

NBF

Nippon Building Fund Inc.

ESG Report

ESG Report

2023

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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Top Message



Nippon Building Fund Inc.

Executive Director **Koichi Nishiyama**



Nippon Building Fund Management Ltd.

President & CEO **Eiichiro Onozawa**

The way corporations are engaging with environmental challenges, and improving the business environment for its employees and clients, are becoming ever more prevalent mid-to-long-term risk factors for investors to consider, in viewing how management exercise sound management practices and introduce governance systems. At the same time, it is understood that addressing these challenges serves as a gateway for new value creation and business opportunities.

In light of the ever-tightening environmental regulations in various countries in addition to changes in stakeholders' preference for real estate with excellent environmental performance and comfort, etc., NBF recognizes that taking ESG factors into consideration within its operations is a top priority for management. It believes that facing ESG issues head-on is essential for maintaining and improving asset value in the mid-to-long-term.

Based on this recognition, NBF believes that proactive disclosure of ESG initiatives will become increasingly important, thus NBF stipulated the " Policy for ESG Initiatives " issuing the first ESG Report among J-REITs in 2017.

The purpose of this Report is to disclose extensively to our investors and other stake holders, NBF's approach to ESG and various initiatives, and to provide clarity of its actions.

NBF will continue to aim to construct healthy relationships based on trust with all stakeholders by further enhancing ESG initiatives, simultaneously striving to increase asset value.

ESG Initiative Policy

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

Policy for ESG Initiatives

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 considering 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.

1.Reduction of environmental load and initiatives for climate change issues

- (i) Promoting energy efficiency and reduction of GHG emissions
By promoting efficient use of energy and introduction of energy-saving facilities etc., NBFM endeavors to reduce GHG emissions such as CO₂ through energy saving.
- (ii) Conserving water environment and improving waste recycling rate
NBFM aims to conserve the water environment by initiatives for saving water such as the introduction of water-saving devices. NBFM also makes an effort to promote 3R (reduce, reuse and recycle) for resource saving and improving waste recycling rate.
- (iii) Responding to climate-related issues
NBFM identifies and assesses climate-related risks and opportunities and promotes its resilience by managing and mitigating those risks while taking actions to realize those opportunities.

2.Collaboration and engagement with various stakeholders

NBFM will collaborate and engage with officers and employees, tenants, property management companies, local communities and other stakeholders. At the same time, NBFM promotes various efforts to address social demand from its stakeholders as a member of society.

- (i) Training of officers and employees
NBFM recognizes that human capital is its largest asset and strives to create an employee-friendly and healthy work environment for individual officers and employees to fully exert their capabilities as well as promoting initiatives for human resource development through specialized education, training support, etc. In addition, NBFM aims to improve awareness of ESG by training its officers and employees through continuous implementation of education and encouragement of activities relating thereto.
- (ii) Collaboration with tenants, and initiatives for customer satisfaction improvement
NBFM asks tenants for understanding and cooperation for environmental and social considerations in the use of the buildings and promotes green leases and other collaborative initiatives. In addition, NBFM strives to improve customer satisfaction through initiatives related to the enhancement of the level of tenants' health and well-being, disaster prevention and business continuity plan measures.

- (iii) Cooperation with property management companies and business partners
NBFM asks property management companies and other business partners for understanding and collaboration and promotes initiatives concerning environmental and social considerations in its supply chain.
- (iv) Contribution to the local community
As a member of the community, in order to contribute to vitalization and development of local communities, NBFM will conduct engagement programs with the community in its portfolio asset.

3.Initiatives for governance

- (i) Thorough compliance
NBFM's officers are to execute operation acknowledging that compliance is one of the most important agenda for the management, and proactively promote compliance as well as have officers and employees fully understand its importance.
- (ii) Establishment of governance structure and risk management structure
NBFM strives to improve transparency of decision making and to avoid conflict of interest as well as to manage and reduce various operational risks (including climate-related transition risks and physical risks) by establishing Management Policies, Asset Management Guidelines and other standards and regulations that should be observed in the course of operation and developing an internal structure that enhances governance such as a Compliance Committee, Investment Review Meeting and Risk Management Meeting. In addition, we will strive to manage and mitigate various risks (including transition risk and physical risk related to climate change issues) in the conduct of our business.

4.Information Disclosure to Related Parties such as Investors, and Utilization of Environmental Certification and Evaluation

In accordance with the Policy, NBFM actively discloses its implementation status to related parties such as investors and tenants. This disclosure is aligned with international standards such as TCFD from the perspective of transparency and comparability. Environmental certification and evaluation such as GRESB and CDP are also used to actualize initiatives based on this Policy.

Environmental and Social Initiatives of the Mitsui Fudosan Group


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









Please refer to "[ESG Report 2022](#)" for the Mitsui Fudosan Group's social, environmental and governance initiatives.









Materiality

Materiality and KPI

KPI and numerical target

- GHG emissions (Scope 1 and 2) **42%** reduction by 2030 compared to 2021 
- CO₂ emission intensity **46%** reduction by 2030 compared to 2013
- Water consumption intensity **5%** reduction by 2030 compared to 2019
- Waste recycling rate **65%**
- Green building certification coverage **100%**
- Procurement of green finance **10 billion yen / year or more**

E (Environment)	Addressing climate-related issues (reduction of environmental impact)		Relevant SDGs
	Overview	In response to changes in the environment caused by global warming and other factors, we will promote initiatives to reduce environmental impact, fulfill our social responsibilities, and strive to improve the value of our companies and assets under management.	   
	Objectives	Reduction of GHG emissions	
		Reduction of water consumption intensity	
		Waste: Improving waste recycling rate	
	Reference	Environmental Performance	
	Utilizing green building certification		Relevant SDGs
	Overview	Aiming to reduce environmental impact while improving the workplace environment, we will enhance the objectivity of environmental performance through green building certification, and strive to understand environmental performance at the time of asset acquisition and to improve our operating assets over the medium to long term.	 
	Objectives	Improvement of green building certification coverage	
	Reference	Utilization of Green Building Certification	
	Green Finance procurement		Relevant SDGs
	Overview	We will procure funds for the acquisition of properties with high environmental performance that meet the eligibility criteria of the Green Finance Framework through green finance (green bonds, green loans, etc.).	 
	Objectives	Procurement of green finance for the acquisition of qualified assets	
	Reference	Green Finance	

S (Society)	Improving tenant satisfaction		Relevant SDGs
	Overview and Objectives	We aim to operate office buildings with a high level of tenant satisfaction through customer satisfaction surveys and office environment monitoring.	 
	Reference	Social Initiatives	
	Ensuring the health and well-being of employees and human resource development		Relevant SDGs
	Overview and Objectives	We will create a comfortable work environment, achieve a work-life balance, and secure and develop human resources who will enhance organizational productivity.	 
	Reference	Initiatives for NBFM Employees	
G (Governance)	Contributing to the community		Relevant SDGs
	Overview and Objectives	We will contribute to community development, and safety and security of local communities, implement programs aimed at community revitalization, and promote greening with an awareness of biodiversity.	 
	Reference	Social Initiatives	
	Strengthening corporate governance		Relevant SDGs
	Overview and Objectives	We will continuously improve and enhance corporate governance by establishing governance structures such as the Compliance Committee and the Risk Management Meeting.	
	Reference	Corporate Governance	
	Strict Compliance practice		Relevant SDGs
	Overview and Objectives	We aim to be a company that continues to be trusted by society, not only by complying with laws and regulations, but also by responding to social needs and expectations.	
	Reference	Compliance	

ESG Promotion System

Materiality identification process

Step1: Extracton of societal challenges

Select highly relevant societal challenges by referring to ESG assessment criteria and ESG disclosure frameworks, and the situation of peer companies in order to measure the importance to stakeholders.

