

Nippon Building Fund Inc.

ESG Report 2021

Issued on November 30, 2017

Revised on June 30, 2021

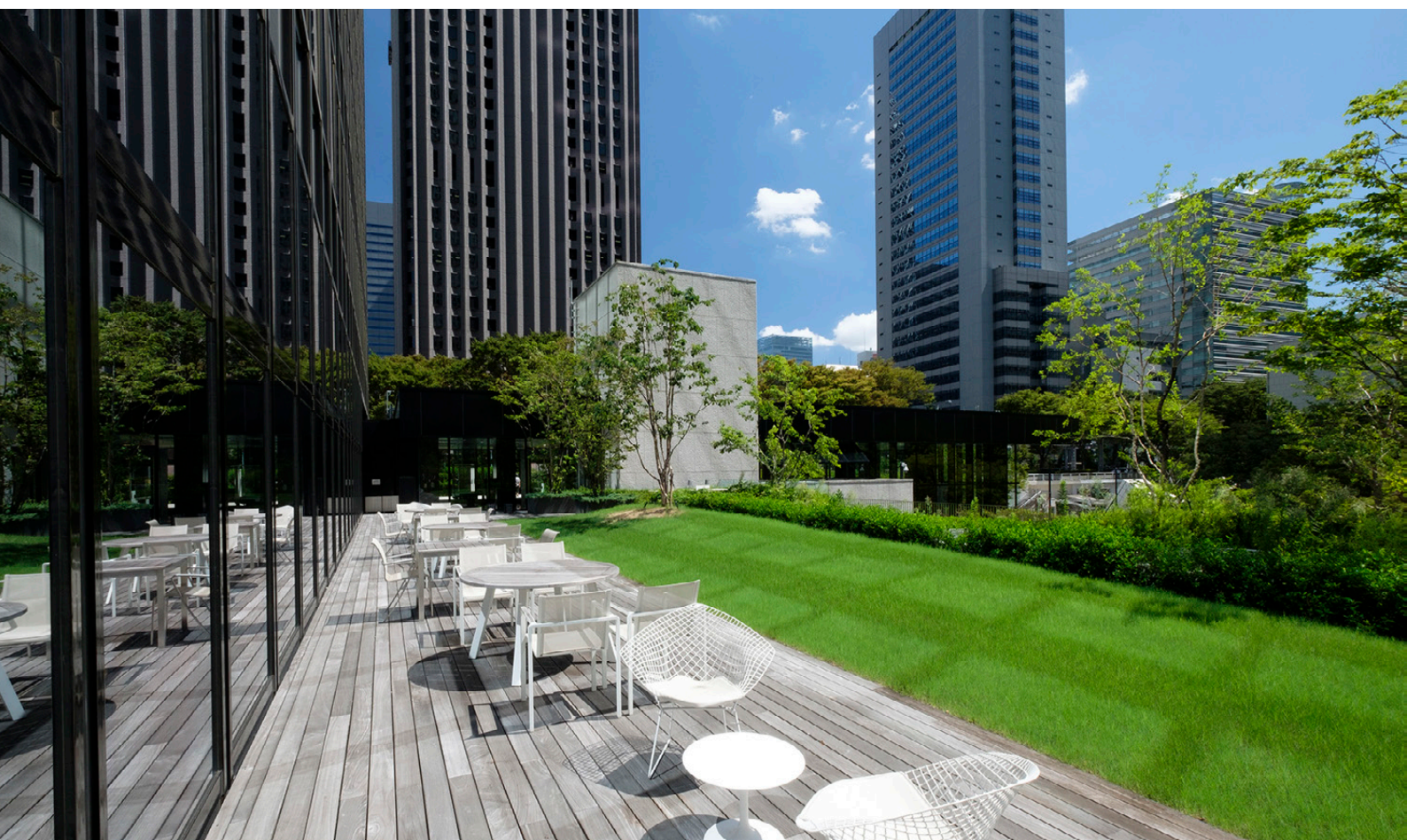


NBF

Nippon
Building
Fund

About this ESG report

In recent years, there has been growing interest primarily among investors in information about corporate sustainability, and in particular factors pertaining to ESG (environment, social and governance). Nippon Building Fund Inc. (hereinafter “NBF”) has, together with Nippon Building Fund Management Ltd. (hereinafter “NBFM”) to which NBF entrusts asset management, taken ESG into consideration through its business activities. ESG report is issued for the purpose of reporting NBF’s approach and efforts to promote ESG to its investors and other stakeholders.



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Message from the Executive Director



Nippon Building Fund Inc.

Executive Director

The stance of corporations in approaching environmental and social challenges, such as climate change, work reform, community vitalization is becoming important for investors as mid-to-long-term risk factors. At the same time, it is starting to be understood that addressing these challenges serves as a gateway for new value creation and business opportunities.

In the real estate investment and management sector which NBF belongs to, the importance of taking ESG factors into consideration in the operations as a whole is becoming widely recognized. This is based on the idea that ESG is essential for maintenance and improvement of asset value in the mid-to-long-term in light of strengthening regulations of various countries, the change in awareness of tenants leaning towards real estate with excellent environmental performance and comfort, etc., and NBF is in agreement with this view.

Under these circumstances, NBF's asset management company NBFM stipulated the basic policy of "ESG Policy" in November 2017, believing in the growing importance of considering ESG in operations overall, the necessary collaboration with stakeholders and the active and appropriate disclosure of such initiatives. Based on this policy, ESG initiatives such as the reduction of environmental load in portfolio management, considerations for stakeholders such as local communities and employees, etc. are being advanced.

The purpose of this Report is to make extensive disclosures to our investors regarding the ESG initiatives of NBF and NBFM and to gain their understanding.

NBF will endeavor to construct relationships of trust with its stakeholders by continuing to further enhance initiatives which take the ESG factors into consideration in its real estate investment and management as well as to make an appropriate disclosure of the results from them, fulfilling its responsibilities as a corporate citizen while also serving its mission of increasing asset value in the mid-to-long-term.

ESG Initiative Policy

NBFM, has stipulated a basic policy for ESG initiatives. In addition, ESG initiatives are promoted in accordance with the policies and guidelines related to sustainability set by Mitsui Fudosan Co., Ltd, the main sponsor of NBF.

Policy for ESG Initiatives

NBFM established the basic policy of "ESG Policy" in November 2017 , stipulating the implementation of initiatives that are friendly towards the environment in its daily asset management operations as well as initiatives targeting stakeholders including investors, tenants, employees, business partners and local communities.

Basic Policy

NBFM, in recognition of the importance of ESG for carrying out real estate investment and management activities, strives to achieve asset management activities giving consideration to reduction of environmental load, improving security, safety and comfort and diversified collaboration and cooperation with various stakeholders, in line with "The Group Environmental Policy" and "Policy for Social Contribution Initiatives" established by the Mitsui Fudosan Group.

Environmental and Social Initiatives of the Mitsui Fudosan Group

Mitsui Fudosan Co., Ltd, the main sponsor of NBF, with its mission of "bringing affluence and comfort to urban living," establishes "[The Group Environmental Policy](#)" and "[Policy for Social Contribution Initiatives](#)."

Please refer to "[ESG Report 2020](#)" for the Mitsui Fudosan Group's social, environmental and governance initiatives.

In-House System for Promoting ESG

ESG Promotion Committee & ESG Promotion Subcommittee

The ESG Promotion Committee, which includes the President and CEO of NBFM as its final decision maker, and ESG Promotion Subcommittee under it have been established to supervise and promote initiatives on climate change as well as other environmental and social initiatives based on NBFM’s Policy for ESG Initiatives. The Promotion Subcommittee meets at least once every three months to assess ESG risks and opportunities and consults on numerical targets and specific measures to reduce CO₂ with the Committee, which meets at least once every six months and decides specific targets and measures as the final decision maker. The Promotion Subcommittee reports on the progress of the decided targets and measures to the Promotion Committee at least once a year.

In addition, these targets and measures are shared with all officers and employees through briefings, shared folders, email, etc.



Corporate Governance and Compliance System

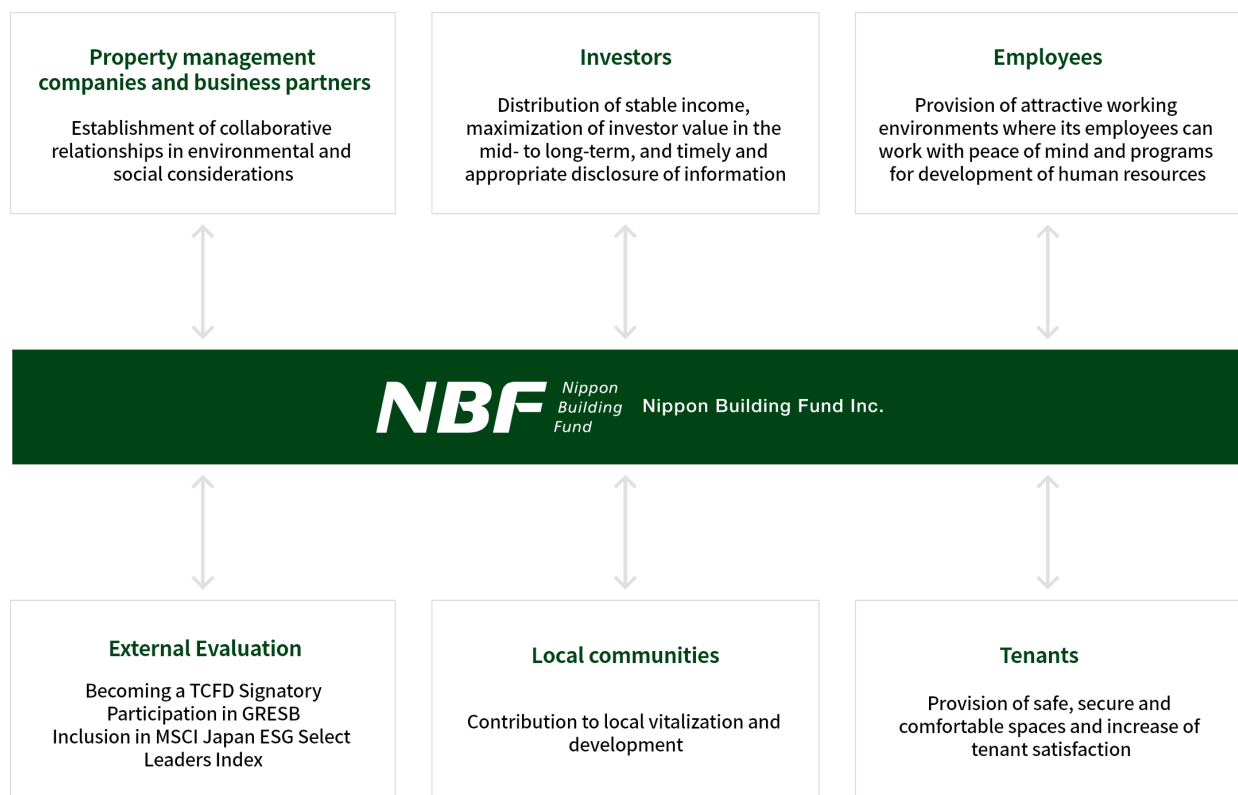
NBFM to which asset management services are entrusted has established a governance structure such as with its Compliance Committee, Risk Management Meeting, Investment Review Meeting and Executive Board, and endeavors to thoroughly implement risk management and compliance in its operations and improve corporate governance on an ongoing basis.

