoto Family

plus 23 other properties



mozo wonder city

### Solar Power

IIF

Solar panels are installed on the roofs of facility buildings to save energy by using renewable sources.



IIF Kobe Logistics Center

#### Properties

- IIF Kobe Logistics Center
  - IIF Misato Logistics Center
  - IIF Tosu Logistics Center
  - IIF Iruma Logistics Center
  - IIF Fukuoka Hakozaki Logistics Center II
- plus 5 other properties



IIF Tosu Logistics Center

### Green Lease

MidCity

A "green lease" refers to an agreement made via a contract of memorandum between building owners and tenants to cooperate toward reducing environmental impact and making a more environmentally friendly facility through various means, including energy conservation on properties. Green leases are entered into on a voluntary basis, with both parties agreeing to uphold the terms of the

arrangement. For example, MidCity has borne the costs of installing LED lighting in its facilities, which allows tenants to enjoy lower energy fees in exchange for paying MidCity a fixed green lease payment.

#### Property

- Twin 21

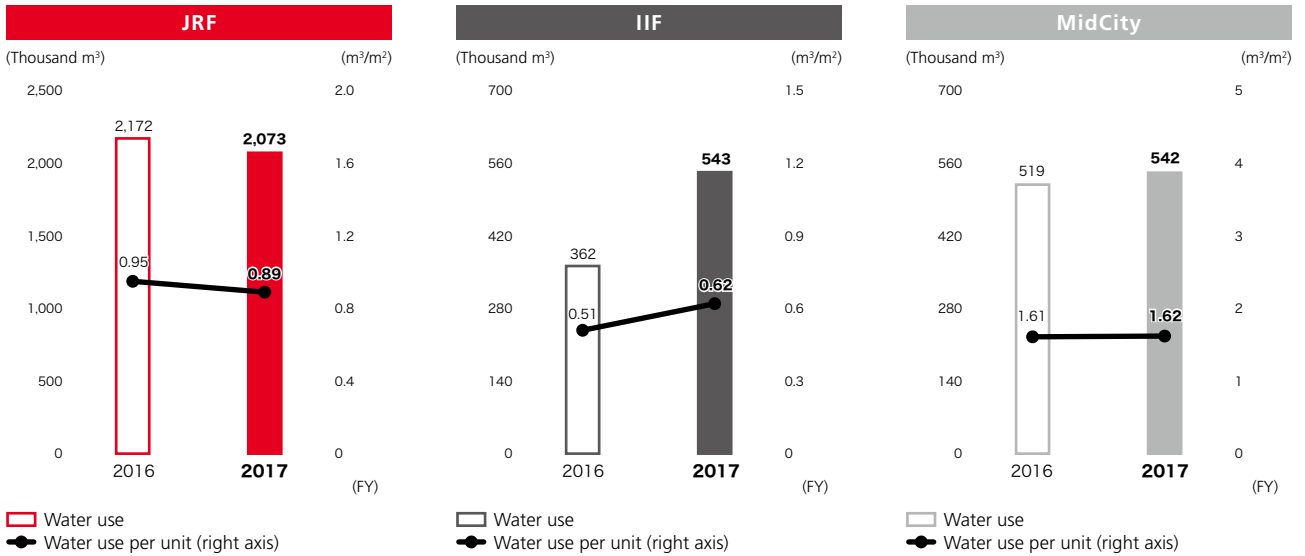


Twin 21

# Water

The MC-UBS Group strives for sustainable resource use. The Group makes active efforts to utilize water resources effectively as part of a greater effort toward sustainable resource use. JRF returns over 6,000m<sup>2</sup> of rainwater to groundwater every year through means such as permeable pavement, while IIF works with tenants to promote effective water use by utilizing on-site well water pumped from 100m underground, drawn using an automatic water supply apparatus.

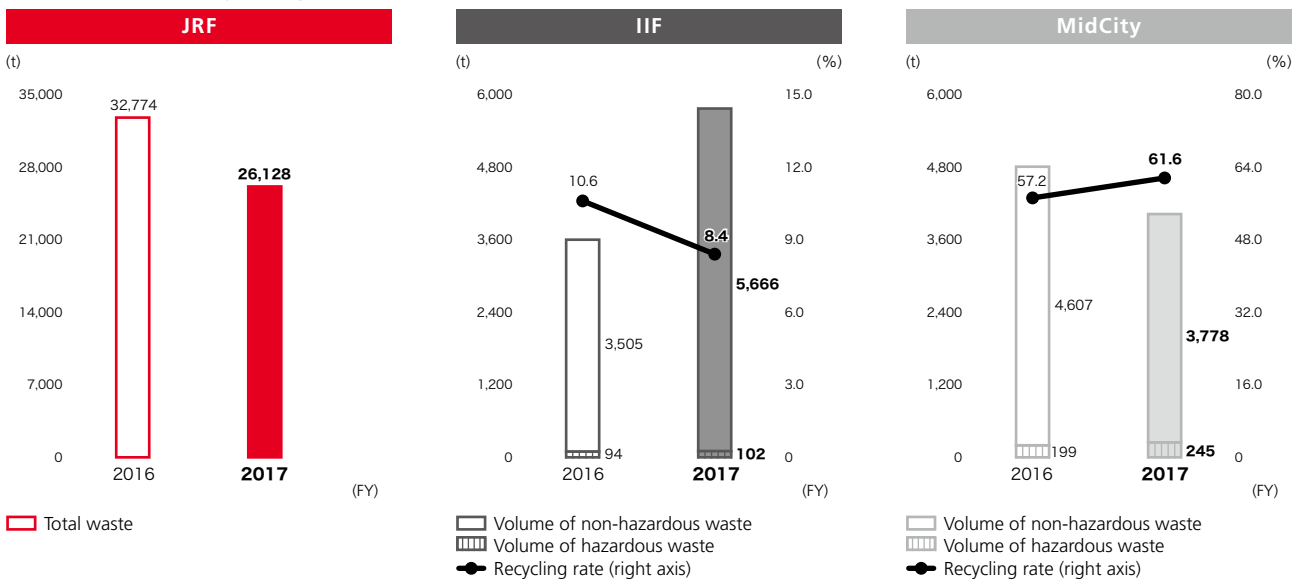
## Water Use



# Waste

The MC-UBS Group has been making efforts to minimize the amount of waste produced by its properties, monitor the amount of waste generated, and appropriately manage waste production.