Step2: Evaluation of importance levels

Prioritize the important issues by discussing the relevance between elements of selected societal challenges and opportunities and risks for NBF's continuous growth, while taking into account NBF's business plan as well as ESG disclosure contents.

Step3: Third-party review

Conduct a review by a consulting company

Step4: Discussion and identification at the ESG Promotion Committee

Discuss prioritized issues and identify important sustainability issues (materiality) at the ESG Promotion Committee

Step5: Set KPIs

Set KPIs and numerical targets to address the material issues

ESG Promotion System

The ESG Promotion Committee, which includes the President and CEO, Director, CIO and CFO, Director, and COO, Compliance Officer, and General Manager of each department of NBFM as its final decision maker, has 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 Strategy Planning and ESG Promotion Department assesses ESG risks and opportunities and consults on KPIs and specific measures to reduce GHG emissions such as CO₂ with the Committee, which meets at least once every three months (held as often as necessary) and the final decision maker decides specific targets and measures.

The Strategy Planning and ESG Promotion Department reports on the progress of the decided targets and measures to the Committee at least once every three months. These targets and measures are shared with all officers and employees through briefings, email distribution, posting on the in-house portal, etc.

In addition, the Board of Directors of NBF and NBFM also receive regular reports about once every six months from the Committee on the progress of risk management and programs related to climate change, review the risk management process and direct new actions as necessary, thereby continually carrying out the monitoring of each initiative.



Corporate Governance and Compliance System

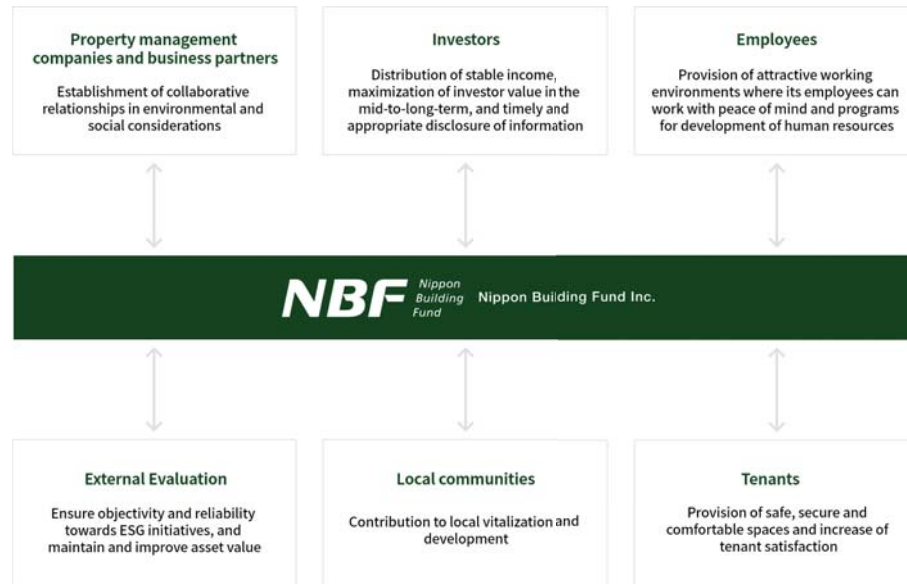
NBFM to which asset management services are entrusted has established a governance structure such as with its Compliance Committee, Risk Management Meeting, Investment Review Meeting and Executive Board, and endeavors to thoroughly implement risk management and compliance in its operations and improve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

https://www.nbf-m.com/nbf_e/profile/governance/index.html

Stakeholder Engagement

The basic approach of NBF 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》



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

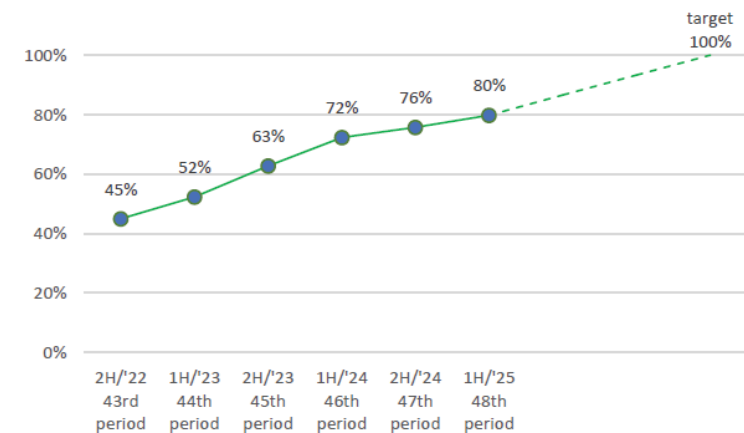
For the purpose of reduction of CO₂, improvement in asset value by green building initiatives and meeting tenants' needs, promotion of LED lighting (tenant areas and common areas) is being carried out.

Status of promotion of LEDs (private and common areas)

Percentage of lighting fixtures converted to LED* **45%**

*Aggregated by number of fixtures

LED Roadmap

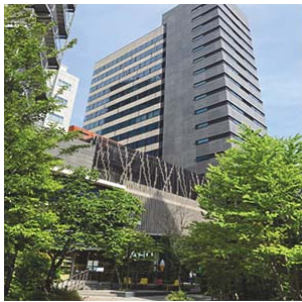


Consideration to biodiversity

NBF has taken biodiversity into consideration by protecting the precious natural environment in urban areas, creating and protecting greenery and biotopes that are in harmony with the surrounding environment.

G-BASE TAMACHI provides a variety of plants, mainly native species, precious green space for workers and community, as well as providing café and benches.

IIDABASHI GRAND BLOOM provides a greening ratio of 40% in total and, mitigates the heat island effect and creates a lush green landscape in harmony with the surrounding nature.



The sponsor, Mitsui Fudosan Co., Ltd. from which G-BASE TAMACHI and IIDABASHI GRAND BLOOM were acquired, joined the Keidanren Committee on Nature Conservation, and acquired some environmental certifications such as Association for Business Innovation in Harmony with Nature and Community (ABINC) at the time of development. For details on the efforts of the Mitsui Fudosan Group, please refer to ["biodiversity"](#)

Introduction of Renewable Energy

NBF promotes the reduction of CO₂ through the utilization of renewable energy in solar generation. NBF has introduced "FIT Non-Fossil Fuel Certificate Electricity"

Reuse and Recycle of Water

NBF reduces the consumption of tap water, equipped with facilities for reusing rainwater and greywater, and by renewal of sanitary equipment with high water-saving performance.