<https://esg.nbf-m.com/en/governance/structure.html>

Stakeholder Engagement

The basic approach of NBM and NBFM regarding social considerations is to engage in dialogue with stakeholders (affiliates inside and outside the company) associated with business activities, including investors, NBFM employees, tenants, business partners and local communities and to endeavor to meet their expectations.

《Responsibilities of NBF and NBFM to Key Stakeholders》



Basic Approach to Environmental Consideration

NBFM stipulates the following in its "ESG Policy"

1. Promoting energy efficiency and reduction of CO² emissions

By promoting efficient use of energy in real property investment and management activities and pursuing introduction of energy-saving facilities etc., NBFM endeavors to reduce CO² emissions through energy saving.

2. Preserving water environment and promoting resource saving and waste reduction

NBFM aims to preserve the water environment by initiatives for saving water and introduction of water-saving devices. NBFM also makes an effort to promote 3R (reduce, reuse and recycle) for resource saving and waste reduction.

3. Responding to climate-related issues and improving adaptability (added in February 2021)

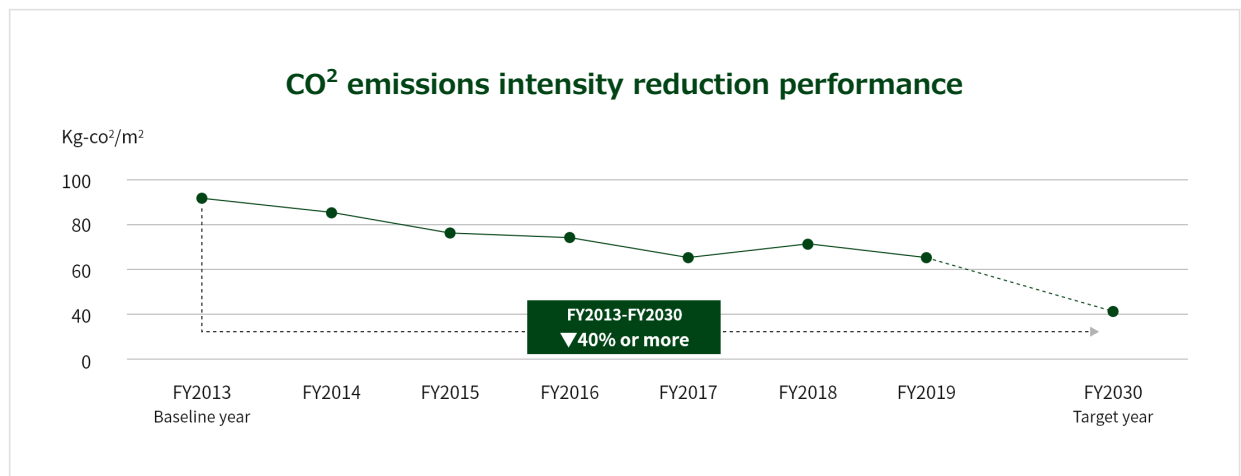
In addition to initiatives for contribution to climate change mitigation, NBFM identifies climate change risks and opportunities in NBF's real estate investment management and promotes management and reduction efforts for these to increase NBF's and NBFM's organizational resilience to climate change-related shifts in the global environment and socio-economic structures.

Environmental Targets

Based on the above approach, NBFM has set a target of reducing energy-based CO² emissions by 40% or more from that in 2013 as a base by 2030 as a new environmental indicator in 2021 and intends to promote initiatives addressing climate-related risks and opportunities.

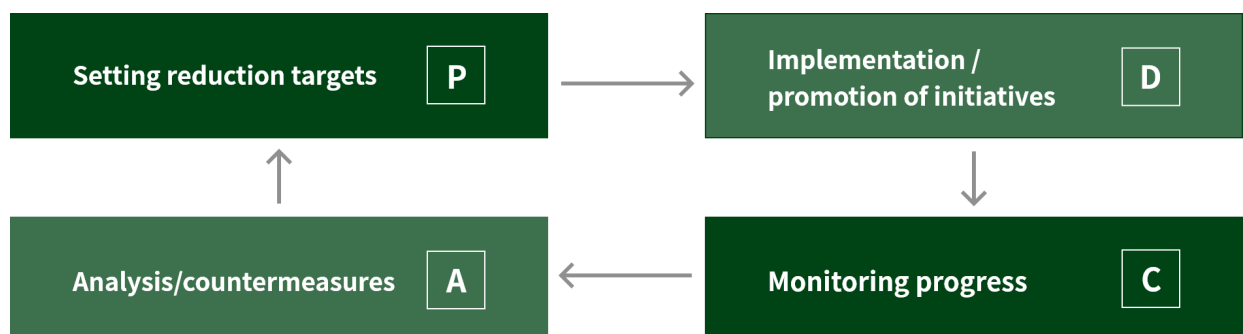
Please refer to page 15 for details on environmental performance results for CO² reduction, energy consumption, water consumption and waste over the past three years.

Indicators	(unit)	Relationship with Climate Initiatives
CO ² emissions intensity reduction (kg-CO ² /m ²)	FY2013-FY2030 40% or more	Enhance environmental performance of portfolio, reduce carbon dependence: Relates to transition risks (regulatory risks, market risks)



Environment Management System / PDCA Cycle

NBFM established its own environment management system and implements a PDCA cycle every year in order to manage the environmental load of its real estate portfolio such as energy consumption, CO₂ emissions, water consumption, waste generation, etc. and achieve its targets.



Initiatives for Climate Change

| Climate Change

- The Paris Agreement was adopted at the 21st session of the 21st Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change (COP21) in December 2015, and the entire world began to move toward a decarbonized society.
- The Paris Agreement is an international treaty that aims to keep global warming below 2°C with efforts to limit it to 1.5 throughout the world by the latter half of the 21st century.
- Europe is leading with standards and policies for a decarbonized society. In Japan as well, environmental initiatives such as climate change issues have become a major topic, with the goal of zero CO₂ emissions by 2050.

| Climate Change Initiatives-Support for TCFD

NBFM revised its Policy on ESG Initiatives in February 2021 to clarify stronger efforts to address climate-related issues and, by agreeing with the TCFD, assess the financial impact of future climate change risks and opportunities and assertively disclose activities.

Governance and risk management system

In compliance with the “Rules on ESG Initiatives,” NBFM has organized an “ESG Promotion Committee” with its President and CEO as the head of committee. It monitors risks and opportunities related to ESG no less than once a year at the “ESG Promotion Committee,” and the head of committee decides the implementation of measures for the management and reduction of such risks and opportunities as well as the establishment of goals and KPIs.

Climate-related risks related to NBF

NBFM considered the climate-related risks that may have a financial impact when it comes to NBF's real estate investment management business across the group, and identified the risks related to businesses as described in the following chart.

Type of risks	Category	Timeframe (*1)	Identified risks
Transition	Policy/legal regulation	Long-term	<ul style="list-style-type: none"> ① Risk of occurrence of additional costs for the purchase of carbon credit and repair of portfolio properties in order to respond to regulations under existing laws including the Act on the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures and the total (pollutant) load control by Tokyo Metropolitan Government and further reinforcement of reduction obligations. ② Risk of occurrence of additional costs regarding the purchase of CO₂ emission rights or energy procurement price due to the introduction of carbon tax, etc.
	Technology	Short-term	<ul style="list-style-type: none"> ① Risk of change in specifications required for building facilities due to the spread of low-carbon new technology products such as electric vehicles.
	Market	Long-term	<ul style="list-style-type: none"> ① Risk of occurrence of unexpected losses at owned buildings with relatively low environmental performance as the environmental performance of buildings start to have a significant impact on occupancy rate, CF and asset value against the backdrop of the tightening of regulations and change in tenant preference, etc. ② Risk of an unexpected increase in expenses for entrusting businesses to PM, etc. due to the increase in response items including the tightening of environment regulations.
	Reputation	Short-term Long-term	<ul style="list-style-type: none"> ① Risk of only being able to procure funds at conditions and interest rates which are less advantageous than those of the market level due to increase in the requirement level regarding the ESG composition and factors of businesses and the greenness of portfolio in the procurement of funds from investors and financial institutions. ② Risk of decline in reputation due to a negative image on NBF's stance on response to climate-related issues given to investors or general public.
Physical	Acute	Short-term Long-term	<ul style="list-style-type: none"> ① Risk of damage to facilities caused by flood (river flooding, etc.) in the event of heavy rainfall disasters. ② Risk of people having difficulty returning home from office buildings in the event of disasters. ③ Risk of occurrence of short-term costs due to the revision of nonlife insurance premium associated with the increase in the frequency and degree of disasters. ④ Risk of having an impact on the business continuity of NBFM and NBF Office Management due to the frequent occurrence and intensification of disasters.
	Chronic	Short-term Long-term	<ul style="list-style-type: none"> ① Risk of having a commercial impact on retail spaces due to the behavioral change of building users (promotion of remote work, etc.) with the increase in the number of bad weather days (fierce heat, severe cold, rainstorm and heavy snow).

*1 Short-term = by 2030; long-term = by 2050

As for climate-related risks that are believed to have a particularly significant impact on businesses, NBF is making efforts to understand the status of such risks as well as implementing initiatives and strategies to manage such risks, as described in the following section.

Transition risks

a.Risks related to policy and legal regulation

<p>Status of risks</p>	<p>NBF has become a business operator subject to domestic regulations including the Act on the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures and the regulation of total (pollutant) load control by Tokyo Metropolitan Government as a business operator that consumes more than a certain amount of energy and emits a large amount of GHG, and is obligated to report energy saving and GHG emissions as well as improve and reduce them. If such obligations are violated, penalties including administrative guidance, a maximum fine of 1 million yen or less and announcement of violation will be imposed.</p> <p>7 properties (16.5% of the portfolio, as of Feb 31, 2021) are subject to the total (pollutant) load control by Tokyo Metropolitan Government (TMG Cap-and-Trade Program) on which a particularly advanced reduction obligation has been set, and an obligation to reduce the total volume by 27% on average until 2024 and by 35% on average from 2024 through 2029 has been imposed on such properties.</p>
<p>Other initiatives for management and reduction of risks</p>	<ul style="list-style-type: none"> ● Establishment of goals on energy consumption intensity and GHG emission intensity (Please refer to P.15) ● Systematic energy-saving renovation of owned buildings ● Implementation of energy efficiency walkthroughs jointly with NIKKEN SEKKEI CONSTRUCTION MANEGEMNT Inc. ● Encouragement of energy saving and promotion of green lease through tenant engagement ● (Plans to proceed with the) introduction of renewable energy <p>As a response to such initiatives, NBF is currently sequentially improving the energy-saving performance of properties to achieve decarbonization, and plans to record about 2 billion yen of countermeasure construction costs in approximately 10 years.</p> <p>On the other hand, there is a possibility that the reduction obligation will not be achieved with the current plan if energy consumption and GHG emissions associated with it exceed the assumption as of now or the level of reduction obligation is tightened based on policies due to the impact of climate change. In such cases, there is a risk that costs for additional countermeasure construction and purchase of emission credits will be required. We believe that such risks may become apparent within the next 10 years when based on the policy goal of achieving carbon neutrality by 2050.</p>
<p>Case example</p>	<p>Reduction of CO² emissions through systematic introduction of LED</p> <ul style="list-style-type: none"> ● Promotion of the adoption of LED ● Introduction of Green Lease ● Introduction of Renewable Energy

b.Risks related to change in the real estate market

Status of risks	<ul style="list-style-type: none"> ● Risk of occurrence of damage to the asset value of low-performance buildings due to the impact of environmental performance on real estate prices against the backdrop of the tightening of regulations and change in tenant preference
Initiatives for management and reduction of risks	<ul style="list-style-type: none"> ● Systematic energy-saving renovation of owned buildings and introduction of new products and technologies ● Implementation of energy efficiency walkthroughs jointly with NIKKEN SEKKEI CONSTRUCTION MANEGEMNT Inc. and monitoring of environmental performance ● Acquisition and maintenance of various external certifications and ratings ● Property replacement strategies with sponsors ● Maintenance and improvement of property value through the assessment and monitoring of tenant needs
Case example	Improvement of portfolio performance and building age through property replacements