## Waste and Recycling Rate





# Pollution Prevention

The MC-UBS Group strives to create and enhance environmental benefits by undertaking conservation activities and reducing its environmental footprint.

## Assessments When Acquiring Real Estate Properties

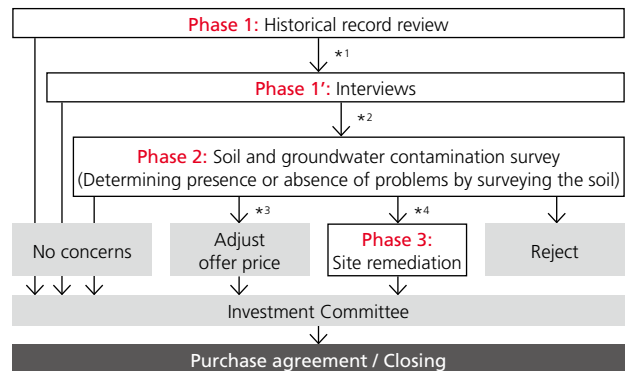
When acquiring real estate properties, MCUBS takes various environmental factors into consideration before making investment decisions: property inspections, land history investigations, and other related research on environmental risk factors.

During soil and environmental investigations, third-party experts perform environmental pollution investigations. Prior to executing any purchase agreement, IIF will have experts conduct a soil and environmental contamination survey to assist it in assessing a property's environmental risks. IIF will use the pre-investment assessment workflow chart indicated on the right to determine whether the investment would be appropriate.

When acquiring real estate properties, MCUBS MidCity Inc. conducts soil contamination surveys and other research in accordance with MCUBS' environmental measures and analyzes various environmental factors before making investment decisions.

Concerning soil contamination, its property acquisition manual stipulates that investment targets shall be, in principle, properties "that are very unlikely to have soil contamination or that cannot eliminate the possibility of having soil contamination but are very unlikely to carry environmental damage risk."

### Pre-Investment Assessment Workflow



\*1 If we are unable to determine solely from a review of historical records that there is no risk of soil contamination or that no other environmental contamination exists (for example, a manufacturing facility that utilized toxic or other hazardous substances in the past), we will conduct interviews with the seller.

\*2 If we are unable to determine from interviews with the seller that there is no risk of soil or other environmental contamination, we will conduct a soil and groundwater contamination survey.

\*3 If a contamination concern exists, but the necessary remediation would be technically or economically infeasible (for example, remediation is extremely difficult due to structures existing above the contaminated area), we will recommend a price adjustment.

\*4 If, after discussions with the seller, remediation is deemed technically and economically feasible, we will conduct site remediation or require the seller to do so.



# Building Safety

The MC-UBS Group is working to maintain the safety of its buildings by conducting building and earthquake risk assessments at the time of acquisition as well as collecting engineering reports on a regular basis.

## Seismic Reinforcements

JRF

JRF conducts a building and earthquake risk assessment at the time of property acquisition, and calculates earthquake risk in held properties whenever standards are revised. When necessary, secondary assessments are performed as well. When results of those assessments conclude that earthquake-resistant reinforcement construction is required, we make environmentally conscious choices that will provide the necessary seismic retrofitting while minimizing waste. At the same time, we also work to reduce CO<sub>2</sub> emissions and energy consumption in the updated facility.

## Measuring Air Environment

MidCity

Asbestos is a naturally occurring mineral fiber sometimes called *sekimen* or *ishiwata*, and breathing it is highly likely to be hazardous to health, thus implementation of some measures is required. MidCity measures the air environment once a year to confirm the dispersal status of asbestos.

# Biodiversity

The MC-UBS Group recognizes the critical importance of what ecosystems can provide and is committed to protecting ecosystems and mitigating any potential impacts on biodiversity.

## Examples of Initiatives

### Greening of Facilities

JRF

In addition to energy savings, the greening of facilities creates pleasant spaces for customers and allows them to relax and enjoy the colors and fragrances of the natural surroundings.

#### Greening of main entrances and wall surfaces of parking lots

The greening of main entrances and wall surfaces of parking lots mitigates outdoor temperature increases by means of transpiration by plants and also provides relaxation and comfort through its visual impact, in addition to energy savings and the suppression of temperature increases due to solar radiation.



La Porte Aoyama

#### Greening of rooftops and entrances

The greening of rooftops and entrances and the bedding of various flowers and plants throughout the year creates a visually appealing environment for customers. JRF can also expect to benefit from such greening as it encourages shopping by customers who come to various events that are held in open spaces on a regular basis.



Nara Family

### Establishing Green Zones

IIF

IIF creates green zones at each of its properties to help reduce the heat island effect and the amount of CO<sub>2</sub> emissions.

Total green-  
ing area  
7.8ha  
(78,000m<sup>2</sup>)



IIF Noda Logistics Center

### Protection of Native Species

MidCity

When planting at our properties, MidCity makes sure to transplant any native plants that were replaced to new areas and promote the greening of our properties with consideration given to biodiversity.



M-City Akasaka 1-chome Bldg.

# The Green Bond

As part of its efforts to maintain sustainability for the environment and society as a whole, JRF has issued the Green Bond, the first such issuance from a J-REIT. Through the issuance of the Green Bond, JRF conducts investment contributing to the implementation and realization of a sustainable environment and society.

## About the Green Bond

### The Green Bond Framework Overview

#### 1. Project evaluation/selection

With regard to the Green Bond issuance process, which is based on the Green Bond Principles, MCUBS selects new or existing properties (“Eligible Green Projects”) from its portfolio, which satisfy the eligibility criteria\*1 of MC-UBS’ Sustainability Committee, as subject assets for the Green Bond.

\*1 To be eligible for Green Bond proceeds, Eligible Green Projects must meet one of the following eligibility criteria:

- On the payment date of each investment corporation bond, buildings that have received 3, 4, or 5 stars under the DBJ Green Building Certification Program within two years preceding the Green Bond issuance date, and/or buildings that are expected to receive the certification after issuance. At the time of reporting, buildings that meet the same criteria as of the end of February of each year.
- On the payment date of each investment corporation bond, buildings that have received B+, A, or S rank under the CASBEE Certification Rank within two years preceding the Green Bond issuance date, and/or buildings that are expected to receive the certification after issuance. At the time of reporting, buildings that meet the same criteria as of the end of February of each year.