Introduction of Energy Management System

NBF has introduced management systems (BEMS, etc.) to measure the energy efficiency of building facilities and to achieve energy-saving and an optimal indoor environment. NBF also works on improving efficient energy utilization by using smart meters to monitor electricity consumption and other details as well as providing feedback to tenants.

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】

Environmental Initiatives in Collaboration with Business Partners

Collaboration with NBF Office Management

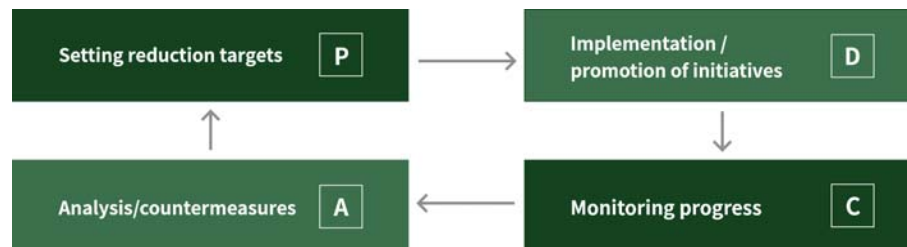
NBF Office Management Co., Ltd. (hereinafter "NBFOM") is a property management company of the Mitsui Fudosan Group which exclusively manages office buildings owned by NBF. NBF utilizes the expert abilities of NBFOM to maintain and increase the competitiveness, occupancy rate and rent level of its existing properties under management while effectively advancing initiatives of environmental consideration. In the joint meetings with NBFOM, 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.

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

NBF's perception of climate change

In December 2015, the Paris Agreement was adopted at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) as a new international framework for reducing greenhouse gas emissions and such after 2020. The agreement upheld a goal to keep the global average temperature increase well below 2°C compared with the pre-industrial levels, as well as another goal to make the best efforts to limit the increase to 1.5°C. In November 2021, the Glasgow Climate Pact, which clearly stated the goal of achieving net zero emissions by the middle of this century to pursue the 1.5°C target, was adopted at the twenty-sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in Glasgow, U.K. The twenty-seventh sessions of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) held in Egypt in November 2022 also reaffirmed this direction.

NBF has positioned conducting business that reduces energy consumption and greenhouse gas (GHG) emissions to curb global warming and lower the risks associated with climate change as its social mission in carrying out real estate investment management business, and set such as one of the material issues ([Materiality](#)).

Support for TCFD (Task Force on Climate-related Financial Disclosures)

NBF expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) in 2021 to promote disclosure on climate-related issues. In addition to endorsing the TCFD, NBFM also joined the TCFD Consortium. The TCFD Consortium, in which many companies and organizations in Japan supporting the TCFD participate, discusses how information on climate-related issues should be disclosed and how it should be used. NBFM will continue to promote the disclosure of relevant information based on analysis of the risks and opportunities that climate change poses to its business and finances.



Governance

In accordance with the “Regulations Concerning ESG Initiatives,” NBFM has organized the ESG Promotion Committee, with the President and CEO of NBFM as the final decision-making authority. The committee makes decisions on identification, assessment and management of risks and opportunities related to climate change, which is an ESG issue, implementation of measures to mitigate risks, and setting targets and KPIs. Furthermore, NBF and NBFM's Boards of Directors receive reports from the ESG Promotion Committee on resolutions on climate-related issues and the progress of initiatives and review the risk management process and give instructions on new actions as necessary.

For details on NBFM's ESG promotion system, please refer to [ESG Promotion System](#).

Strategy

Scope and assumptions of scenario analysis

In the scenario analysis conducted in this study, all assets held by NBF were considered.

NBF refers to the following scenarios in its scenario analysis.

In addition, each scenario assumes the following outlook on the world.

Classification	Scenario overview	Main reference scenarios
4°C scenario	A scenario in which temperatures are assumed to rise by 4°C compared with pre-industrial levels. Climate change will progress without sufficient progress towards global decarbonization, and disasters will become more intense and physical risks greater than in the current world. Transition risks, such as tighter laws and regulations, will be relatively small, but there are concerns about increased air conditioning costs in offices and increased costs of preparing for more severe extreme weather events.	● IEA Stated Policies Scenario (STEPS) ● IPCC RCP8.5
1.5°C scenario	A scenario in which temperatures are assumed to rise by 1.5°C compared with pre-industrial levels. While physical risks will remain relatively small as the world deepens its efforts to decarbonize, the legal and other risks associated with pressing ahead with such efforts will be greater and more severe than at present. Specifically, while costs associated with taxing GHG emissions from offices are likely to increase, business opportunities include higher rents for properties with high environmental performance.	● IEA Net Zero Emissions by 2050 Scenario (NZE2050) ● IPCC RCP2.6

Identifying risks and opportunities, assessing financial impact and initiatives

NBF has identified the risks and opportunities related to its real estate investment management business and evaluated their business and financial impacts as follows. The business and financial impacts were assessed qualitatively with reference to each of the aforementioned scenarios.

In addition, to mitigate climate-related risks and realize opportunities, we will address risks and opportunities in various ways including the following.

Category		Principal risks and opportunities	Factors that may affect business and financial performance	Financial impact				Risk management, countermeasures, initiatives
				4℃ Scenario		1.5℃ Scenario		
				Mid-term 2030	Long-term 2050	Mid-term 2030	Long-term 2050	
Transition Risks	Policy and Legal	Introduction of GHG emissions regulations Introduction of carbon taxes	Minor	Minor	Moderate	Major	<ul style="list-style-type: none">● Set GHG emissions reduction target● Reduce energy consumption through renovation of owned buildings and collaboration with tenants● Acquire properties with superior energy efficiency performance● Introduce renewable energy	
		Strengthening of energy conservation standards	Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Implement energy efficiency retrofits in a well-planned manner● Appropriate examination of cost-effectiveness of energy efficiency retrofits	
			Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Acquire properties based on price evaluation considering environmental performance● Acquire properties with excellent environmental performance by leveraging sponsor pipelines	
	Technology	Dissemination of new technologies related to environmental performance	Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Implement retrofits in a well-planned manner● Appropriate verification of cost-effectiveness of renovations	
		Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Acquire properties based on price evaluation considering environmental performance● Acquire properties with excellent environmental performance by leveraging sponsor pipelines		
	Market	Changes in environmental performance values in financing	Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Build a portfolio with superior energy efficiency performance● Introduce renewable energy● Acquire environmental certifications, etc. to good effect	
		Change in tenants' needs for environmental performance	Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Build a portfolio with superior environmental performance● Introduce renewable energy● Acquire environmental certifications, etc. to good effect	
	Reputation	Decrease in corporate (brand) value due to delayed response to climate change	Minor	Minor	Moderate	Moderate	<ul style="list-style-type: none">● Build a portfolio with superior environmental performance● Introduce renewable energy● Acquire environmental certifications, etc. to good effect	