Large-scale property replacement cases conducted in the 33rd and 34th periods




c.Risks related to the greening of the financial market


Status of risk	<ul style="list-style-type: none"> ● Increase in investor engagement regarding ESG ● Green finance and climate finance spread at J-REITs as well as inside and outside Japan ● Risk of decline in investment unit price and deterioration of reputation in case the level of requirements by investors focusing on ESG increases and response to such matters cannot be made ● Risk of suffering from a disadvantage when setting interest rates in accordance with the ESG assessment of NBF in financing and the greenness of owned assets
Initiatives for management and reduction of risks	<ul style="list-style-type: none"> ● Acquisition and maintenance of various external certifications and ratings ● Securement of transparency through ESG disclosure
Case example	<p>First issuance of ESG Report by a J-REIT</p> <ul style="list-style-type: none"> ● NBFM became the first J-REIT to issue an ESG Report in 2017 ● The report has been revised every six months since the start of issuance (ESG Report as of April 2021) <p>Proactive acquisition of DBJ Green Building Certification</p> <ul style="list-style-type: none"> ● NBF discloses the high value of owned assets by acquiring DBJ Green Building Certification ● As of March 15, 2021, it has obtained 3 Stars for 73.7% of the floor area in which it holds ownership interest ● Status of acquisition of DBJ Green Building Certification (as of Feb 15, 2021)

Physical risks

a. Damage to buildings caused by natural disasters

Status of risks	<ul style="list-style-type: none"> ● The increase in the amount of rainfall as well as the increase and intensification of heavy rain are forecast due to climate change, and the risk of damage to buildings attributable to such factors exists ● Implementation of countermeasures against inundation based on hazard maps as the current countermeasure against flood ● A flood that occurs once in 1,000 years is assumed according to the domestic hazard map (assumed maximum scale), and the frequency itself may change due to climate change
Initiatives for management and reduction of risks	<ul style="list-style-type: none"> ● Periodic disaster risk assessment at the time of acquisition and during the holding period ● Establishment and implementation of countermeasure programs against inundation ● Enrichment of emergency facilities at all owned properties ● Development of BCP system at each property
Case example	<p>Construction work to improve Back-up electricity supply (NBF Shinagawa Tower/FY2019)</p> 

b. Business continuity of NBF upon the occurrence of climate disasters

Status of risks	<ul style="list-style-type: none"> ● Natural disasters may occur more frequently and intensify due to the progress of climate change ● Business activities by our employees and clients assuming normal operation may be disrupted ● The impact of delayed settlement on investment unit prices and default due to the increase in accounts receivable from tenants have financial impacts
Initiatives for management and reduction of risks	<ul style="list-style-type: none"> ● Review of traditional operation with a view to proactive use of remote work
Case example	<p>Proactive use of telework</p> <ul style="list-style-type: none"> ● NBFM provides laptop PCs to all employees (including temporary staff) and has developed a remote-work system ● It introduced a remote-conference system and is proactively using it.  <p>Remote conference</p>

c.Change in the behavior of building users due to chronic change in climate patterns

	<ul style="list-style-type: none"> ● The number of building users may decrease due to the impact of climate change including a chronic temperature rise and an increase in the number of bad weather days
Status of risks	<ul style="list-style-type: none"> ● Possible commercial impact on retail spaces and change in office needs <ul style="list-style-type: none"> * On the other hand, it is assumed that the current portfolio of NBF is unlikely to be impacted by the change in needs due to its characteristics (located in central Tokyo, used as high-grade buildings for head offices, etc.)
Initiatives for management and reduction of risks	<ul style="list-style-type: none"> ● Monitoring of office demand
Case example	<p>Periodic monitoring of real estate leasing market</p> <ul style="list-style-type: none"> ● Monthly information sharing with leasing and marketing department of Mitsui Fudosan on market conditions including examples of contracts concluded by other companies (every month) ● Provision of various market information by brokers and think tanks (twice a year) ● Customer Satisfaction Surveys(once a year)

Indicators and goals

For detail, Please refer to “[Environmental Targets](#)”

Environmental Initiatives

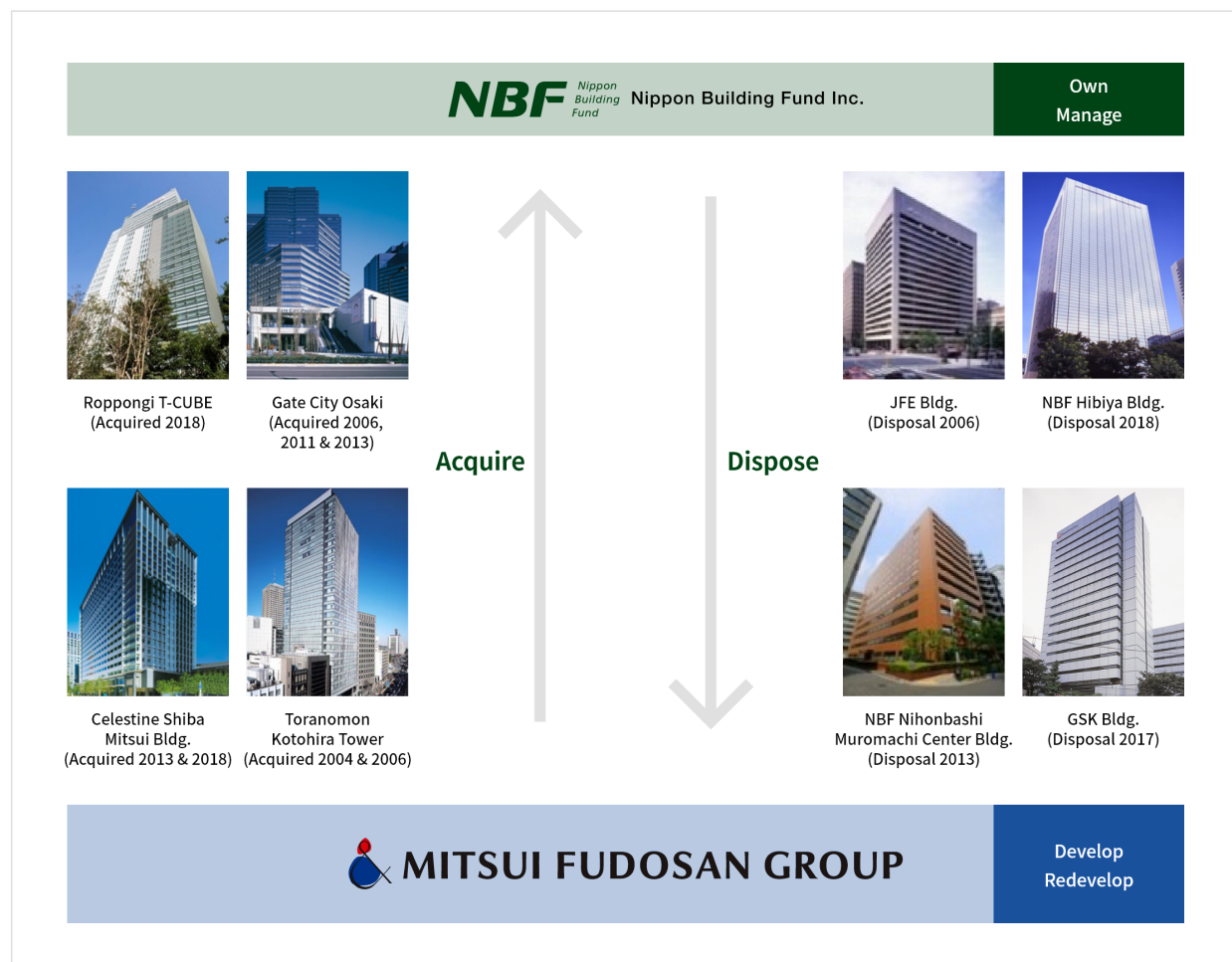
Environmental Initiatives through Real Estate Investment

Understanding and Reducing Environmental Risks in Investment Decisions and Monitoring

Regarding due diligence for new investments, NBF obtains an understanding of environmental and social risks by utilizing external experts and uses this information in its investment decisions. Periodic monitoring of environmental and social risks is conducted for existing properties under management as well and initiatives that provide opportunities for reducing risks and increasing property value are carried out, e.g., expert building assessments such as "Energy Efficiency Walkthroughs".

Co-Existence with the Mitsui Fudosan Group in Redevelopments

The environmental load and environmental risks of the portfolio are reduced through investing in properties with excellent environmental performance that were redeveloped by the Mitsui Fudosan Group under the co-existence model with the Mitsui Fudosan Group.



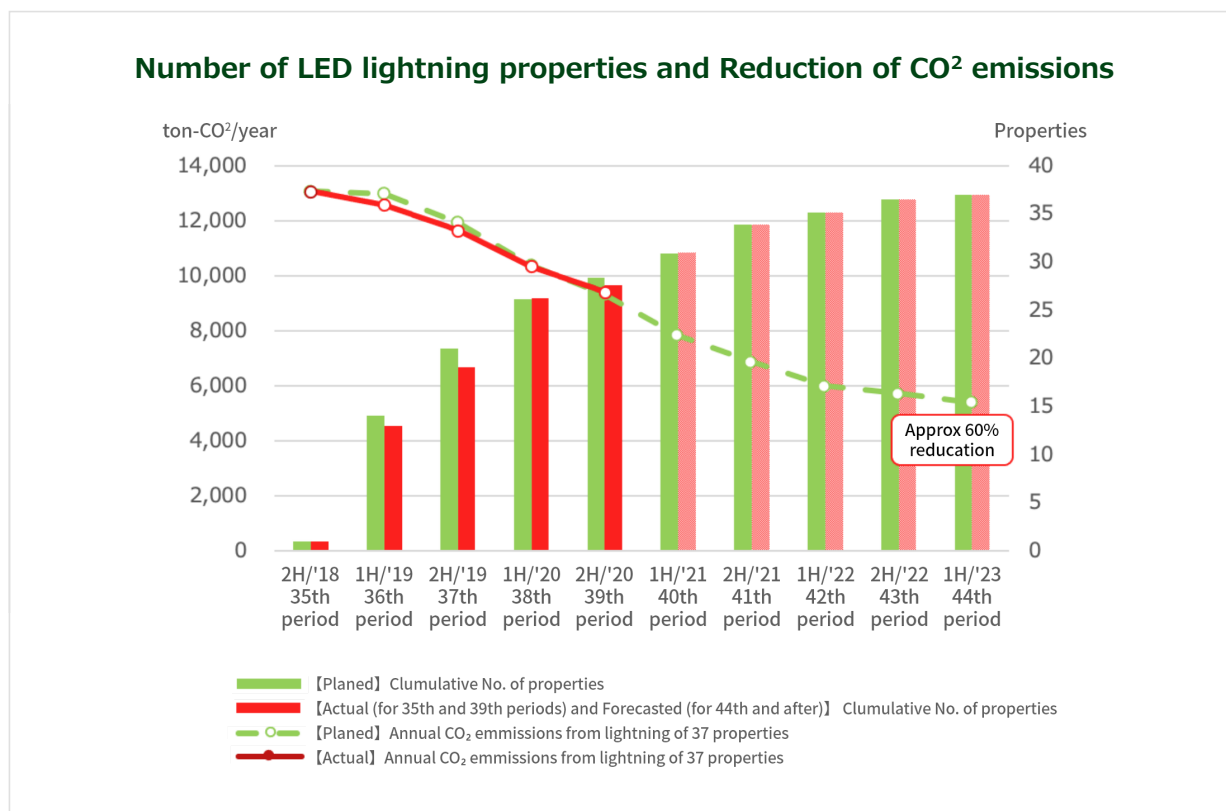
Promoting LED lighting

For the purpose of reduction of CO₂, improvement in asset value by green building initiatives and meeting tenant's needs, promotion of LED lighting (tenant areas and common areas) is being carried out.