#### 2. Use of proceeds

The Green Bond totaling the same amount will be allocated toward one or more of the following.

- The acquisition of existing and/or new Eligible Green Projects.
- The refinancing of existing debts that have already been allocated to Eligible Green Projects.
- The redemption of the issued investment corporation bonds (including Green Bonds) required to acquire Eligible Green Projects.

#### 3. Management of Green Bond proceeds

JRF has an internal process in place to track and monitor the amount of outstanding Green Bond proceeds and the allocation thereof, which is in line with market practice. The maximum outstanding amount of the proceeds (“Debts of Eligible Green Projects”) is calculated by multiplying the total book value of Eligible Green Projects by JRF’s interest-bearing liabilities ratio (44.2% as of the end of August 2018).

The maximum outstanding amount of Green Bond proceeds is ¥142.9 billion, and JRF currently issues ¥8 billion (as of the end of May 2018).

### Second-Party Opinion

JRF has obtained a second-party opinion from Sustainalytics, an ESG rating agency, for the eligibility of Green Bond\*2 proceeds. For more information, please refer to the second-party opinion.

\*2 Green Bond eligibility entails a Green Bond framework that aligns with the four pillars (use of proceeds, project evaluation and selection, management of proceeds, and reporting) of the Green Bond Principles 2017.



Framework Overview and Second-Party Opinion



[https://www.jrf-reit.com/english/sustainability/environment/i36ilc000000340e-att/sustain\\_secop201804\\_1.pdf](https://www.jrf-reit.com/english/sustainability/environment/i36ilc000000340e-att/sustain_secop201804_1.pdf)

### The Green Bond Summary

#### The 1st Green Bond (The 12th Unsecured Investment Corporation Bonds)

Issued Amount (million yen)	8,000
Interest Rate	0.210%
Assessment*3	GA1
Issue Date	May 25, 2018
Maturity Date	May 25, 2023
Remarks	Unsecured, Unguaranteed

\*3 Assessment is a rating opinion provided by R&I with regard to the extent to which the Green Bond proceeds are used to invest in projects that resolve environmental issues.

Green Bond details



JRF

<https://www.jrf-reit.com/english/sustainability/environment/index.html>



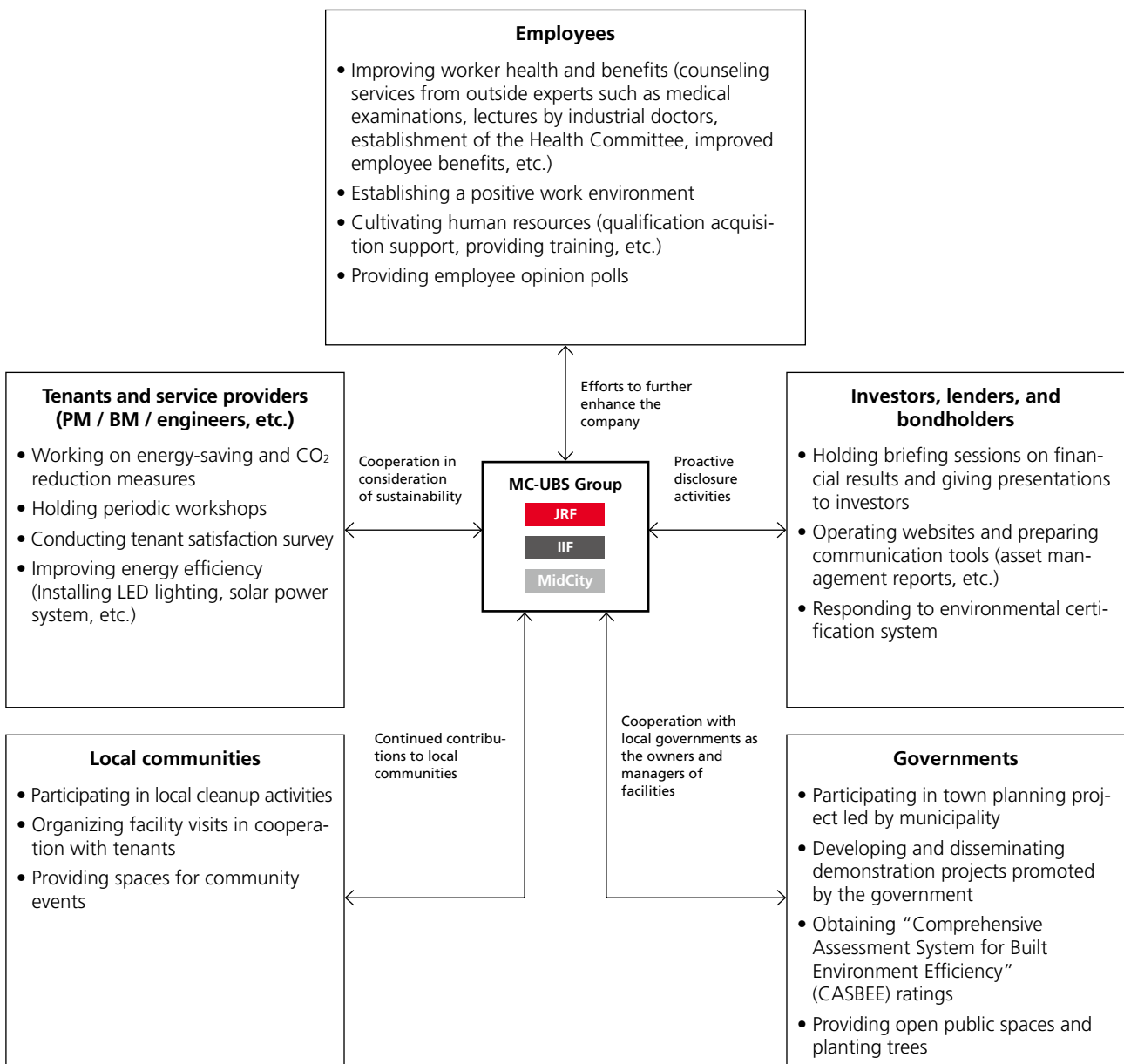
# SOCIAL



# Communication with Stakeholders

The MC-UBS Group is an asset management company with listed REITs, meaning its stakeholders cover a wide range of roles, from investors, lenders and bondholders, to tenants making use of its properties and service providers related to property management (PM) and building management (BM), to members of the surrounding community, and to various government administrations. Furthermore, we consider our employees to be stakeholders just as important as those mentioned above.