Category		Principal risks and opportunities	Factors that may affect business and financial performance	Financial impact				Risk management, countermeasures, initiatives
				4℃ Scenario		1.5℃ Scenario		
				Mid-term 2030	Long-term 2050	Mid-term 2030	Long-term 2050	
Physical Risks	Acute	Increase in the severity of extreme weather (Typhoons, floods, and heavy rains)	Increase in costs of countermeasures	Moderate	Major	Moderate	Moderate	●Cost-effective, appropriate and systematic implementation of countermeasure works
			Decrease in operating revenue at the time of damage	Moderate	Major	Moderate	Moderate	●Reduce the impact of the disaster through systematic implementation of countermeasure works ●Reduce the impact of the disaster by encouraging evacuation drills
			Incurring recovery costs when damage occurs	Moderate	Major	Moderate	Moderate	●Reduce the impact of disaster through systematic implementation of countermeasure works ●Appropriate property insurance coverage
	Chronic	Rising sea levels	Increase in costs of countermeasures	Moderate	Major	Minor	Moderate	●Grasp inundation risks using flood maps ●Cost-effective, appropriate and systematic implementation of countermeasure works
		Rising average temperatures	Increase in costs due to increased air-conditioning load	Moderate	Moderate	Minor	Moderate	●Install air-conditioning equipment with excellent energy efficiency performance
Opportunities	Resource Efficiency	Installation of high efficiency facilities	Reduction of utility costs	Minor	Minor	Moderate	Moderate	●Install or replace with high-efficiency facilities
	Products and Services	Appealing to tenants and occupants by providing low emission facilities and services	Increase in income from attracting tenants/occupants	Minor	Minor	Moderate	Major	●Build a portfolio with superior energy efficiency performance ●Introduce renewable energy ●Acquire environmental certifications, etc. to good effect
	Markets	Continuous offering of rental properties that meet the changing preferences of tenants and occupants Development of new customer base	Increase in income from attracting tenants/occupants	Minor	Minor	Moderate	Major	●Build a portfolio with superior energy-saving performance ●Introduce renewable energy ●Acquire environmental certifications, etc. to good effect
		Development of new investor base	Increase in the amount of financing and decrease in financing costs by responding and appealing to investors who place importance on addressing climate change issues	Minor	Moderate	Moderate	Moderate	●Leverage green finance
	Resilience	Improvement of adaptability to climate-related risks by improving disaster prevention performance	Improvement of resilience to natural disasters by improving disaster prevention performance	Minor	Moderate	Moderate	Moderate	●Implement renovations for disaster prevention

● Transition risks

In order to achieve the Paris Agreement and the Glasgow Climate Pact's non-binding target of limiting the global average temperature increase to 1.5°C compared with pre-industrial levels, as well as Japan's "carbon neutrality by 2050," curbing greenhouse gas emissions is an urgent issue.

NBF has made the following efforts assuming that the transition to a decarbonized society will strengthen policies and regulations, accelerate innovation, change the behavior of all parties in the office leasing business, and such.

①Reduction of GHG emissions

NBF has set a goal of "reducing energy-derived CO₂ emissions by 46% or more by 2030 (compared with 2013 levels)," and is working to promote LED lighting and introduce high-efficient equipment based on energy-saving renovation plans for the properties it owns. In addition, there are 13 properties (approximately 18% of the portfolio based on the number of properties as of the end of December 2022) that are subject to the total volume control (Tokyo Cap-and-Trade Program), which imposes the reduction of GHG emissions from large-scale business facilities in Tokyo, and NBF is considering and promoting plans to achieve above-mandatory levels of an average of 27% reduction by 2024 and of 35% reduction between 2024 and 2029.

②Introduction of electricity derived from renewable energy sources

By promoting the greening of electricity used in common and tenant areas of its owned properties, NBF aims to reduce GHG emissions from the properties it owns as well as meet the needs of its corporate tenants for purchasing green electricity.

● Physical risks

Climate change is causing average temperatures and sea levels to rise around the world, and damage from rising average temperatures, heavy rainfall, typhoons, etc. has been observed in Japan as well. With the progression of global warming, the risk of natural disasters becoming more severe is expected to further increase in the future. NBF is taking the following measures to mitigate the risks of the properties it owns, after regularly assessing disaster risks.

①Systematic implementation of building and facility improvements

NBF is installing and improving flood barriers based on a flood countermeasure plan formulated after analyzing flood risks using flood hazard maps. In addition, we are systematically updating and enhancing emergency power generators.



Installation of flood barriers
(NBF Higashi-Ginza Square)



Inspection/update of emergency
power generator
(NBF Takanawa Building)



Installation of an additional
emergency power generator
(NBF Shibuya Garden Front)

②Preparing for possible disasters

In order to improve resilience, NBF is strengthening its BCP system, placing disaster prevention stockpiles and conducting disaster drills.

NBF has established an advanced emergency communication system with NBF Office Management Ltd., which manages operation of the properties, to quickly identify the extent of the damage.

● Opportunities

The Paris Agreement has triggered a movement to embrace decarbonization as an opportunity for corporate management (decarbonization management), and NBF believes that efforts to mitigate climate change and adapt to change will contribute to the creation of new business opportunities. NBF is undertaking the following initiatives at its owned properties to mitigate and adapt to climate change.

①Acquisition of Green Building Certification

Against the backdrop of growing preferences for environmental performance upon leasing offices, NBF is promoting acquisition of green building certification as it views third-party certification regarding the specifications and various initiatives of its owned properties as added value, and aims for a 100% acquisition rate.

②Procurement of Green Finance

NBF uses green finance, a method of procuring funds specifically for initiatives that have a positive effect on the environment, such as reducing greenhouse gas emissions and investing in renewable energy, and aims to procure more than 10 billion yen annually.

Risk Management

NBFM's processes for managing climate change-related risks pertaining to NBF's real estate investment management business are as follows.

Process for identifying and assessing risks and opportunities

Key risks and opportunities related to climate-related issues are discussed at least once every three months at the ESG Promotion Committee.

Processes for managing risk

The President & CEO, who has the highest responsibility for climate-related issues, instructs the Strategy Planning and ESG Promotion Department to discuss countermeasures for risks identified and assessed at the ESG Promotion Committee at least once every three months. Based on the results of the discussion of countermeasures and their implementation status reported, the Strategy Planning and ESG Promotion Department conducts monitoring (e.g., checking the implementation status against GHG reduction targets, analyzing the reasons for increases or decreases, and considering necessary countermeasures).

Integration into a company-wide risk management program

Climate change-related risks are integrated into the multi-disciplinary company-wide comprehensive risk management process in the same way as other business risks, and are discussed at least once every three months at the Risk Management Meeting.

Please click [here](#) for an explanation of the ESG Promotion Committee and the Strategy Planning and ESG Promotion Department.

Metrics and Targets

Please refer to the "[Materiality](#)" page for the KPIs and targets that NBF has set in relation to climate change issues for its real estate investment management business (the relevant indicators are "GHG emissions", "CO₂ emissions intensity", "green building certification coverage" and "procurement of green finance"). Please refer to the following pages for the actual results of each indicator.