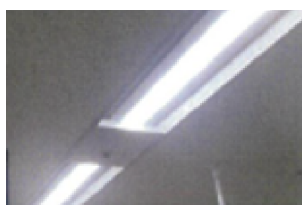
Plan

- Scope 37 properties(tenant areas・common areas)
- Period 2H/2018(35th period)~1H/2023(44th period)

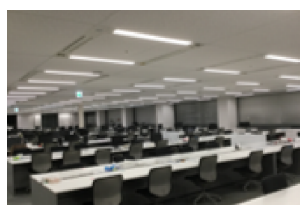
※The previous plan was expanded with more properties and time to further promote



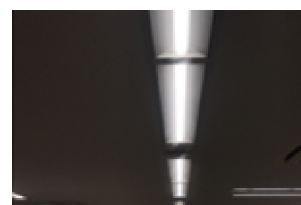
Representative examples of LED conversion



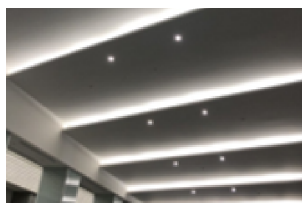
【Shin Kawasaki Mitsui Bldg.】
tenant area



【Gate City Osaki】
tenant areas



【NBF Matsudo Bldg.】
tenant area



【Roppongi T-CUBE】
lobby



【NBF Niigata Telecom Bldg.】
common areas



【Sumitomo Densetsu Bldg.】
tenant area

Introduction of Renewable Energy

NBF promotes the reduction of CO² through the utilization of renewable energy in solar generation at some of the office buildings owned by NBF such as NBF Osaki Bldg.

Reuse and Recycle of Water

Some of the office buildings owned by NBF are equipped with facilities for reusing rainwater and greywater, as NBF endeavors to reduce the consumption of tap water.

Environmental Initiatives in Collaboration with Tenants

NBF is advancing collaborative initiatives with tenant companies to reduce the environmental load of office buildings.

Holding of Sustainability Events for Tenants and Distributing Sustainability Guides

Through activities such as distributing sustainability guides to tenants to promote energy conservation activities within buildings and holding "water sprinkling events" in collaboration with tenants which result in heat island countermeasures and energy conservation, NBF conducts initiatives to increase the environmental awareness of tenant companies.

Introduction of Green Lease

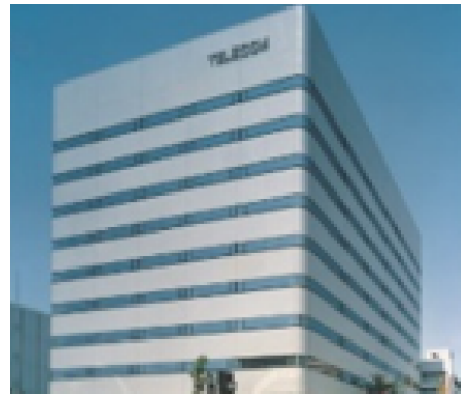
A green lease is an initiative in which both building owner and tenant promote environmental consideration through a building lease agreement.

NBF has concluded green lease agreements concerning retrofits for the following properties upon obtaining understanding of tenant companies, switching over the lighting of areas exclusively occupied by tenant to LED and such.

Properties with green lease agreements concluded



【Kowa Nishi-Shinbashi Bldg.B】



【NBF Niigata Telecom Bldg.】

Environmental Initiatives in Collaboration with Business Partners

Collaboration with NBF Office Management

NBF Office Management Co., Ltd. (hereinafter "NBFOM") is a property management company of the Mitsui Fudosan Group which exclusively manages office buildings owned by NBF. NBF utilizes the expert abilities of NBFOM to maintain and increase the competitiveness, occupancy rate and rent level of its existing properties under management while effectively advancing initiatives of environmental consideration. In the joint meetings with NBFOM (once every two months), discussions are held regarding the sharing of information and initiatives concerning the various energy saving and environmental issues, as to improve accuracy of information.

Utilization of Outside Consultants

NBF utilizes the support of Nikken Sekkei Construction Management, Inc. as an expert consultant for suggestions for the portfolio's energy management and measures that contribute to increasing environmental performance.

Green Finance

Green Finance Initiatives

NBF has established a green finance framework with an aim to obtain green finance.

Outline of Green Finance Framework

1. Use of Procured funds

NBF will use the procured funds to acquire assets that meet the eligibility criteria (“Eligible Green Assets”), or to repay the loans taken out/redeem the investment corporation bonds (including green bonds) issued for the acquisition.

2. Eligibility Criteria

Assets that have already received or are expected to receive any of the following certifications given by third-party certification bodies are considered eligible.

- Five, four, or three stars in the DBJ Green Building Certification
- Five, four, or three stars in the BELS assessments
- S, A, or B+ grade in the CASBEE for real estate certification

3. Evaluation and Selection of Projects

Candidate projects are selected by NBF and the Real Estate Investment Department of Investment & Finance Group of NBFM. Final selection is made with the decision of the President after deliberation at the Investment Review Meeting consisting of general managers or higher ranked personnel of each department and deliberation at the Executive Board.

4. Management of Procured funds

The funds procured by NBF are managed under the portfolio approach. As long as there is an outstanding balance of green finance, the Investment & Finance Group of NBFM ensures that the outstanding balance of green finance will not exceed the total acquisition price of Eligible Green Assets each year. Unappropriated funds are managed in cash and cash equivalents.

5. Reporting

NBF discloses the following items once a year on its website.

- Property names of Eligible Green Assets and the total acquisition price
- Amount of eligible green debt

- Outstanding balance of green finance
- Types and ratings of green building certifications given to Eligible Green Assets*1
- Energy-based CO2 emissions, etc.*2

* Please click [here](#) to see types and ratings of green building certifications given to Eligible Green Assets.

* Please click [here](#) to see energy-based CO2 emissions, etc.

as of June 30, 2021

Total acquisition price of Eligible Green Assets	1,105.8 billion yen
Amount of green eligible debt	1,105.8 billion yen
Outstanding balance of green finance	5.0 billion yen

Status of appropriation of funds from NBF's green finance is as follows.

Green finance	5.0 billion yen
Green bonds	5.0 billion yen
Green loans	-

Summary of Investment Corporation Bonds

Name of Investment Corporation Bonds	Nippon Building Fund, Inc. No.20 Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds) (Green Bonds) (hereinafter referred to as "Green Bonds")
Date of Payment	March 22, 2021
Date of Redemption	March 19, 2026
Term(Years)	5 years
Total Amount of Bonds to be Issued	5 billion yen
Interest rate	0.15%
Specific use	Acquisition of Osaki Bright Tower, Nagoya Mitsui Main Building, and Nagoya Mitsui New Building. (Osaki Bright Tower, Nagoya Mitsui Main Building, and Nagoya Mitsui New Building are the Eligible Green Projects aligned with the Eligibility Criteria defined in "Submission of Amended Shelf Registration Statement for Issuance of Green Bonds")

※NBF has obtained a [second-party opinion](#) from Sustainalytics as a third-party evaluation of the Green Finance Framework. Please refer to the following URL on the details of the second-party opinion.

Environmental Performance

Energy consumption

Item	2018 (reference)	2019	2020
Total energy consumption (thousand kWh)	438,845	428,961	396,465※1
Fuel consumption (thousand kWh)	42,660	76,865	71,367
Electricity consumption (thousand kWh)	337,174	296,704	275,079
Other heat consumption (thousand kWh)	58,979	55,361	49,988
Renewable Energy production (thousand kWh)	31	31	31
Energy consumption intensity (kWh/m ²)	186.0	188.2	173.2

Greenhouse gas emissions

Item	2018 (reference)	2019	2020
Total CO ₂ emissions (t-CO ₂)	175,600	158,711	142,583※1
Scope 1 emissions (t-CO ₂)	7,701	13,858	12,902
Scope 2 emissions (t-CO ₂)	167,898	144,852	129,680
CO ₂ emissions intensity (kg-CO ₂ /m ²)	74.2	69.6	62.3

Water consumption

Item	2018 (reference)	2019	2020
Total water consumption (thousandm ³):A+B	1,750	1,752	1,363※1
Purchased Water consumption (thousandm ³):A	1,483	1,571	1,209
Other water consumption (thousandm ³):B	266	181	154
Water consumption intensity (m ³ /m ²):Subject to A	0.62	0.69	0.53

Waste emissions

Item	2018 (reference)	2019	2020
Total waste emissions(t)	11,051	10,146	8,015
General waste emissions(t)	-	7,709	6,076
Industrial waste emissions(t)	-	2,438	1,939※1
Ratio by method of waste disposal			
Landfilling(%)	3.0	6.2	8.0
Incineration(%)	28.8	28.9	29.6
Recycling rate(%)	68.2	64.9	62.5

※1 The mark indicates that the data in 2020 has received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd.

※2 [Independent Practitioner's Assurance Report](#)

Notes on the Above Performance

1. Scope of data calculation

- All properties owned by Nippon Building Fund Inc. (NBF) are covered. However, properties with exclusive ownership areas holding 25% or less than 25% are not covered.
- NBF Shinagawa Tower partly owned by NBF is a part of Shinagawa Grand Central Tower which is the major part of the property but excluded for the calculation.
- The above data consists of total consumption/emissions from common-use areas and tenants' exclusive areas in each property and is not converted into equity.
- Regarding gas consumption, some data that are difficult to collect due to direct contracts by tenants to gas providers are excluded for the calculation.

2. Calculation period

Calculation period: January 1st to December 31st

※Waste data in 2018 (reference) is calculated during the period of April 1st, 2018 to March 31st, 2019, as it is difficult to collect some data of divested properties in the calculation period of 2018.

3. Calculation method

① Energy consumption

Energy consumption = $\Sigma(\text{consumption by energy type} \times \text{heating value conversion factor} \times \text{conversion rate for electricity})$

Calculated by using the conversion factor based on the "Act on Rational Use of Energy"

Energy type: Electricity, cool water, warm water, city gas, bunker A, diesel oil

② Greenhouse gas emissions

Scope of greenhouse gas: Energy origin CO₂

Energy origin CO₂ emissions = $\Sigma(\text{energy consumption} \times \text{CO}_2 \text{ conversion factor})$

The CO₂ conversion factors for fuel and other heat are based on the "Greenhouse Gas Emission Calculation and Reporting Manual" published by Ministry of the Environment and Ministry of Economy, Trade and Industry.