We believe that it is our mission to build long-lasting relationships with this wide variety of stakeholders and to continue sustainable management of the Group.



Detailed examples of our initiatives



- JRF** <https://www.jrf-reit.com/english/sustainability/society/index.html>
- IIF** <https://www.iif-reit.com/english/sustainability/society/index.html>
- MidCity** <https://www.midcity-reit.com/en/sustainability/communication>





# Communication with Local Communities

The MC-UBS Group works to create important bonds with local communities by implementing disaster prevention measures and performing activities that contribute to society at every one of its wide range of properties.

## Initiatives by Fund

### JRF

JRF carries out day-to-day management of its properties based on the Property Management Policy so that customers can shop safely, and is mindful of making contributions to society and local communities. We aim to provide commercial facilities that exist as part of the local community by having our properties fulfill a role as hubs for disaster prevention activities in areas where disasters are prone to occur.

We have introduced “Park & Ride Shopping” at mozo wonder city as an effort to alleviate traffic jams in the surrounding area and to be environmentally friendly. We cooperate with nearby railway companies and offer benefits to customers who visit the shopping center by train after parking in a designated parking lot.

To provide peace of mind to our customers, we have added greenery to our facilities and opened up parks and

other communal spaces. We have also opened up the rooftop of our Abiko Shopping Plaza as one of the largest viewing spots during fireworks festivals, as part of our continuous effort to provide safe spaces for the local community and to coordinate with local events. Through these efforts, we are working to create an environment where local residents see our facilities as part of their community.



Abiko Shopping Plaza

### IIF

IIF provides neighboring communities and governments with spaces and public open spaces at the real estate properties it owns. In addition, we provide tours of our facilities and other services to ensure that local residents are aware of the functions performed by our properties in the area.



IIF Haneda Airport Maintenance Center

### MidCity

At MidCity, we actively utilize the property as a space for local events and community exchange so that locals and visitors, in addition to resident office workers, can enjoy it.

In the summer, G-Square Shibuya Dogenzaka holds an *Uchimizu* (water-sprinkling) event, co-sponsored by the Tokyo Metropolitan Government, working to create an environmentally friendly office building.



Flower event at Twin 21



*Uchimizu* (water-sprinkling) event at G-Square Shibuya Dogenzaka





# Communication with Tenants

The MC-UBS Group operates a wide variety of properties, including retail facilities, industrial facilities, and office buildings, which means the needs of our tenants are also diverse. We make efforts in consideration of our tenants' safety and the facility environment, but we promote measures that consider the global environment as well.

## Tenant Risk Management

The MC-UBS Group is a company that invests in Japanese real estate. Japan is prone to earthquakes, and we thus promote disaster prevention measures for tenants of our investee properties from an investor point of view.

Specifically, we are contributing to the occupational health and safety of our tenants through efforts such as monitoring the implementation of disaster-preparedness drills.

## Initiatives by Fund

### JRF

JRF services more than 960 tenants over roughly 100 properties. Despite this large number, JRF proactively takes measures to save energy and reduce CO<sub>2</sub> emissions at the properties it owns. For example, JRF improves the environmental efficiency of properties. In some cases, it makes initial investments and recovers the investment costs from the monthly rent payments collected from tenants, while tenants save utility costs without any capital outlay.

Therefore, a win-win relationship is created between JRF and tenants.

In addition, certain properties held by JRF—mozo wonder city, Nara Family, Abiko Shopping Plaza, G-Bldg. Jiyugaoka 01, Narupark, and Oyama Yuen Harvest Walk—participated in the CO<sub>2</sub> Reduction/Light-Down Campaign, sponsored by the Ministry of the Environment.

### IIF

IIF provides lifeline equipment including portable storage batteries, disposable toilets, and emergency lighting in its properties as a disaster countermeasure aimed at tenants. By providing value to tenants, IIF continues to manage its portfolio using its "3C Management Cycle," which is designed to realize internal growth through stable, long-term management that goes beyond the norm. The three "Cs" of the 3C Management Cycle are Communicate: acquire an accurate understanding of tenant needs through close communication with tenants; Customize: strategically put forth customized proposals according to individual needs; and Create: employ a concept of portfolio management that creates unitholder value through long-term, superior property management while creating value that meets the needs of tenants.

Utilizing this concept, we have met the demand from tenants for lowered costs by converting to LED lighting in an effort to lower electricity costs and, by extension, electricity bills. As a result of these efforts, tenants and IIF have been able to conclude a green lease agreement.

IIF holds periodic tenant workshops. Workshops actively select sustainability themes so that IIF and its tenants, who are long-term stakeholders, can better understand responses to climate change and disaster countermeasures.

With the understanding and cooperation of tenants, a large number of tenants participate in the workshops, and the workshops serve as a foundation for IIF's cooperation with tenants in their commitment to sustainability.

## Communication with Tenants

### MidCity

MidCity conducts a tenant satisfaction survey once a year. Based on the results of the survey, MidCity puts forth efforts to create comfortable spaces for those working in

office buildings by improving the surrounding environments and enhancing the convenience of building facilities and equipment as well as safety.

### Tenant Satisfaction Survey

**Survey item** Survey period: Oct. 18, 2017 to Nov. 13, 2017  
Survey conducted by: Kanden CS Forum Inc.

Sample: 349 tenants

### Survey Findings—Level of CSI\*<sup>1</sup>

Factors	2013	2014	2015	2016	2017		
					Total	(East Japan)	(Osaka)
Surrounding environment	79.7	82.3	73.7	72.4	71.9	69.1	74.7
Behavior of FM (property management firm)	76.9	78.4	78.4	78.8	79.5	76.8	81.5
Comfort level of building	57.2	58.6	55.3	54.5	56.8	54.8	58.8
Manners of management firm's staff	74.2	75.2	75.1	74.7	74.8	74.3	75.3
Behavior of PM (property management)	71.6	72.5	72.8	73.0	72.4	68.9	74.9
Measures for safety	69.7	70.4	69.2	66.3	68.3	65.4	71.2
Quality of common area	66.8	67.4	65.7	64.3	64.5	63.2	65.9
Usability of building facilities and equipment	67.4	67.9	66.5	67.5	65.4	63.0	67.1
Cleanliness of building	72.0	71.3	70.3	69.6	69.9	68.3	71.4

\*1 CSI: Abbreviation for Customer Satisfaction Index. We had building facilities, services, and others evaluated by customers, and the gap between each item's needs (expectations) and satisfaction was weighed before calculating each item's evaluation with a full score of 100.