- GHG emissions: [Environmental Performance](#)
- CO₂ emissions intensity: [Environmental Performance](#)
- Green building certification coverage: [Utilization of Green Building Certification](#)
- Procurement of green finance: [Green Finance](#)

Green Finance

Green Finance Initiatives

NBF has established a green finance framework with an aim to obtain more than 10 billion yen 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 Finance and Accounting Department of 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 March 31, 2023

Total acquisition price of Eligible Green Assets	1,406.7 billion yen
Amount of green eligible debt	1,406.7 billion yen
Outstanding balance of green finance	57.0 billion yen

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

Green finance	57.0 billion yen
Green bonds (GB)	5.0 billion yen
Green loans (GL)	52.0 billion yen

Green Finance Overview*1

as of March 31, 2023

Year	Amount of money	Procurement*2	Fund appropriation target
2021	5.0 billion yen	Green Bond	Osaki Bright Tower, Nagoya Mitsui Main Bldg. and Nagoya Mitsui New Bldg.
2022	35.0 billion yen	Green Loan	IIDABASHI GRAND BLOOM (Additional Acquisition), Toyosu Bayside Cross Tower
2023	17.0 billion yen	Green Loan	IIDABASHI GRAND BLOOM (Additional Acquisition), Toyosu Bayside Cross Tower (Additional Acquisition)
Total	57.0 billion yen	-	-

*1 We have obtained a second-party opinion from Sustainalytics, an ESG assessment firm, regarding our eligibility for the Green Finance Framework.

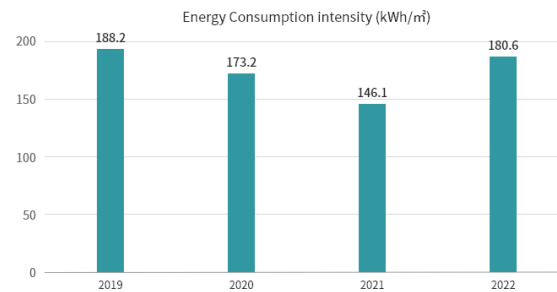
*2 Individual finance information can be found on the website (https://www.nbf-m.com/nbf_e/financial/borrowings.html).

Environmental Performance

Energy consumption

Actual results

Item	2019	2020	2021	2022
Total energy consumption (thousand kWh)	428,961	396,465※1	426,911※2	446,499※3
Fuel consumption (thousand kWh)	76,865	71,367	65,615	71,212※3
Electricity consumption (thousand kWh)	296,704	275,079	283,858	290,881※3
Other heat consumption (thousand kWh)	55,361	49,988	77,384	84,348※3
Renewable energy self-consumption (thousand kWh)	31	31	54	59※3
Energy consumption intensity (kWh/m ²)	188.2	173.2	146.1	180.6
Non-fossil fuel certificate utilization (thousand kWh)	-	-	4,920	13,975



Greenhouse gas emissions

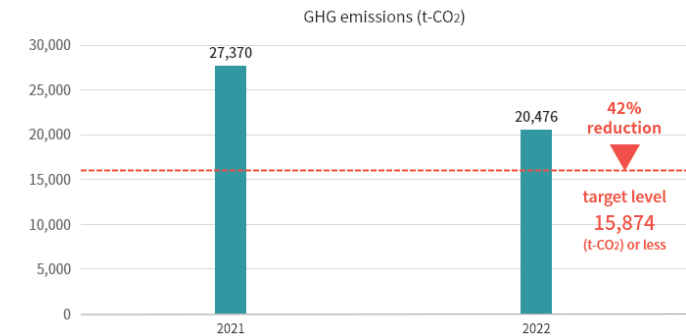
KPI

Item	Target by 2030
GHG emissions (Scope 1 and 2)	42% reduction (Base year 2021)

Actual results

Item	2021	2022
GHG emissions (Scope 1 and 2) (t-CO ₂)	27,370	20,476
Reduction rate of total amount (Comparison with base year)	-	25.2%

*In 2022, The Scope classification has been changed. Therefore, the figures for 2021 are different from those in the table below.



KPI

Item	Target by 2030
CO ₂ emission intensity	46% reduction (Base year 2013)

Actual results

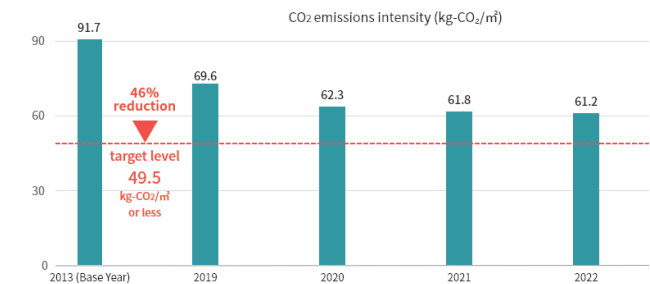
Item		2019	2020	2021	2022
Total CO ₂ emissions (t-CO ₂): before deduction of Non-fossil fuel certificate	A	158,711	142,583※1	150,079※2	157,713※3
Scope1 emissions (t-CO ₂)	①	13,858	12,902	11,756	4,819※3
Scope2 emissions (t-CO ₂): before deduction of Non-fossil fuel certificate	②a	144,852	129,680	138,323	20,942※3
Scope2 Non-fossil fuel certificate utilization (t-CO ₂)	②b	-	-	-	5,285※3
Scope2 emissions (t-CO ₂): after deduction of Non-fossil fuel certificate	②c	-	-	-	15,658※3
Scope3(category13) emissions: before deduction of Non-fossil fuel certificate (t-CO ₂)	③a	-	-	-	131,952※3
Scope3 Non-fossil fuel certificate utilization (t-CO ₂)	③b	-	-	-	944※3
Scope3 (category13)emissions (t-CO ₂): after deduction of Non-fossil fuel certificate	③c	-	-	-	131,008※3
Total Scope2,3 Non-fossil fuel certificate utilization (t-CO ₂)	B = ②b + ③b	-	-	2,179	6,228※3
CO ₂ emissions (t-CO ₂): after deduction of Non-fossil fuel certificate	C = A-B	158,711	142,583	147,900	151,484※3
CO ₂ emissions intensity (kg-CO ₂ /m ²)*		69.6	62.3	61.8	61.2
Reduction rate of intensity (Comparison with base year)		24.1%	32.1%	32.6%	33.3%

From 2022, the definitions of Scope 1, 2, and 3 have been changed as follows.

Scope 1: CO₂ emissions associated with the use of fuel (city gas, bunker A, diesel oil) in properties excluding tenant-managed properties ("owner-managed properties").

Scope 2: CO₂ emissions from the use of purchased electricity and heat (Electricity, cool water, warm water, steam, other hot water) in owner-managed properties. Emissions calculated based on tenants' energy consumption using the total floor area and tenants' exclusive area ("tenants' energy-derived CO₂ emissions") are excluded from the calculation.

Scope 3: CO₂ emissions from tenant energy consumption. For owner-managed properties, the total floor area and exclusive area for tenants are used to calculate tenant energy-derived CO₂ emissions.