The CO₂ conversion factor for electricity is based on the basic emission factor given by each electricity provider" published by Ministry of the Environment and Ministry of Economy, Trade and Industry.

-Include the energy origin CO₂ emissions from tenant except for direct contracts by tenants to energy providers.

③ Water consumption

Total water consumption = $\Sigma(\text{Purchased water consumption}^*1 + \text{Other water consumption}^*2)$

*1 Purchased water consists of purchased clean water and industrial water among other things.

*2 Other water consists of water recycled inside the property, ground water, and rainwater among other things.

④ Waste emissions

Total waste emissions = Σ (General waste emissions + Industrial waste emissions)

Based on the "Waste Management and Public Cleansing Act"

Regarding the waste data in 2018, only "total waste emissions" is written because the calculation category has been changed since 2019.

⑤ Intensity figures

Each intensity figure = Total consumption of each/Floor space

Floor space is the space confirmed when constructing.

The data was calculated based on the properties held by NBF at the end of each year. However, some portion of these properties like residential areas were excluded due to difficulties in collecting the data.

Intensity figures are corrected by annual average occupancy rate.

Corrected intensity figures = Non-corrected intensity figures / Average occupancy rate[%]

※ As the correction method for the environmental performance has been changed since 2019, the data in 2018 has some variance from 2019 and 2020.

Besides, some variance come from rounding off.

Social Initiatives

NBF is engaged in initiatives for development of local communities as well as improving security and safety.

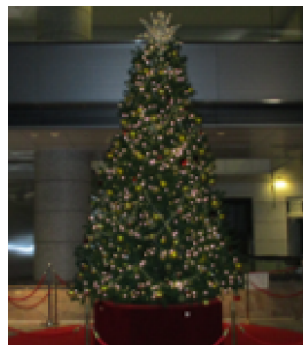
Initiatives for local Communities

As a part of local communities, NBF holds initiatives such as lunchtime concerts, seasonal events, water sprinkling programs for cooling down and local cleanup programs.

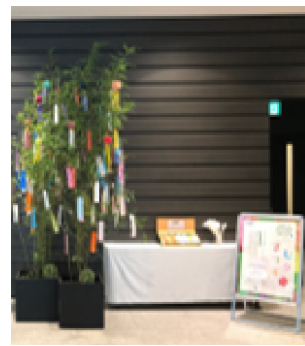
Due to the impact of the Covid-19, events are being cancelled and non-contact events are being held in FY2020. From next year onwards, we will continue to consider holding events while taking into account the status of the Covid-19 and other factors.



Photo contest



Christmas tree



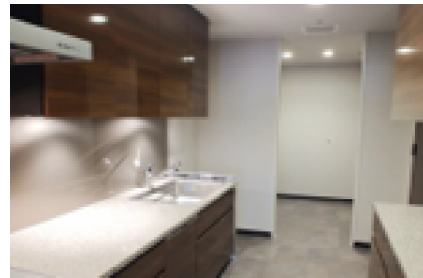
Tanabata event

Improvement of urban living-environment

NBF performed major renovations on Mandatory Housing Spaces* to improve the living-environment quality. [Kowa Nishi-Shinbashi Bldg. B]



Living room



Kitchen

*Some municipalities require such spaces for the purpose of securing their resident population and improving living-environment.

Building management with consideration for a historical and cultural site

Toranomon Kotohira Tower was developed with consideration to protect Kotohira-Gu shrine, a regional historic property located in the area, and designed to be a mixed-use building including the shrine office.



A ceremony at the site



Toranomon Kotohira Tower

Countermeasures to disasters

Supporting Minato-ku Regional Disaster Prevention Plan, NBF provides some parts of leasable spaces of the following buildings as storehouses for emergency materials for free of charge.



Roppongi T-CUBE



Celestine Shiba Mitsui Bldg.



Shiba NBF Tower

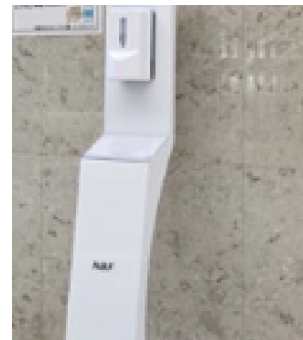
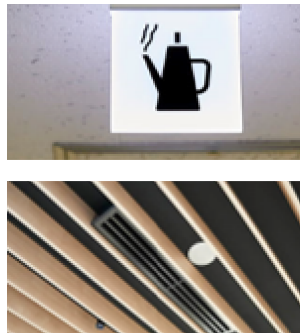
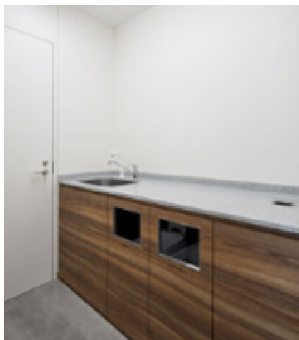
Increase of Comfort

In NBF's capital investment decision making process, the status of the building's compliance with the Barrier-Free Law, accessibility for people with disabilities, accessibility to public transportation around the property, etc. are mandatory items to be confirmed. These items are periodically confirmed through engineering reports and other documents obtained during the consideration stage and post-investment monitoring phases, and if there are issues or room for improvement, specific measures are discussed during the operation stage.

Through these inclusive efforts, we aim to provide a building that is comfortable for all office users.

Examples of Construction to Increase Tenant Comfort (Shinjuku Mitsui Building No. 2, 2020)

Improved Convenience & Hygiene



Contents

- Expansion of kitchenettes and installation of built-in counters for garbage bins
- Includes expanded hot water supply room with indicators to avoid overlapping use
- Installation of air purification equipment
- Sanitizer Stations

Universal Design Initiatives



Contents

- Extension of ramp width and installation of handrails
- Improvement of interior signage
- Automation of service entrance doors
(for wheelchair accessibility and COVID-19 safety)

Bicycle Sharing Service Added



Contents

- Effective use of surplus bicycle storage
Contributes to the community and adds income

Customer Satisfaction Surveys

Together with its exclusive property management company NBFOM, NBF conducts building management that aims to enhance tenant satisfaction. Customer satisfaction surveys are conducted every year in order to understand the real thoughts, level of satisfaction and needs of tenants, and PDCA cycles are established to promptly reflect the challenges found in surveys and points to be improved. A survey was not taken in FY2020 on account of the burden on tenants amid the COVID-19 pandemic.

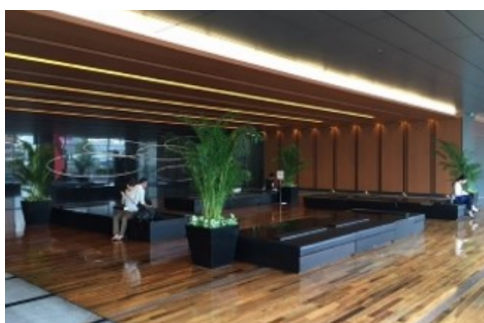
FY 2019 CS Survey on Operation and Management Services in Office Properties

- Survey subjects : Tenant Survey at 53 buildings (excluding master-leased and other properties)
Office Worker Survey at 53 buildings (excluding master-leased and other properties)
- Number of distribution : 798 tenant companies (response rate: 88%)
7,419 office workers (response rate: 80%)
- Survey period : September-October 2019
- Survey topics : Office environment and convenience; Cleaning; Crime and disaster prevention; Service qualities of general building operation and management; Effectiveness of CS activities in each properties; Tenants' needs; etc.

Response to the Result of CS Survey: An Example

- NBF Toyosu Canal Front : Enhancing User-friendliness of the Common Space through the Layout Change

Enhancing User-friendliness of the Common Space through the Layout Change



(Before)



(After)

【NBF Toyosu Canal Front】

Collaboration with Business Partners

In order to promote initiatives of environmental and social consideration in its supply chain, NBF established "Green Procurement Manual." In line with this manual, NBF requests newly selected and existing business partners in the supply chain (property management companies, etc.) to understand and cooperate on its initiatives of environmental and social consideration.

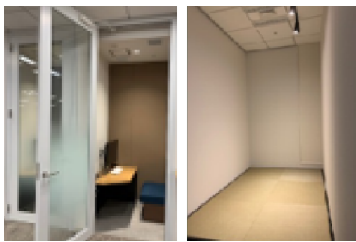
Initiatives for NBFM Employees

Initiatives to Promote Health and Well-Being

In September 2019 when the office was relocated, NBFM created the workspace giving considerations to employee well-being.

- Expansion of common space
Before : 59.6㎡⇒After : 162.6㎡(approx. 2.7 times difference)
- Facilities which enhance employee wellness in the work space

Concentration Booth / Nap Room



Office BGM



Aroma Diffuser



- Expanded internal communication areas (gathering places for relaxation or informal meeting)

Open Space



Cafeteria Space



Multi-Purpose Space



Initiatives for Developing Human Resources

Recognizing that human resources are the most valuable resources of the company and are indispensable for the sustainable development of business and the organization, NBFM has strived to secure and develop specialists with extensive expertise in real estate and finance as well as potential leaders with management skills to improve organizational productivity.

Specialized Education

In order to continuously improve expert know-how, NBFM promotes the acquisition of specialized certificates of its employees such as ARES Certified Master (an educational program that systematically teaches practical expert know-how in the fields of real estate and finance). NBFM bears the costs for the training and exams in acquiring the various certificates as well as for maintaining the certificates and increasing expert abilities through seminars, etc.

This program has been used by new employees as an opportunity to advance their career; and by experienced employees and certification holders as an opportunity to continuously build and enhance their expertise.

	Number of certificates acquired by the support program	Number of training provided by the support program	Number of officers and employees who used the programs (%)
FY2017	26	18	12 (46%)
FY2018	22	14	13 (50%)
FY2019	27	12	10 (37%)

The number of employees with certificates are as shown below (includes employees seconded from sponsors, etc.).

Certificates	The number of employees
ARES Certified Master	14
Real estate notary	24
Real estate appraiser	1
Class-1 architect	2
Chartered Member of the Securities Analysts Association of Japan	3
Lawyer	1
Tax accountant	1
Certified Building Administrator	6

※ As of February 1, 2021

Training in Specialized Fields

For the purpose of periodically updating fundamental knowledge necessary for asset management, training programs led by outside lecturers are regularly conducted to learn the circumstances of the current economic environment and real estate market, revision of laws and regulations on asset management, etc. In addition, information exchange sessions are also held on a weekly basis for all employees to share knowledge on the circumstances surrounding the market and each financial sector in real time.

Examples of training

- Training by outside lecturer (In fiscal 2019, 9 programs were conducted on such themes as real estate market trends in financial administration, internal management systems, etc.)

Example (1): By a think tank: "Real Estate Market" (February and August 2020, February 2021)

Example (2): By an auditing company: "Risk Management/Compliance" (March 2021)

Example (3): By a consulting company: "Risk Management/Compliance" (November 2020)

Example (4): By Japan Exchange Group, Inc.: "Insider Trading Regulations" (November 2020)

- Information exchange sessions (held weekly)

Cross-Sectoral Human Resources Development Program

In addition to the specialized education in the real estate, financial and other sectors mentioned above, NBFM introduced, with an aim to encourage ideas full of creativity through diversified viewpoints and sensibilities, a training support program in which the company will bear the costs of attending seminars, lectures and courses that lead to self-improvement as long as it is within the annual budget stipulated for each employee. By allowing access to trainings and educational opportunities appropriate for employees' careers, NBFM focuses on the development of cross-sectoral human resources with wide vision, ideas and leadership that are not limited to the industry or domain.