Properties targeted in the survey:

2013-2014: Twin 21, Matsushita IMP Bldg., MID Imabashi Bldg., Kitahama MID Bldg., MID Nishihommachi Bldg., Midosuji MID Bldg., MID Midosujikawaramachi Bldg., Higobashi MID Bldg.

2015: Twin 21, Matsushita IMP Bldg., MID Imabashi Bldg., Kitahama MID Bldg., MID Nishihommachi Bldg., Midosuji MID Bldg., MID Midosujikawaramachi Bldg., Higobashi MID Bldg., G-Square Shibuya Dogenzaka, Yokohama Creation Square, Cube Kawasaki

2016: Twin 21, Matsushita IMP Bldg., MID Imabashi Bldg., Kitahama MID Bldg., MID Nishihommachi Bldg., Midosuji MID Bldg., MID Midosujikawaramachi Bldg., Higobashi MID Bldg., G-Square Shibuya Dogenzaka, Yokohama Creation Square, Cube Kawasaki, Higashi-Nihombashi Green Bldg.

2017: Twin 21, Matsushita IMP Bldg., MID Imabashi Bldg., Kitahama MID Bldg., MID Nishihommachi Bldg., Higobashi MID Bldg., G-Square Shibuya Dogenzaka, Shibuya Sakuragaoka Square, Yokohama Creation Square, Cube Kawasaki, Higashi-Nihombashi Green Bldg., Sasazuka Center Bldg., Sendai Capital Tower



# Employees

The MC-UBS Group considers its employees to be its most important management resource and essential for carrying out its activities.

We are actively working to create conditions where each and every employee can perform their work in a lively manner and to cultivate them accordingly. In addition, we regularly conduct employee opinion polls with the aim of building an even better company.

## Work Environment

The MC-UBS Group is working to ensure that all employees can work with peace of mind and to improve the benefits it provides to them.

### Improving Employee Health and Benefits

Exceeding the legal requirements in Japan for employee health and safety, including labor and risk management, the MC-UBS Group has prepared an original monitoring framework that encompasses the entire Company, and is enhancing its system for managing working hours. We also provide various wellness programs to maintain and improve the mental and physical health of our employees and their families. Specifically, health checkups, influenza immunization shots, various counseling services (EAP) by external experts, and health-based lectures by industrial physicians are being implemented. We have also established the Health Committee that meets once a month to exchange opinions on working conditions alongside industrial doctors, and to gain health-related insight. In doing so, we are supporting employees in the preservation of their health.

To improve the benefits we provide to our employees,

not only do we completely supply a social insurance system, we have also introduced an original retirement pension system and have entered into general welfare group term life insurance, group long-term income compensation insurance, and member welfare services.

In terms of work-life balance, the MC-UBS Group also offers support and welfare services to help employees who are starting families and raising children. Furthermore, we promote and strengthen the success of women's careers.

New hires (Employees who joined between January 1 and December 1, 2017)		Women in managerial posts	
Men	76.2%	Women	20.7%
Women	23.8%		
Total workforce			
Men	64.6%		
Women	35.4%		(results of MCUBS-wide survey)

### Establishing a Positive Work Environment

In January 2018, MCUBS renovated its office space and created an environment that allows employees to work comfortably and actively. Natural light enters the work space through windows and plants have been arranged throughout this new, bright office. Employees' desks are larger than those at a standard Japanese office,\* and we have upgraded communal spaces to promote communication with fellow co-workers. We have also incorporated rest areas where employees can relax and refresh themselves. In

addition, we have gone 70% paperless, reducing the need for cabinet space. This move, combined with improved communication that includes using electronics to host meetings, has reduced printing and paper costs for the Company. Furthermore, we periodically conduct environmental checks to provide comfortable working conditions for employees.

\* Desk width per person is 1,200mm in a standard Japanese office (as of December 2018, according to the website of Kokuyo Co., Ltd.).

## Employees

### Human Capital Development—Job-Specific Development Training Programs

#### Support for Acquiring Further Qualifications

In order to cultivate professional human resources in real estate finance, the MC-UBS Group encourages employees to pursue higher qualifications by providing financial assistance and training opportunities.

Specifically, the MC-UBS Group is actively utilizing the specialist qualification system by the Association for Real Estate Securitization (ARES), of which we are an official member. The Company covers the costs for employees to obtain the ARES Certified Master qualification (educational program enabling systematic learning of practical

specialized knowledge in the fields of real estate and finance). Moreover, employees are also encouraged to undergo training and participate in seminars after obtaining this qualification. Employees are also dispatched as lecturers when requested by ARES.

The Company also covers some or all of the costs of work-related training and tests for obtaining qualifications and maintaining them. As a result, several employees are taking on the challenge of improving their qualifications.

The number of employees with qualifications at MCUBS is shown below.

As of December 31, 2018

• Real estate transaction specialists	41	• Real estate appraisers	3	• CPAs	2
• ARES Certified Masters	64	• CMAs	7	• Tax accountants	2
• Licensed senior architects	9	• Lawyers	2	• MBAs	3

#### Improved Training

The MC-UBS Group has improved employee training by instituting a variety of programs aimed at enhancing occupational expertise and leadership skills. Employees in managerial positions are dispatched to various leadership programs, such as the Program for Leadership Development by Mitsubishi Corporation (training over a total of five days in which skills as a manager can be obtained in coordination with overseas business schools). Furthermore, we support employees after they enter the Company by providing

management training, which includes inviting outside lecturers to provide interviewer training.

In addition, we conduct seminars in order to raise awareness of sustainability, and offer improved training to increase understanding of compliance and IT literacy. We also provide support several times a year through e-learning so that employees are aware of the latest information and can utilize it effectively.