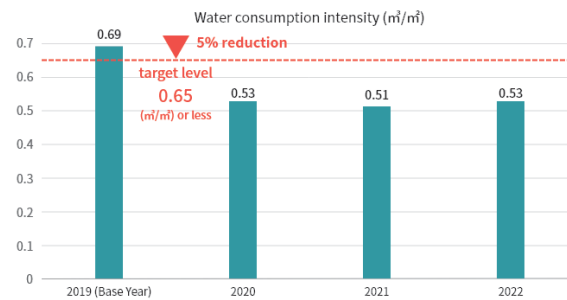
Water consumption

KPI

Item	Target by 2030
Water consumption intensity	5% reduction (Base year 2019)

Actual results

Item	2019	2020	2021	2022
Total water consumption (thousand m):A+B	1,752	1,363※1	1,360※2	1,478※3
Purchased water consumption (thousand m):A	1,571	1,209	1,219	1,305※3
Other water consumption (thousand m):B	181	154	141	173※3
Water consumption intensity (m ³ /m ²): Subject to A	0.69	0.53	0.51	0.53
Reduction rate of intensity (Comparison with base year)	-	23.2%	26.5%	23.5%



Waste emissions

KPI

Item	Target by 2030
Waste recycling rate	65%

Actual results

Item	2019	2020	2021	2022
Total waste emissions (t)	10,146	8,015	9,462	9,888
General waste emissions (t)	7,709	6,076	7,816	7,903
Industrial waste emissions (t)	2,438	1,939※1	1,646※2	1,985※3
Ratio by method of waste disposal				
Land filling	6.2%	8.0%	3.9%	3.3%
Incineration	28.9%	29.6%	30.2%	31.6%
Recycling	64.9%	62.5%	62.6%	63.7%



※1 We have received the independent practitioner's assurance from Deloitte Tohmatsu Sustainability Co., Ltd. for "[Nippon Building Fund Inc. 2020 Environmental Performance](#)".

※2 We have received the independent practitioner's assurance from Deloitte Tohmatsu Sustainability Co., Ltd. for "[Nippon Building Fund Inc. 2021 Environmental Performance](#)".

※3 We have received the independent practitioner's assurance from Deloitte Tohmatsu Sustainability Co., Ltd. for "[Nippon Building Fund Inc. 2022 Environmental Performance](#)".

Notes on the Above Performance

1. Scope of data calculation

- In principle, all properties owned by Nippon Building Fund Inc. (NBF) during the period from January 1 to December 31, 2022 are covered. Except as follows, above data consists of total consumption/emissions from common-use areas and tenants' exclusive areas in each property and conversion to equity is not performed.
- NBF Shinagawa Tower partly owned by NBF is a part of the property including Shinagawa Grand Central Tower, but that is excluded from the calculation.
- Parale Mitsui Building consists of an administrative service wing partly owned by NBF, a residential wing, a retail stores wing and a parking wing, but the data is compiled for the entire building.
- Properties with exclusive ownership areas holding 25% or less than 25% (GranTokyo South Tower, Panasonic Tokyo Shiodome Bldg, Osaki Bright Tower, Toyosu Bayside Cross Tower) are calculated for equity held by NBF.
- Regarding gas consumption, some data such as amount of city gas consumption, contracted directly by tenants, which is difficult to calculate, is excluded.

2. Calculation period

Calculation period: January 1st through December 31st 2022

3. Calculation method

① Energy consumption

Energy consumption = Σ (consumption by energy type \times heating value conversion factor \times conversion rate for electricity)

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

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

② Greenhouse gas emissions

Scope of greenhouse gas: Energy origin CO₂

Energy origin CO₂ emissions = Σ (energy consumption \times CO₂ emission factor)

The CO₂ emission 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 definitions of Scope 1, 2, and 3 are as follows.

Scope 1: CO₂ emissions associated with the use of fuel (city gas, bunker A, diesel oil) in properties excluding tenant-managed properties ("owner-managed properties").

Scope 2: CO₂ emissions from the use of purchased electricity and heat (Electricity, cool water, warm water, steam, other hot water) in owner-managed properties. Emissions calculated based on tenants' energy consumption using the total floor area and tenants' exclusive area ("tenants' energy-derived CO₂ emissions") are excluded from the calculation.

Scope 3: CO₂ emissions from tenant energy consumption. For owner-managed properties, the total floor area and exclusive area for tenants are used to calculate tenant energy-derived CO₂ emissions.

※Non-fossil fuel certificate

NBF has been sourcing its real CO₂-free electricity together with a non-fossil fuel certificate.

③ Water consumption

Total water consumption = Σ (Purchased water consumption*¹ + Other water consumption*²)

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

*²Other water consists of water recycled inside the property, grand water, 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"

⑤ Intensity figures

Each intensity figure = Total consumption of each / Floor space

Floor space is the space confirmed when constructing.

The data was calculated from properties held by NBF. 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 vacancy rate [%]

Calculations of energy consumption intensity and CO₂ emission intensity are based on the energy consumption and CO₂ emissions that reflect the non-fossil fuel certificate utilization.

※Some variance come from rounding off.

Social Initiatives

Initiatives for Local Communities

In its relationship with local communities, NBF conducts investment management with an awareness of contributing to urban development (revitalizing local economies, creating jobs, etc.), revitalizing local communities, supporting the environment, medicine and health, and improving disaster resilience, and holds a policy to engage with local communities to achieve these goals. Please see below for specific processes and initiatives.

Contribution to local community development (investment in urban redevelopment projects)

When investing in projects involving urban redevelopment, NBF includes factors such as economic revitalization and job creation in the target area, creation of a lively community, utilization of culture and history, and improvement of safety and well-being in its investment management decisions. Therefore, when considering investments, it conducts due diligence that incorporates the stability and future potential of the area, as well as the environment and geology, and through a rigorous screening process, it strives to realize investments that meet the above policies. The following are some examples.

IIDABASHI GRAND BLOOM: Urban Development Project

- IIDABASHI GRAND BLOOM (an office/retail building with 30 floors above ground and 2 below), together with the adjacent residential building (40 floors above ground, 2 below) and church building (3 floors above ground), is called "Iidabashi Sakura Park," and was redeveloped by Mitsui Fudosan Co., Ltd. (NBF's sponsor) and others as the Iidabashi Station West District Urban Redevelopment Project. It was completed in 2014.
- The retail zone, "Iidabashi Sakura Terrace," has restaurants and cafes, a supermarket, a post office, a pharmacy, and other stores that meet the needs of office workers and local residents, with a focus on food and beverage.
- The building is equipped with the latest BCP specifications to strengthen local disaster preparedness, and as a landmark, it takes advantage of the rich natural and historical environment in the urban area to contribute to creating a safe, secure, comfortable, lively, and attractive area in front of the station.



Gate City Ohsaki: Complex Redevelopment Project

- Gate City Ohsaki, directly connected to Osaki Station by pedestrian walkway, was completed in 1999 as part of the Osaki Station East District Second Urban Redevelopment Project. It is a large-scale, redeveloped complex with a concentration of various urban functions, consisting of the West and East Towers (office buildings), retail facilities mainly containing restaurants, and cultural facilities such as rental halls and rental rooms.
- Since its completion, NBF has been working to revitalize the facility and the local community by adopting the town management concept, holding various events such as atrium concerts in the open space, and holding various cultural seminars for office workers, promoting the creation of a lively and energetic area as a sectional owner (since 2006).