Examples of training by position/rank

Associate	Manager	General Manager
		Management control (correspondence education program)
		Various training programs provided by the sponsor
	Management training course	
	Information security management training	
	Training on legal and regulatory compliance in contract practices	
Effective writing training		
Course for mastering financial statements to understand basic accounting		

FY2017 and FY2018 (As of the end of February) , record of the training support program is as follows.

Utilization status of the program

	Number of utilization	Rate of the employees who utilized the program	Average grant per user:
FY2017	18	77%	49,500 yen
FY2018	14	54%	88,691 yen
FY2019	12	33%	65,276 yen

Regularly conducts career interviews in NBFM

NBFM regularly conducts career interviews with all employees. All employees have an interview with their superior and directors. This program provides them with an opportunity to talk about their career formation, receive feedback on their performance and discuss requests to the company. NBFM has established a transparent system for setting targets and providing appraisal feedback through proper communication between superiors and subordinates such as in conducting interviews at the beginning of periods (setting targets), mid-period interviews (checking progress and giving advice) and interviews at the end of periods (feedback of appraised results).

	Rate of interviews with directors(All employees)
2017 results	100% (23 out of 23)
2018 results	100% (23 out of 23)
2019 results	100% (23 out of 23)

Furthermore, as described in the above “Cross-Sectoral Human Resources Development Program,” NBFM focuses on the development of human resources with wide vision, insight and ideas that are not limited to the industry or domain and human resources with leadership, by allowing access to trainings and educational opportunities appropriate for employees’ careers.

Compliance Training

NBFM strives to enhance not only individual capabilities but also organizational capabilities by following regular management training programs to enable employees to demonstrate their skills to the fullest.

Examples of programs

- Creation of workplaces without harassment (June 2020,All employees(include temporary employees))
- Training to enhance understanding towards LGBT (July 2020,All employees(include temporary employees))
- Training on labor laws and health management (September 2020,All employees)
- Training to prevent insider trading(November 2020,All employees(include temporary employees))
- Training on ESG and SDG trends(November 2020,All employees(include temporary employees))

And many other trainings

Furthermore, from the point of view of developing global human resources, NBFM is promoting English education by introducing English conversation classes with invited English teachers (if there are many applicants, those who enroll will be picked out) and internet courses (all those who apply may enroll).

Strategies for Development/Securement of Human Resources

NBFM promotes development of specialized skills of existing employees through the aforementioned education/training programs while also continuing to hire new recruits in order to secure proper personnel timely to accommodate the business situations and changes in its organizational status. Furthermore, NBFM seeks longer employee retention and improved productivity through provision of sufficient benefit and welfare programs and establishment of a comfortable working environment to enable employees to continue working with peace of mind.

As part of these human resources strategies, NBFM takes in human resources from numerous sponsors and other entities with various backgrounds, aiming to realize sophisticated asset management through utilization of their highly specialized expertise as well as improvement of know-how in operations.

The number of human resources taken in from sponsors

	The number of human resources
Mitsui Fudosan Co., Ltd. (46% equity ratio)	6
Sumitomo Life Insurance Company (35% equity ratio)	2
Sumitomo Mitsui Trust Bank, Ltd. (5% equity ratio)	1

As of June 30, 2020

Employees in managerial positions seconded from the sponsors, Mitsui Fudosan Co., Ltd. and Sumitomo Life Insurance Company, possess expert know-how as well as organization management skills nurtured through continuously participating in seconding companies' human resources development programs and thus have contributed to NBFM from both aspects of asset management and vitalization of the organization.

[Career Programs of Mitsui Fudosan Co., Ltd.] [Human Resources Management/ESG Report 2020](#)

At NBFM, the board of directors and general shareholders' meeting oversee executive appointments and successions. Other managerial appointments and successions are discussed and determined by the Executive Board members including the CEO. We have prepared and implemented a human resource scheme, which allow us to select appropriate management candidates from NBFM and our sponsors, as well as smoothly transfer the businesses and duties.

While NBFM currently does not hire new graduates, our sponsors regularly do graduate recruitment. NBFM accepts seconded junior employees who have completed the training of the sponsor's human resource development programs. For detailed information on graduate recruitment, please refer to the above "Career programs of Mitsui Fudosan Co., Ltd."

Creation of Office Environments Conducive to Work and Work Life Balance

Recognizing human resources as its greatest assets, NBFM aims to create environments where its employees can work with peace of mind. NBFM strives to establish and operate a more attractive and fruitful management system in health and safety initiatives such as for work life balance, health of employees, personnel management and risk management by fulfilling regulatory standards, introducing an early work shift system, establishing recommended paid vacation days and such to create a corporate culture that is conducive to work. Furthermore, NBFM has worked to further improve job satisfaction and create environments that are more conducive to work by setting up a cross-sectional work reform review team this fiscal year to exchange opinions and discuss programs for better work styles that benefit both the company and the employees.

Employee Satisfaction Survey

NBFM recognizes its employees to be as its greatest resource. As such, it measures the satisfaction level of its employees and conducts employee satisfaction surveys every year as part of its efforts to establish excellent relations between employees and the company. With this, NBFM checks degrees of satisfaction towards assigned responsibilities and the working environment, requests for introduction of programs in the company, etc. (response rate of 100%). NBFM strives to establish better working environments based on the survey results.

Case examples

- In response to a request from employees, changed Premium Friday from the last Friday to the first Friday of the month due to many opinions that the end of month is a busy time
- Expanded the scope of assistance in education for self-improvement
- Established “social gathering” program in an aim to get all employees including temporary employees to communicate more with each other (The asset management company bears the payments for the costs)
- Reviewed rules for holding information exchange sessions with outside parties, etc. (expanded the scope of eligible employees) … and others

Structure for Collecting Requests and Grievances of Employees

A system has been introduced whereby all employees including temporary employees can freely express a wide range of opinions related to personnel affairs, working environment and other matters anonymously (suggestion box “meyasubako”). The expressed opinions will be conveyed to those with management responsibility as needed.

In addition, employee interviews by directors are conducted once a year to give every employee an opportunity to clarify their requests concerning various internal systems of the Company as well their personal career vision.

Moreover, NBFM has established contact points inside and outside of the company for internal reports based on a whistleblower protection rule, thereby establishing a system in which violation of the human

rights of employees, business partners and other parties as well as fraudulent or wrongful acts can be reported anonymously to a compliance officer (in the case of matters regarding a compliance officer, then to the CEO) or an external law firm. The rule prohibits creating any disadvantage for whistleblowers through efforts to protect whistleblower information and by prohibiting retaliatory action, while making it mandatory for companies to decide and implement appropriate measures for the reported issue. In addition, if the whistleblower is disadvantaged as a result of their consultation or whistleblowing, they may report this to the contact points for internal reports. After receiving such a report, the contact points shall promptly take corrective measures related to the disadvantage and strive to protect the whistleblower.

Benefits Program

The various benefit and welfare programs listed below have been established to create a working environment in which employees can continue to work in comfort and with peace of mind.

Programs provided

- Childcare leave and shortened work hours for childcare (All employees)
- Familycare leave and shortened work hours for nursing care (All employees)
- Special or consecutive summer holidays (All employees)
- Morning-focused working system (All employees)
- Programs provided by an external employee benefits services company (All employees(include temporary employees))
- Assistance in medical examination costs (All regular employees)
- Provision of satellite office (All employees)
- Employee recreational get-togethers (bowling, field days, golf, etc.; 5 to 6 times/year)
(Employee recreational was not taken in FY2020 for the COVID-19 pandemic)

Introduction of Employee stock purchase plan (ESPP)

Targeting all regular employees, NBFM introduced a “Employee stock purchase plan (ESPP)” in which employees can acquire investment units of NBF. With the introduction of this system, it is anticipated that employees will be more focused on improving the performance of NBF, which is believed to contribute to continuous growth of NBF and enhancement of investor value. Furthermore, NBFM provides financial incentives to employees utilizing the system in an endeavor to further enhance its benefit programs for employees.

| Labor Standard

Reduction of Excessive Working Hours and Overtime

NBFM has established a labor and management agreement (a “36 Agreement”) and conducts the following programs to reduce excessive working hours and overtime work.

- Monitoring working hours and consulting with employees
- Notifying employees and superiors of employees who may be working long hours
- Utilizing a system that restricts computer usage
- Using Premium Fridays to have early finishing days
- Encouraging taking at least two paid holidays at a time

Living Wage Support

NBFM’s basic policy is to not only comply with but exceed minimum wage rules in labor laws.

Labor Standard Violations

There were no serious violations of labor standards between January 1, 2020, and December 31, 2020.

| Human Rights Initiatives

Initiative Policy

NBF and NBFM have adopted their sponsor Mitsui Fudosan’s Mitsui Fudosan Group Sustainable Procurement Standards and Mitsui Fudosan Group Human Rights Policy. They support and respect the basic labor rights established in the ILO Declaration on Fundamental Principles and Rights at Work. The declaration establishes the following labor principles:

- Effective approval of freedom of association and collective bargaining rights
- Prohibition of all forms of forced labor
- Effective abolition of child labor
- Elimination of discrimination in hiring and work

Based on the above, NBF and NBFM have established the table below in a Compliance Manual and instill their policy on human rights in all employees, including temporary employees, through compliance training, etc.

Topic	Policy and Initiatives
Freedom of association and collective bargaining rights	NBF and NBFM support and respect freedom of association and the right to collective bargaining.
Prevention of child labor and forced labor	There has never been child labor or forced labor at NBF or NBFM, but a contact point has been established for reporting should there be a potential violation.
Prohibition of discrimination, harassment or other unfair treatment in the workplace	NBF and NBFM prohibit discrimination or unfair treatment based on race, nationality, hometown, religion, belief, gender, age, disability, sexual orientation, gender identity, education, marriage status, employment type or any other reason not related to business roles. Any harassment, whether sexual, from a position of power or otherwise, is also not allowed in the workplace.

Specific Initiatives

Harassment (sexual, from a position of power, etc.)

- Regular training on harassment and discrimination
- Establishment of contact points inside and outside of the company for harassment

Training

- Types of harassment (from a position of power, sexual, maternity), examples of speech or actions that are harassment and how to respond (whistleblowing, prohibition of disadvantageous treatment, etc.)
- Better understanding LGBT diversity and personal preference without discriminating

NBFM Personnel Data

In order to secure human resources with high-level knowledge and experience over the long term, improvement of internal systems including benefit and welfare programs and other schemes has been conducted. As a result, human resources for maintaining stable fund management have been secured.