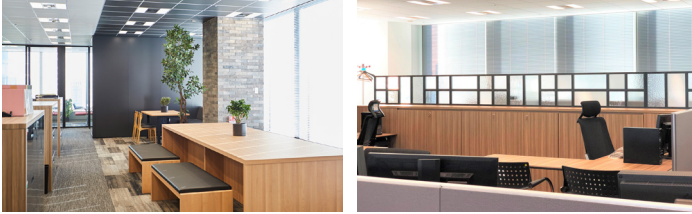
### Employee Satisfaction

As part of our engagement, the MC-UBS Group has measured employee satisfaction on an annual basis since 2011. The resulting metrics are used to improve the Company. In addition to an emphasis on measures aimed at reducing

overtime, we facilitate long-term leave and are taking steps to increase the rate that paid leave is used.

# Measures for Health and Well-Being

## Space and Interior



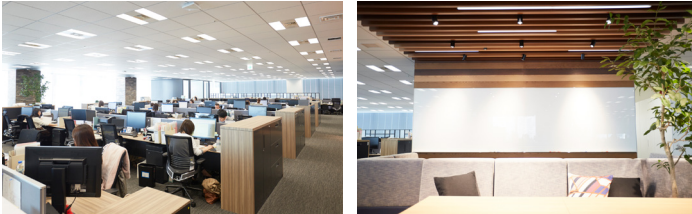
Interiors decorated with a clear concept, including spaces that incorporate nature

## Sound



Soundproofed spaces where people can concentrate on their work

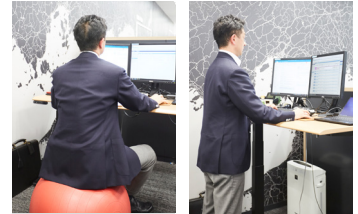
## Light



Office that actively incorporates natural light

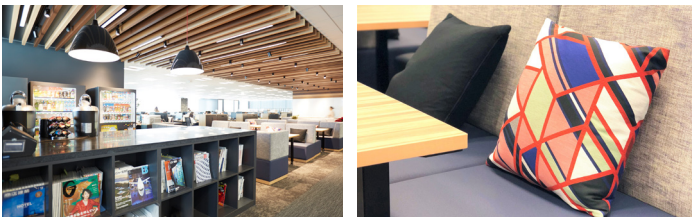
Community area with dimmable lighting

## Exercise



Furniture that is adjustable to various health-conscious configurations

## Rest



In-office cafeteria

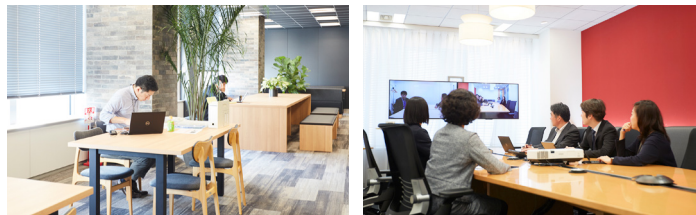
In-office, furnished rest area for employees

## Spaces to Move and Communicate



Rooms for groups to gather and discuss located near the entrance and in the corridor

## Telecommunications



An upgraded telecommunications system that allows employees to use the Internet away from their desks

A teleconferencing system that allows for meetings with outside groups, including branch offices

## Maintenance



Regular air quality inspections

## Satisfaction



Regular worker satisfaction surveys regarding office environment

## Programs



Use of local events to promote communication and exchange between employees

# IR Activities

The three investment corporations managed by the MC-UBS Group, JRF, IIF, and MidCity, strive to explain their investment policies to individual and institutional investors in an accurate and prompt manner. In doing so, we aim to maximize our value to our unitholders.

## Listing on ESG Indices

### MSCI Japan ESG Select Leaders Index

MSCI, an American stock index provider listed on the New York Stock Exchange, launched a new index called the MSCI Japan ESG Select Leaders Index, taking into account high environmental, social, and governance (ESG) performance.

The index covers the top 500 equities by market capitalization size, and selects 251 equities based on their ESG evaluations. In addition, the Government Pension Investment Fund (GPIF) announced that it has selected MSCI Japan ESG Select Leaders Index as one of its ESG indices and commenced passive investment tracking the index.

JRF, IIF, and MidCity, all funds of the MC-UBS Group, have been listed on the index since its establishment in 2017.



Index launched in June 2017

Incorporation	JRF	Incorporated since June 2017
	IIF	Incorporated since June 2017
	MidCity	Incorporated since December 2018

### Euronext® Reitsmarket GRESB Global Sustainable NR Index

This is an index created by Reitsmarket, a real estate investment trust research company of Luxembourg, in collaboration with GRESB and Euronext, to invest in the top 30 REITs according to the score prepared by GRESB. The index was set up on June 7, 2018.

More than six REITs have been selected from respective areas in North America, Europe, and Asia Pacific, and JRF accounts for the second-largest composition ratio in

the Global sector, as of the establishment of this index on June 7.



Index launched in June 2018

Incorporation	JRF	Incorporated since June 2018
---------------	-----	------------------------------

## Award from External Party

### JIRA Best IR Award for Encouragement

In November 2018, MCUBS MidCity Inc., received the “Best IR Award for Encouragement” at the 2018 IR Awards organized by the Japan Investor Relations Association (JIRA).

The Japan Investor Relations Association is the only privately run non-profit organization working for the proliferation and improvement of investor relations (IR) activities in Japan. The IR Awards are designed to recognize companies that have been highly accredited in the investment community for their understanding and promotion of IR

activities. This year marked the 23rd year since the start of the IR Awards. Of the JIRA member companies, 299 publicly traded companies applied for the 2018 IR Awards and a total of 14 companies were selected and received awards.



For IR information pertaining to each fund



JRF	<a href="https://www.jrf-reit.com/english/sustainability/society/index.html">https://www.jrf-reit.com/english/sustainability/society/index.html</a>
IIF	<a href="https://www.iif-reit.com/english/sustainability/society/index.html">https://www.iif-reit.com/english/sustainability/society/index.html</a>
MidCity	<a href="https://www.midcity-reit.com/en/ir/">https://www.midcity-reit.com/en/ir/</a>



# C O R P O R A T E G O V E R N A N C E

As asset management companies, MCUBS and MCUBS MidCity Inc. receive asset management consignments from JRF, IIF, and MidCity and are committed to upholding their fiduciary duties to investment corporations.