Toranomon Kotohira Tower: Project to Preserve a Tokyo Metropolitan Government Selected Historical Building (Kotohiragu) and Harmonize with the Shrine Grounds and Approach

- Toranomon Kotohira Tower, completed in 2004, was developed to preserve Kotohiragu, selected as a historical building by the Tokyo Metropolitan Government, which is located on the property, and to harmonize with Kotohiragu's space, including its shrine office and approach way.
- Indispensable to the local community and visitors, the building utilizes a "comprehensive design system" (a system that relaxes floor-area ratio, etc.) to make effective use of the surplus area.

Nishi-Shinjuku Mitsui Bldg.: Urban Redevelopment Project

- Nishi-Shinjuku Mitsui Bldg. (completed in 1999), an office building, and a residential building comprise this complex development, which was developed as an urban redevelopment project covering an area of approximately 1.4 ha. The project aims to harmonize the residences and business facilities and create a people-friendly and safety-conscious community by utilizing open spaces to make green areas and securing pedestrian spaces.

Investment in conveniently located properties and promotion of accessibility and universal design

NBF places importance on access to public transportation when investing in real estate. In addition, NBF implements renovations that remove barriers and actively incorporate universal design as part of its commitment to inclusiveness, to ensure safe and comfortable use for office workers and the diverse range of people who visit the offices. NBF aims to provide facilities that are comfortable for all users.



Community revitalization initiatives

- At IIDABASHI GRAND BLOOM and Toranomon Kotohira Tower, NBF cooperates in community revitalization by sponsoring local festivals.
- At Nakanoshima Mitsui Bldg., NBF is participating in "Mission Uchimizu," a water-sprinkling campaign in cooperation with Osaka City and other buildings to combat the heat island effect.



- NBF tenanted "WORKSTYLING" a shared office and rental office business, in about 10 properties. By providing high-grade unrestricted workspaces in favorable locations, NBF revitalizes local communities by meeting the new workplace needs of people with diverse work styles.
- Toyosu Bayside Cross Tower and IIDABASHI GRAND BLOOM offer "31 Builedge," a lineup of rental meeting rooms for lectures, seminars, and meetings based on the concept of "meeting rooms that connect people."

Support for the local environment, medical care, and health

NBF cooperates with and contributes to communities by recruiting tenants that match each area's characteristics and implementing various initiatives.

- (1) Medical facilities
Yotsuya Medical Bldg. has tenanted a medical facility (Yotsuya Medical Mall) to support the health of the local community.
- (2) Childcare facilities
Toyosu Canal Front contains a daycare center as a tenant, contributing to work-life balance of residents in the neighborhood.
- (3) Bike share
Shinjuku Mitsui Bldg. No.2 and Toyosu Canal Front provide a bike-share service (approx. 30 bikes) in consideration of effective use of excess bicycle parking space, improvement of tenant convenience and environmental friendliness.
- (4) Efforts to improve urban living environment
Kowa Nishi-Shinbashi Bldg. B has undergone a major renovation of its rental residential units to improve the urban living environment.

Community contribution in times of disaster

- (1) Refuge for stranded commuters in a disaster
IIDABASHI GRAND BLOOM, Toyosu Bayside Cross Tower, and Ueno East Tower provide space to shelter stranded commuters in the event of a disaster.



- (2) Preparation of emergency stockpile storehouses
Roppongi T-CUBE, Celestine Shiba Mitsui Bldg., Shiba NBF Tower, Ueno East Tower, and IIDABASHI GRAND BLOOM rent out parts of the buildings as storehouses for emergency stockpile free of charge in accordance with local disaster prevention plans, and store materials necessary at a time of disaster.



- (3) Preparation of emergency disaster wells and emergency toilets
IIDABASHI GRAND BLOOM is equipped with an emergency well that can supply drinking water to tenant companies, local residents, and stranded commuters, as well as emergency manhole toilets to support the community in the event of a disaster.

Initiatives for Tenants

Recognizing the importance of providing safe, secure, and comfortable environments for its tenants and enhancing customer satisfaction, NBF works diligently to resolve and improve various issues identified through daily management and customer satisfaction surveys. In this way, in addition to providing comfortable facilities, NBF improves the quality of tenant services by offering various events and other intangible services.

Customer satisfaction surveys

Together with its exclusive property management company NBF Office Management Co., Ltd., NBF conducts annual 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.

FY 2022 CS Survey on Operation and Management Services in Office Properties

- Survey subjects: Tenant Survey at 47 buildings (excluding master-leased and other properties)
Office Worker Survey at 47 buildings (excluding master-leased and other properties)
- Number distributed: 627 tenant companies (response rate: 90%)
5,062 office workers (response rate: 77%)
- Survey period: September-October 2022
- 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 property; Tenants' needs; etc.

Examples of actions taken

- Shinjuku Mitsui Bldg. No.2: New establishment of B1F lounge for tenant workers, renewal of common space.



Events with tenant participation

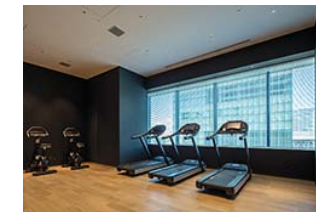
Non-contact events such as a photo contest, Tanabata decorations, and ema (votive wooden plaques) events were held.

In addition, NBF held an "Utauma Festival," a karaoke contest with video submissions, for the tenants of 46 properties, in which 174 people working in the buildings participated.



Shared facilities and services for tenants

- In the "CUIMOTTE" space of Nakanoshima Mitsui Building, individuals working in the building can spend their time eating, working, and connecting in a way that suits them best. The space is designed with the concept of a new workspace centered around food and provides meeting spaces, events, and opportunities for people to meet each other.
- At Toyosu Bayside Cross Tower, "+C (+Cross)" space has been installed in the common areas to enhance productivity and efficiency. Along with rental meeting rooms, the space boasts a range of other amenities, including a mini fitness gym, shower rooms, and a lounge. Additionally, it offers various spaces tailored to different work styles beyond just desk work, including concentration booths to improve focus and refresh rooms to promote relaxation.



Collaboration with Business Partners

Supply chain management

NBFM promotes ESG initiatives based on the guidelines set forth by its main sponsor, Mitsui Fudosan Co., Ltd.

The Mitsui Fudosan Group recognizes that it has an obligation to fulfill its social responsibilities at a higher level as a corporate group that supports the infrastructure of daily life, such as offices. To that end, it believes that the entire supply chain should be involved in promoting sustainable procurement that contributes to solving ESG issues.

Mitsui Fudosan Group Sustainable Procurement Standards

The Mitsui Fudosan Group has established basic guidelines that both the Group and its business partners should comply with or actively promote, including: 1. compliance with laws and regulations; 2. respect for human rights in business activities; 3. respect for human rights related to labor; 4. safe and healthy working environment; 5. establishment of business ethics; 6. ensuring quality; 7. consideration for the environment; 8. information security; and 9. crisis management and business continuity plan.