Item	2017		2018		2019	
Total number of employees	23		23		24	
(Number of regular employees)	13	Male 12 Female 1	13	Male 12 Female 1	15	Male 13 Female 2
Percentage of women	7.7%		7.7%		13.3%	
Average employment period	8.2 years		8.4 years		7.7 years	
Rate of used portion of paid vacation	60.7%		69.5%(*)		78.8%	
Rate of use of medical examinations	100%		100%		100%	
Employment of People with Disabilities	0		0		0	
(Number of seconded employees)	10		10		9	
Number of newly hired employees	1		1		4	
Number of retired employees	1		1		4	
Employee turnover rate in the fiscal year	4.3%		4.3%		16.7%	
Temporary Employee	12		10		9	

(*)In this report, indication of “All employees” means entire employees including regular employees and seconded employees mentioned above. In addition, although temporary employees are not in direct employment relationship with NBFM, some of the initiatives for NBFM employees shown in this report target temporary employees as well.

Governance Structure

It is stipulated that NBF should have one or more Executive Director and no more than four Supervisory Directors (provided, the number of Supervisory Directors should be the number of Executive Directors plus 1 or more). Please click here to see the composition of the Board of Directors.

NBF's Executive Director is not at the same time an executive of NBFM, the asset management company.

The organization of NBF consists of the General Meeting of unitholders composed of unitholders, one Executive Director, three Supervisory Directors and the Board of Directors composed of all Directors, as well as Accounting Auditors.

For details of the following organization of NBF

please refer to "[Structure of the Investment Corporation: Matters Concerning the Governance of the Investment Corporation](#)[1.6MB]":

- General Meeting of unitholders
- Audit by Executive Director and Supervisory Directors, and the Board of Directors Meeting
- Accounting Auditor
- Internal management and audit organization, personnel and procedures of Supervisory Directors
- Internal management, audit by Supervisory Directors and mutual collaboration with the Accounting Auditor
- Status of establishment of management systems in affiliated companies by the Investment Corporation

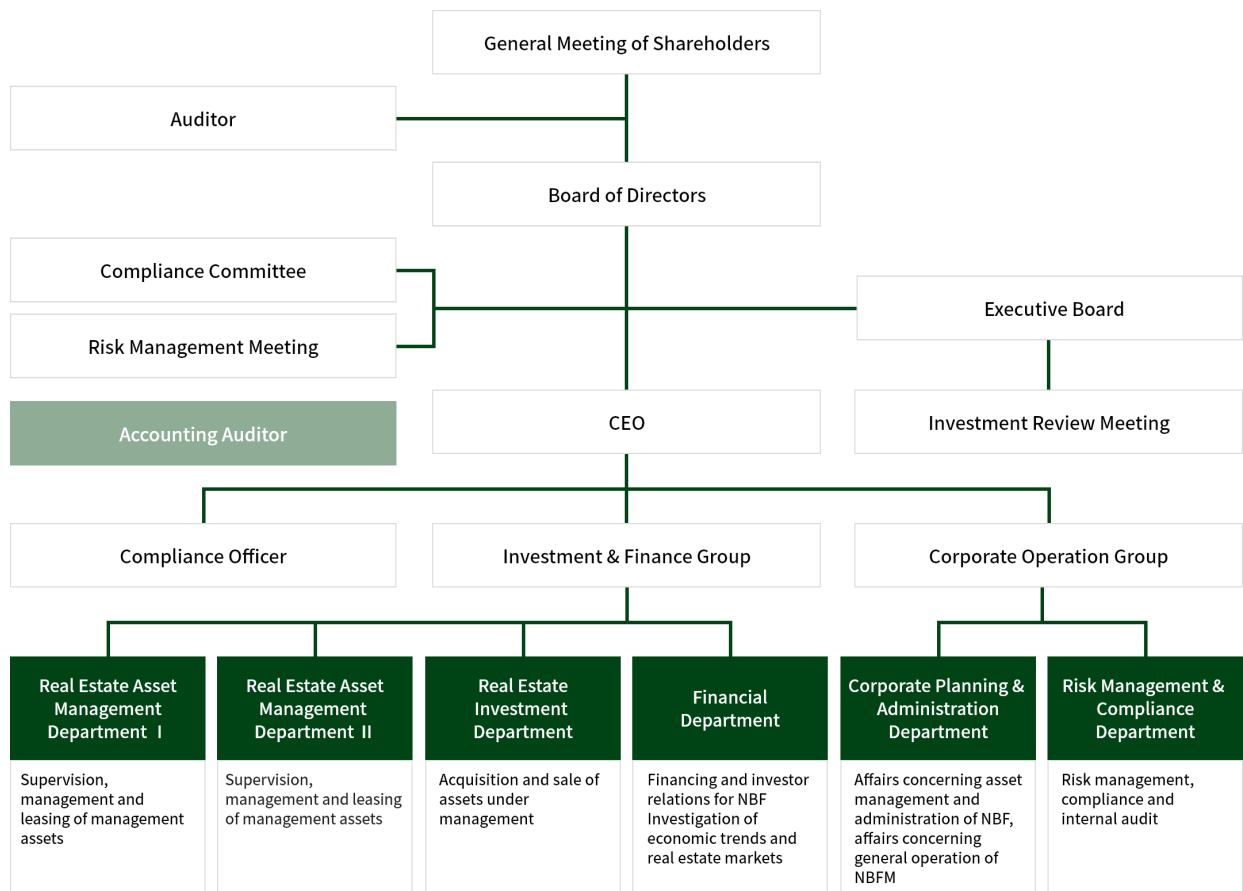
Management Structure

NBF entrusts its asset management to Nippon Building Fund Management, Ltd. ("NBFM"), its asset management company.

NBFM is engaged in services under the following management structure in accordance with the Asset Management Entrustment Agreement with NBF.

Management Structure

Organization chart (overview)



Management System (decision-making organ for asset management)



For more details please refer to " [Structure of the Investment Corporation: Matters Concerning the Management Structure of the Investment Corporation.\[2.5MB\]](#) "

Internal Control

| Initiatives for Thorough Compliance

All officers and employeesThe ownership ratio in the total number of investments of NBF and NBFM are to conduct corporate activities honestly and appropriately based on high ethical standards beyond mere compliance with laws and regulations.

While NBF sets forth in its "Rules of Board of Directors" that the Board of Directors shall hold a meeting at least once every three months, a meeting is actually held almost every month, the Executive Director reports on the status of business affairs, and the supervising and checking functions by the Supervisory Directors are ensured. The Board of Directors consists of one Executive Director, and three Supervisory Directors who are elected from among independent professionals such as lawyers, real estate appraisers and certified public accountants, etc.

Pursuant to the "Management Policies" setting forth its basic management philosophy, NBFM considers compliance to be an important issue in its management in order to increase trust from investors and all other related parties. In addition, NBFM, as an asset management company entrusted with asset management services, endeavors to properly manage assets under management by specifically defining norms, processes and strategies, etc. to be complied with, and completely discharges its fiduciary responsibilities.

NBFM considers "Compliance" not only as legal compliance but also as observing its internal rules and taking appropriate actions following social ethics and codes. As such, NBFM sets internal rules, such as "Code of Ethics" and "Compliance Rules" as concrete guidelines and rules. In addition, its Compliance Officer promotes company-wide compliance activities by planning and executing "Compliance Program" and training and awareness raising activities for all officers and employees.

NBFM sets forth in its "Compliance Rules" that when doubts concerning a breach of or conflict with laws, regulations or internal rules, etc. arise, its directors, officers and employees must immediately report the facts, background and methods of solution thereof, etc. to the compliance officer, and in the event it is judged that there are problems with the content of such report, the compliance officer must promptly report the same to the CEO, General Managers of the Investment & Finance Group as well as the Corporate Operations Group and discuss appropriate measures to be taken. Such events will also be referred to independent professionals as necessary for confirmation, and reported to the Compliance Committee and Board of Directors, as well as the Board of Directors of NBF.

In light of applicable laws and regulations or internal rules etc., if a compliance violation or an act deemed to be a compliance violation exists, the relevant director or officer will be subject to necessary measures pursuant to deliberation by the board of directors, and the relevant employee will be subject to a disposition under its work rules.

(There were no complaints, violations or discipline of officers or employees related to non-compliance from January to December 2020.)

Anti-Bribery and Anti-Corruption Policy

NBF and NBFM consider compliance to be one of the most important issues in management of the Group and strive to both build a compliance system and promote compliance. They ensure thorough compliance and prevention of bribery and corruption by stipulating in the Compliance Manual guidelines regarding excluding anti-social forces, preventing money laundering, ensuring fair competition, prohibiting insider trading and receiving gifts and entertainment.

Prohibition of Bribery and Information on Gifts and Entertainment

NBF and NBFM prohibit in their Compliance Manual giving more than moderate gifts and entertainment internally or to clients or business partners, gifts or entertainment meant to influence the other party's judgment or gifts or entertainment to government officials.

Anti-Corruption Initiatives

All employees, including temporary employees, are taught about the Compliance Manual from clients or business partners or providing special service based on receiving, requesting or being promised bribes from clients or buying and receiving gifts and entertainment through e-learning and other training.

Fines, Surcharges and Settlements Related to Bribery and Corruption

There were no serious violations of laws and regulations due to non-compliance with anti-bribery regulations nor fines, surcharges or settlements related to corruption paid from January 1, 2020, to December 31, 2020.

Employees Subjected to Discipline or Dismissal Related to Bribery and Corruption

No employees were disciplined or dismissed in relation to bribery or corruption from January 1, 2020, to December 31, 2020.

Risk Management Initiatives

NBF and NBFM aim to evade and minimize risks in investment and management of its assets under management. For details please refer to " [Investment Risks: Matters Concerning Risk Management System for Investment Risks. \[1.4MB\]](#) "

Compensation of Directors

The REIT's Board of Directors for the 39th period (July 1, 2020, to December 31, 2020) consisted of a total four people; one Executive Director (man) and three Supervisory Directors (3 men).

Title	Name	Total compensation of the offices in the 39th Period
Executive Director	Koichi Nishiyama (25/25 100%)	3,600 thousand yen
Supervisory Director	Masahiko Yamazaki (24/25 96%)	9,000 thousand yen
	Yutaka Kawakami (25/25 100%)	
	Motohiko Sato (25/25 100%)	

An Executive Director (man) and two Supervisory Directors (2 men, 1 woman) were elected at the General Meeting of Unitholders on March 9, 2021.

Title	Name
Executive Director	Koichi Nishiyama (Reappointment)
Supervisory Director	Motohiko Sato (Reappointment)
	Masaki Okada (New appointment)
	Keiko Hayashi (New appointment)

※Directors & Auditors of Asset Management Company (As of April 1,2021)

Title	Name
Executive Director	Yoshiyuki Tanabe (Man)
Director	Hideki Shuto (Man)
	Tetsuya Saito (Man)
	Masahiko Okamoto (Man)
	Yusuke Ogata (Man)
Auditor	Yasuki Nozoe (Man)
	Masayuki Hori (Man)

Status of Unitholders

The top 10 unitholders in terms of percentage of owned investment units in the total number of investment units issued and outstanding as of July 1 to Dec 31, 2020 is as follows.

Name	Number of Investment Units Owned	Percentage of Total (%)
Custody Bank of Japan, Ltd. (trust account)	357,136	21.6
The Master Trust Bank of Japan, Ltd. (trust account)	227,136	13.7
The Nomura Trust and Banking Co., Ltd. (investment trust account)	78,418	4.7
Mitsui Fudosan Co., Ltd.	55,630	3.4
Custody Bank of Japan, Ltd. (securities investment trust account)	49,513	3.0
JPMorgan Securities Japan Co., Ltd.	30,810	1.9
STATE STREET BANK WEST CLIENT - TREATY 505234	27,482	1.7
Sumitomo Life Insurance Company	24,512	1.5
SSBTC CLIENT OMNIBUS ACCOUNT	21,204	1.3
State Street Bank and Trust Company 505103	18,640	1.1

(as of Dec 31, 2020)

(Note1) The ownership ratio in the total number of investment units issued and outstanding is rounded down to the nearest second decimal place.