# Corporate Governance

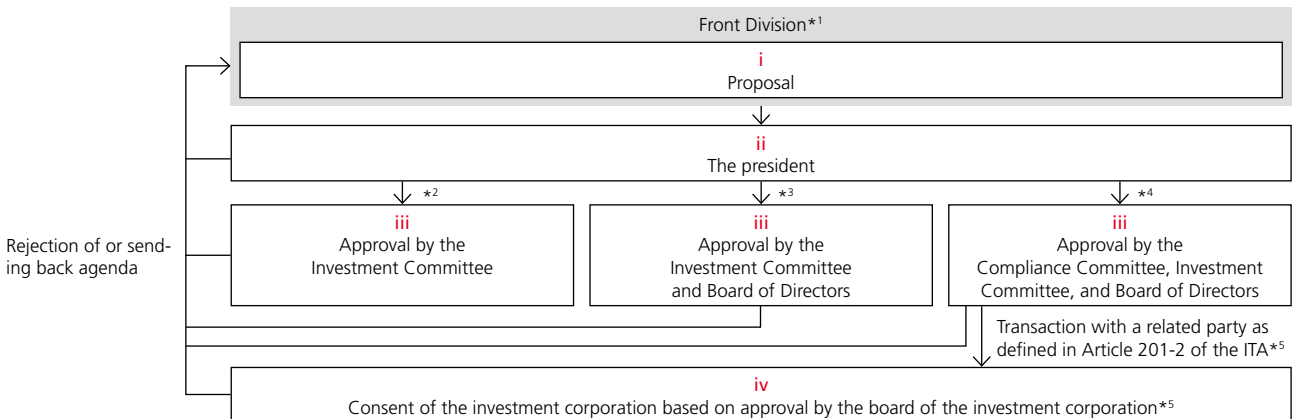
MCUBS, JRF, and IIF employ the following decision-making process.

## Decision-Making Process

Mitsubishi Corp.-UBS Realty Inc., the asset manager of JRF and IIF (hereinafter, the “Asset Manager”), has four committees: the Investment Committee, the Risk Management Committee (the Risk Management Committee acting as an advisory board to facilitate decision-making, not a decision-maker), the Compliance Committee, and the Compensation Committee.


In the course of making decisions regarding investment policy and standards, operation and management policy and standards, budget and financing, as well as the acquisition, disposal, or operation and management of assets for each investment corporation, a proposal will be submitted to the Asset Manager’s Board of Directors for approval in accordance with rules of the Board of Directors. Proposals

relating to stakeholder transactions of the Asset Manager must first be approved by the Compliance Committee before they are submitted to the Investment Committee (excluding “Minor Transactions,” as stipulated in the Regulations for Transactions with Stakeholders). In addition, subsequent to approval by the Board of Directors of the Asset Manager, approval from our board of directors is required prior to a transaction involving the acquisition, disposal, or lending of securities or real estate between us and a related party (as defined in Article 201-1 of the Investment Trust Act) of the Asset Manager, except certain of such transactions determined not to have a significant impact on each investment corporation under the Ordinance for Enforcement of the Investment Trust Act.




\*1 The Retail Division or Industrial Division is referred to as the Front Division.  
 \*2 With regard to matters relating to the acquisition, disposition, operation and management of assets, the approval of the Investment Committee will be obtained based on the Guidelines for the Investment Committee.  
 \*3 With regard to investment policy and standards, operation and management policy and standards, budget and financing, etc., for each investment corporation, the approval of the Investment Committee and the Board of Directors will be obtained in accordance with the Guidelines for the Investment Committee and the Rules for the Board of Directors.  
 \*4 With regard to matters relating to transactions with stakeholders stipulated in the Regulations for Transactions with Stakeholders, the approval of the Compliance Committee, the Investment Committee, and the Board of Directors will be obtained in accordance with the Regulations for Transactions with Stakeholders, the Guidelines for the Investment Committee, and the Rules for the Board of Directors. In the case of Minor Transactions, approval by the Compliance Committee and the Board of Directors is not required.  
 \*5 In the case of transactions determined not to have a significant impact on assets of the investment corporation under the Ordinance for Enforcement of the Investment Trust Act, consent of each investment corporation based on approval by its board of directors is not required.

For information regarding the organization of MCUBS MidCity Inc., please visit the website below.

 <https://www.mcubs-midcity.com/en/org/>

For information regarding corporate governance for each fund, please visit the websites below.

 **JRF** <https://www.jrf-reit.com/english/sustainability/governance/index.html>  
**IIF** <https://www.iif-reit.com/english/sustainability/governance/index.html>  
**MidCity** <https://www.midcity-reit.com/en/structure/governance>





# Compliance

MCUBS has established the Basic Compliance Policy as stated below.

## Basic Policy

Mitsubishi Corp.-UBS Realty Inc. (hereinafter, “the Asset Manager”) and each Investment Corporation are striving to ensure the appropriateness of asset management and the soundness and adequateness of operations, as well as the protection of investors at the discretion and responsibility of each entity, by strengthening and facilitating maximum functioning of the internal control system based on the highest quality standards of laws and regulations under the real estate investment fund system. In addition, the Investment Corporation and the Asset Manager are of a

highly public nature and also assume the social responsibility of extensively making contributions to the economy and society.

Given such a business environment and in view of the fact that the Asset Manager is a joint venture company between a Japanese company and a foreign financial institution, and characteristically has an international corporate culture, it has developed the following compliance system with the aim of achieving a high level of compliance in the industry.

- In order to ensure that the performance of duties by directors and employees of the Asset Manager complies with laws and regulations and the articles of incorporation, the Asset Manager shall establish the Compliance Office, which shall seek to, in operation with the Compliance Office, develop the system for directors and employees to act in compliance with laws and regulations, the articles of incorporation and social norms, and identify problems thereof.
- The Risk Management Committee shall identify administrative risks, system risks, and any other risks relating to the business operations of the Asset Manager and investment corporations on a regular basis.
- Based on the “Whistle-Blowing Rules,” the Asset Manager shall avoid any disadvantageous treatment on a whistle-blower. Any whistle-blower is entitled to appropriate protection and may contact the internal inquiry counter. The employees may contact external legal counsel, using the “MC Group Lawyers’ Opinion Box,” which is designated as the external inquiry counter for consultation and reporting.\* By such means, the Asset Manager shall prevent violations of laws and regulations or the articles of incorporation and, if any such violation has occurred, shall seek to quickly gather information and address it.
 

\* The Confidentiality Legal Counsel will confirm the affiliation of whistle-blowers, but will not disclose their name or organizational position to the Compliance Administration Office without their consent.
- If any violation of laws and regulations or the articles of incorporation has been discovered, the Compliance Office shall, pursuant to the “Administrative Incident Handling Rules,” investigate the cause of such violation and handle and settle it, and then establish measures.

(As of January 1, 2019)

For information regarding corporate governance for each fund, please visit the websites below.



- JRF** <https://www.jrf-reit.com/english/sustainability/governance/index.html>
- IIF** <https://www.iif-reit.com/english/sustainability/governance/index.html>
- MidCity** <https://www.midcity-reit.com/en/structure/compliance>

**JRF** Japan Retail Fund Investment Corporation

After becoming Japan's first retail facility-specialized REIT listed on the Tokyo Stock Exchange, the Japan Retail Fund (JRF) has grown to become one of the largest REITs in Japan. JRF has a large number of retail facilities mainly in Tokyo, Osaka, and Nagoya, which are located in representative commercial districts, around stations used by large numbers of passengers, and around stations in highly populated areas.

**Characteristics of the REIT**

1. Opportunity to see the actual properties while shopping in them
2. Portfolio stability supported by diversified asset portfolio with top-class scale in Japan



GYRE



G-Bldg. Midosuji 01

**IIF** Industrial & Infrastructure Fund Investment Corporation

Listed on the Tokyo Stock Exchange, the Industrial & Infrastructure Fund (IIF) is a unique REIT that focuses on industrial properties in Japan. IIF invests in real estate anticipated for stable use over the medium to long term while upholding a philosophy of investing in social infrastructure as a source for generating Japan's economic strength and supporting industrial activities in Japan through real estate.

**Characteristics of the REIT**

1. Investing in properties that play a vital role in industrial activities across a broad range of sectors
2. Stable cash flows based on lease agreements over 10 years



IIF Haneda Airport Maintenance Center



IIF Yokosuka Technology Center

**MidCity** MCUBS MidCity Investment Corporation

MidCity is a REIT focusing on office properties located in the three major metropolitan areas. After joining the MC-UBS Group in 2015, its distribution per unit has grown at the fastest pace among office J-REITs. It aims to continuously improve unitholder value.

**Characteristics of the REIT**

1. Has higher portfolio weight in Osaka compared with other office J-REITs. Expanded its geographical focus to the three major metropolitan areas of Tokyo, Osaka, and Nagoya in order to capture more opportunities to invest in high-quality office properties
2. Utilizing the MC-UBS Group network, aims to acquire properties selectively through various methods and to improve asset value and profitability



Twin 21



Yokohama i-land Tower

JRF

<b>TSE code</b>	8953		<b>Fund listing</b>	2002/3/12
<b>Major types of properties</b>	Core	Prime	Retail properties located in representative commercial districts in Japan	
		Major stations	Retail properties located around stations used by large numbers of passengers	
		Residential station	Retail properties located around stations in highly populated areas	
	Secondary core	Suburban mall	Large-scale shopping malls located in suburban areas	
		Value-added	High-yield retail properties with room for upside	
	Sub	GMS / Roadside	GMS / Roadside shopping facilities	

Portfolio details


<https://www.jrf-reit.com/english/portfolio/map.html>

IIF

<b>TSE code</b>	3249		<b>Fund listing</b>	2007/10/18
<b>Major types of properties</b>	Logistics facilities		Facilities used to provide intercompany distribution and sales distribution services, including transportation, shipping, storage, stockpiling, cargo handling, packaging, sorting, distribution processing, and information functions	
	Manufacturing and R&D facilities		Facilities for research and development, raw material procurement, stockpiling, storage, manufacturing, production, assembly and processing, recycling, and other purposes	
	Infrastructure facilities		Facilities developed as bases for industrial activity, such as transportation, communication, energy, water, and public facilities	

Portfolio details


<https://www.iif-reit.com/english/portfolio/map.html>

MidCity

<b>TSE code</b>	3227		<b>Fund listing</b>	2006/8/29
<b>Major types of properties</b>	Focus on office properties		More than 70% of the portfolio is invested in office properties. The remaining 30% is invested mainly in hotels and serviced apartments.	
	Focus on three major metropolitan areas		More than 70% of the portfolio is invested in properties in prime locations in Tokyo, Osaka, and Nagoya where strong tenant demand is expected. Additionally, less than 30% of the portfolio is invested in properties located in government-designated cities and other major cities in which stable revenues are expected in the medium to long term.	
	Building specifications attracting tenants		Holding properties with superior building specifications to satisfy a wide range of demand from tenants of all sizes, such as flexible office layout and parking lots. The locations of properties vary, from close to major stations to nearby neighbor stations ideal for back-office functions.	

Portfolio details


<https://www.midcity-reit.com/en/portfolio/>

---

## Disclaimer

- This document may contain information such as statements on future performance, plans, management targets, and strategies. Such statements with regard to the future are based on current hypotheses and assumptions about future events and trends of the business environment. However, these hypotheses and assumptions are not necessarily correct. Actual results may vary significantly due to various factors.
- Unless otherwise specified, this document was created based on Japanese generally accepted accounting principles.
- Japan Retail Fund Investment Corporation, Industrial & Infrastructure Fund Investment Corporation, MCUBS MidCity Investment Corporation, and Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) shall not be liable for any errors, inaccuracies, loss or damage, or for any actions taken in reliance thereon, or undertake any obligation to publicly update the information contained in this document after the publication date thereof.

Asset Management Company: Mitsubishi Corp.-UBS Realty Inc.

(Financial Instrument Firm under License No. 403 of the Director of the Kanto Local Finance Bureau)

Asset Management Company: MCUBS MidCity Inc.

(Financial Instrument Firm under License No. 2888 of the Director of the Kanto Local Finance Bureau)

---