(Note2) As of July 27, 2020, JTC Holdings, Ltd., Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. merged into and changed its name as Custody Bank of Japan, Ltd.

Compensation of the Accounting Auditor

The audit compensations, etc. of the Accounting Auditor in the 39th Period (July 1 to Dec 31, 2020) is as follows.

Title	Name	Total compensation in the 39th
Accounting Auditor	Limited liability, KPMG AZSA LLC	15,000 thousand yen

※No record of payment of non-audit fees

In accordance with the regulations of auditing firms based on the Certified Public Accountants Act, management is as follows:

- Executive Directors may not be involved in the auditing of more than seven accounting periods; the Chief Executive Director for more than five periods.
- Engagement partners may not be involved in the auditing of more than five accounting periods after substitution; the chief engagement partner for more than one period after substitution.

Fines Due to ESG Issues in Audited Accounting

There were no fines due to ESG issues from January 1, 2020, to December 31, 2020.

Commitment

| Support for TCFD

While clarifying stronger efforts to address climate-related issues, NBF and NBFM have expressed support for the Task Force on Climate-related Financial Disclosures (TCFD), which recommends disclosure of information on risks and opportunities related to climate change to companies and such.



※(For further information on TCFD, [please refer to the following.](#))

External Evaluation

Participation in GRESB Real Estate Assessment

The "GRESB Assessment" is an annual benchmark survey for evaluating environmental, social and governance (ESG) considerations in the real estate sector, established in 2009 primarily by major European pension fund groups.

The characteristic of the GRESB Real Estate Assessment is that it evaluates sustainability efforts by real estate companies and REITs, etc., not of individual properties. During the 2020 Assessment, NBF's initiatives were highly appreciated in both dimensions of "Management Component" and "Performance Component" as sustainability efforts, and it received a "Green Star", for the sixth consecutive year. NBF also received a "5-Star", the most superior rating, based on its overall GRESB Score ranking. In the 2020 GRESB Public Disclosure Level evaluation scheme, the initiatives of NBF were highly evaluated in both dimensions of our proactive information disclosure practices in connection with environmental and sustainability initiatives, and NBF received an "A", the most superior rating.



NBF will disclose information on its ESG activities to investors through GRESB assessment while utilizing the assessment results as an opportunity to improve its initiatives.

Inclusion in MSCI Japan ESG Select Leaders Index

NBF was selected as a constituent of the MSCI Japan ESG Select Leaders Index (the "Index") provided by MSCI Inc. in June 2021.

The Index selects companies from Japan's top 700 listed companies in the MSCI Japan Investable Market Index (IMI) based on their ESG (Environmental, Social and Governance) performance relative to their respective industries. Japan's Government Pension Investment Fund (GPIF) has adopted the Index as a benchmark for ESG investing.

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

※THE INCLUSION OF [ISSUER ENTITY NAME] IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF [ISSUER ENTITY NAME] BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

※(For further information on MSCI, [please refer to the following.](#))

Initiatives for Green Building Certification

Green building certifications are granted by third parties regarding initiatives for the reduction of environmental load of buildings, improvement of comfort of users, etc. to assure high performance.

In an aim to increase the credibility and objectivity of its efforts to reduce environmental load as well as increase the value of its buildings in the mid-to-long-term, NBF endeavors to utilize green building certifications from third parties.

Policy for Acquiring Green Building Certification and Assessment

NBF will endeavor to acquire green building certifications and Assessment for existing properties under management on an ongoing basis for the purpose of reducing the environmental risks of its portfolio and increasing asset value in the mid-to-long-term.

CASBEE Assessment

"CASBEE (Comprehensive Assessment System for Built Environment Efficiency)" is a system to evaluate environmental performance of buildings, operated by the CASBEE Research Committee, established in April 2001 as an industrial/academic/government cooperation project under the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. The system comprehensively evaluates the quality of buildings, including but not limited to environmental considerations such as using materials and equipment which are energy saving or have a lower environmental impact, internal amenities and also giving consideration to views.

Property with CASBEE Certification

Gate City Ohsaki



Location	Ranking
Shinagawa-ku, Tokyo	CASBEE for Existing Building S
Site Area	
42,509.31㎡ (total)	
Floor Area of Building	
287,349.75㎡ (total)	Details of Properties⇒
Structure	
B4/24F	
Completion	
January 6, 1999	

Nagoya Mitsui New Building








Location	Ranking
1-24-20, Meieki Minami, Nakamura-ku, Nagoya, Aichi	CASBEE for Existing Building A
Site Area	
1,699.19㎡	
Floor Area of Building	
16,672.44㎡	Details of Properties⇒
Structure	
B1/14F	
Completion	
May 13, 2011	

DBJ Green Building Certification

“DBJ Green Building Certification” is a certification system established in April 2011 by the Development Bank of Japan Inc. to support buildings with high environmental and social awareness (a “Green Building”).

Based on its comprehensive evaluation system, which includes not only an environmental performance but also a social one (owner response to social needs of the diverse stakeholders of the properties), DBJ identifies and certifies “Green Building,” which are essential in today’s real estate market. Evaluation results are expressed in five-level ratings.

Scoring of DBJ Green Building Certification

Properties with the best class environment & social awareness	Properties with exceptionally high environment & social awareness	Properties with excellent environment & social awareness	Properties with high environment & social awareness	Properties with satisfactory environment & social awareness
				

Summary of the DBJ Green Building certified properties in NBF's portfolio (as of February 15, 2021)



	Dec. 31, 2018	Dec. 31, 2019	Jun. 31, 2020	Feb. 15, 2021
Number of Certified properties (Note1)	24	38	38	43
Total floor area of certified properties (Note2)	850,895m ²	1,158,809m ²	1,161,207m ²	1,407,493m ²
Proportion of certified properties to whole portfolio (based on number of properties)	33.3%	53.5%	53.5%	56.6%
Proportion of certified properties to whole portfolio (based on floor area) (Note2)	51.3%	69.5%	69.5%	73.7%

(Note1) All certified properties are awarded 'Three Stars' rating or above under the certification scheme.

(Note2) Calculated based on the floor area multiplied by ownership ratio of the property or on the floor area of exclusively owned area.

Properties with DBJ Green Building Certification

Five Stars : 1 property★★★★★

	 <p>➤ NBF Osaki Bldg.</p>
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Four Stars : 16 properties★★★★★



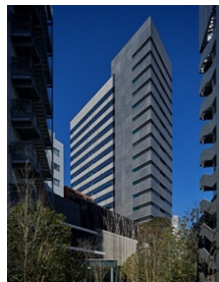
➤ [GranTokyo South Tower](#)



➤ [OSAKI BRIGHT TOWER](#)



➤ [Shinjyuku Mitsui Bldg](#)



➤ [G-BASE TAMACHI](#)



➤ [Roppongi T-CUBE](#)



➤ [River City M-SQUARE](#)



➤ [NBF Kandasudacho Bldg.](#)



➤ [Panasonic Tokyo Shiodome Bldg.](#)



➤ [Gate City Ohsaki](#)



➤ [NBF Toyosu Canal Front](#)



➤ [NBF Toyosu Garden Front](#)



➤ [Osaki Bright Core](#)



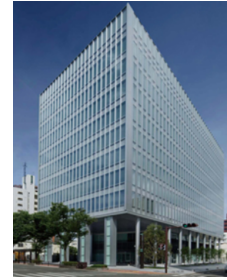
➤ Higashi Gotanda Square



➤ Nakanoshima Central Tower



➤ NBF Matsuyama Nichigin-mae Bldg.



➤ Hakata Gion M-SQUARE

Three Stars : 26 properties★★★★★



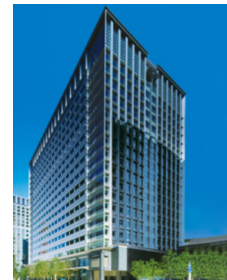
➤ Nagoya Mitsui New Bldg.



➤ Nagoya Mitsui Main Bldg.



➤ Nishi-Shinjuku Mitsui Bldg.



➤ Celestine Shiba Mitsui Bldg.



➤ Shiba NBF Tower



➤ NBF Ochanomizu Bldg.



➤ Jingumae M-SQUARE



➤ Nakanosakaue Sunbright Twin



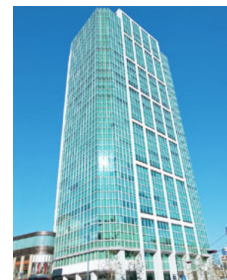
➤ NBF Ueno Bldg.



➤ S-ino Omiya North Wing



➤ NBF Shinagawa Tower



➤ NBF Platinum Tower



➤ [NBF COMODIO Shiodome](#)



➤ [Toranomon Kotohira Tower](#)



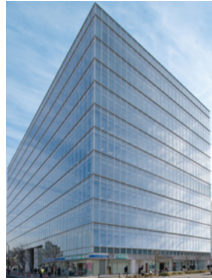
➤ [NBF Shibuya Garden Front](#)



➤ [Nakameguro GT Tower](#)



➤ [Ueno East Tower](#)



➤ [Chofu South Gate Bldg.](#)



➤ [Shinbashi M-SQUARE](#)



➤ [Toyo-cho Center Bldg.](#)



➤ [Tsukuba Mitsui Bldg.](#)



➤ [Sapporo L-Plaza](#)



➤ [Sumitomo Mtsui Banking Nagoya Bldg.](#)



➤ [Aqua Dojima NBF Tower](#)



➤ [Shinanobshi Mitsui Bldg.](#)



➤ [Hiroshima Fukuromachi Bldg.](#)

Tokyo Metropolitan Top-Level-Facility Certification

The “Top-Level-Facility (Specified High Quality Commercial Facility with Measures against Global Warming)” is a scheme to proportionally mitigate the required greenhouse gas emission reduction ratio of the subject facility, in accordance with the level of measures taken against global warming, if such building is approved by the Tokyo Governor as meeting “certain standards set forth by the Governor” as an “office building promoting an excellent level of measures against global warming (Specified High Quality Commercial Facility with Measures against Global Warming).”

Properties with Tokyo Metropolitan Top-Level-Facility Certification

GranTokyo South Tower



Location	Category
9-2,Marunouchi 1-choume, Chiyoda-ku Tokyo	Top-Level Facility
Site Area	
20,778.92㎡ (total)	
Floor Area of Building	
137,662.87㎡ (total)	<u>Details of Properties⇒</u>
Structure	
B4/42F	
Completion	
October 10.2007	

Shinjyuku Mitsui Bldg.



Location	Category
1-1, Nishi-Shinjyuku 2-chome, Shinjyukuku--Tokyo	Semi-Top-Level Facility
Site Area	
14,449.38㎡ (total)	
Floor Area of Building	
179,696.87㎡ (total)	Details of Properties⇒
Structure	
B3/56F	
Completion	
September 30.1974	

Gate City Ohsaki



Location	Category
Shinagawa-ku, Tokyo	Semi-Top-Level Facility
Site Area	
42,509.31㎡ (total)	
Floor Area of Building	
287,349.75㎡ (total)	Details of Properties⇒
Structure	
B4/24F	
Completion	
January 6, 1999	