Engagement with office manager

NBF and NBF Office Management Co., Ltd. have established an elaborate system of collaboration and engagement to promote ESG-related operations. At the bi-weekly ESG meetings, they discuss initiatives to reduce environmental impact, check the progress of environmental data, and promote timely and accurate operations based on the shared policies.

NBFM's Initiatives for Social Contribution Activities

- As part of community contribution activities, employees participated in the "Bridge Washing" at the famous Nihonbashi Bridge, and the Fukutoku Shrine Jinkosai Festival.
- NBFM has made donations to the Japan Committee for UNICEF since 2022 according to the total number of employees who walked 8,000 steps per day during a walking event in order to help children learn and grow healthily and protect their birthrights with provision of educational opportunities and donations.



Initiatives for NBFM Employees

Human Resources Management

Initiative Policy

At NBFM, human resources are the company's most important asset. Recognizing that they are indispensable to the sustained development of the business and organization, we have established a human resources vision and strive to secure and develop specialized personnel with extensive expertise in real estate and finance and leadership personnel with management capabilities that will improve the organization's productivity.

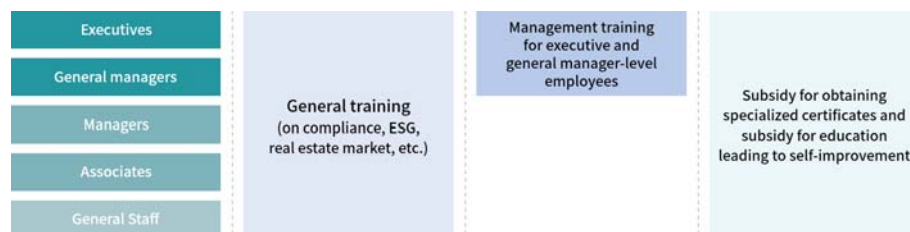
Human resources vision

To support the continued growth of the organization which we aim to be, the employees will remain committed to results and continue striving to achieve growth, while the company will provide a venue that fosters growth and reward results appropriately.

Initiatives System

Based on changes in business conditions and organizational status, NBFM recruits new personnel as needed to secure suitable human resources in a timely manner. Furthermore, we have introduced a system that supports the acquisition of specialized qualifications (certificate acquisition support program; available to all employees), such as ARES Certified Master or Certified Building Administrator, and a system (training support program) that bears the cost of attending seminars, workshops, or lectures that will lead to self-improvement, as long as it falls within the annual budget stipulated for each employee, so that they may tackle matters with diverse perspectives and sensibilities and propose highly creative ideas. Along with training for general manager-level personnel that contributes to their evaluation skills and expertise, we provide access to suitable training and education opportunities aligned with employees' career paths and focus on cultivating cross-sectoral human resources and leadership personnel with broad perspectives, opinions, and ideas that are not limited to a particular industry or field.

Internal Training & Education System



The number of employees with certificates is shown below (including employees seconded from sponsors, etc.).

Certificates	The number of employees
ARES Certified Master	18
Real estate notary	27
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	8

* As of January 31, 2023

Training Details

Training in Specialized Fields

For the purpose of periodically updating the basic knowledge needed for asset management, we regularly invite external lecturers to conduct training on current economic environment and real estate market conditions, changes to asset management-related laws and regulations, etc. Furthermore, we hold weekly information exchange sessions for employees and executives to share updates on the condition of the real estate market surrounding the REIT market and various financial sectors in real time.

Training Track Details

	FY2020	FY2021	FY2022
Sustainability training	1	0	6
Training for general manager-level employees and above	0	2	2
Real estate market training	3	5	8
Compliance training	8	13	14
Human rights training (LGBT, harassment, etc.)	1	1	2
Other training (IT training, etc.)	-	1	2
English training	Interested employees	Interested employees	Interested employees

Training participation in 2020, 2021, and 2022 is as shown below.

Training Participation

	Average hours per an employee	Average days per an employee
FY2020	-	-
FY2021	15 hours	19 days
FY2022	13 hours	16 days

Human Resources seconded from Sponsors

As part of our human resources strategy, NBFM receives highly specialized human resources with diverse backgrounds from our multiple sponsors, with the aim of achieving qualitative improvement in our operational expertise and implementing high-quality asset management through leveraging their expert capabilities.

Number of People (Employees) seconded 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 March 31, 2023

Furthermore, management-level personnel seconded from our sponsors Mitsui Fudosan Co., Ltd. and Sumitomo Life Insurance Company possess both specialized knowledge and organizational management skills due to the human resources training systems at their original companies, and by continuing to attend training programs at those companies, they make contributions in terms of both asset management and making the organization more dynamic.

Conducting Regular Career Conversations

NBFM regularly conducts career conversations with employees. In the case of direct-hire employees, regular career conversations are held with their supervisor and a director or the like. This provides them with an opportunity to discuss in detail their career development and plan for upgrading their skills (taking training, etc.), receive feedback on their performance, and make requests to the company at a frequency of at least once every six months.

We have established a transparent system for setting targets and providing evaluation feedback through open communication between supervisors and subordinates, including conducting interviews at the start of the fiscal period (setting targets), mid-period conversations (checking progress and giving advice), and period-end conversations (giving feedback on evaluation results).

	Rate of interviews with directors(All employees)
FY2020 results	100% (27 out of 27)
FY2021 results	100% (22 out of 22)
FY2022 results	100% (21 out of 21)

Health and Safety

Initiatives Policy

Recognizing that human resources are the company's most important asset, we believe that creating a comfortable work environment and organization that will help promote the mental and physical health of all employees is an essential management issue.

Based on this approach, we meet regulatory standards in all our health and safety initiatives, such as promoting work-life balance, employee health, labor management, and risk management, as well as strive to create a work environment that enables all employees to continue working with peace of mind while improving their mental and physical health, including introducing a staggered working hours system and setting recommended paid vacation days.

Developing the Office Environment

With the relocation of our office in September 2019, we created workspaces that focus on employee comfort.

- Expansion of common space
- Workspaces that focus on employee comfort

Concentration Booth



Office space/free space



*In April 2023, we converted the break area into an office space/free space and made changes to the layout that will further promote and enhance communication and foster synergy among employees.

Benefits and Work-Life Balance

As part of our efforts to create work environments that enable employees to continue working with peace of mind, we have established the following benefit programs in addition to promoting diverse work styles.

Examples

<Relating to Childbirth, Childcare, and Family Care>

- Vacation, leave, and shortened work hours program for childcare (all employees)
- Vacation, leave, and shortened work hours program for family care (all employees)
- Enhanced support for employees balancing work with childcare, including establishing paid maternity leave and extending childcare leave period (all employees)
Maternity/childcare leave usage rate: 100%

<Vacation-Related>

- Promoting taking paid vacation time (all employees)
Paid vacation usage rate: 77.7% in FY2022
- Special summer vacation or consecutive vacation days (all employees)

<Initiatives Targeting Employee Health>

- Medical examination cost subsidy program (all direct-hire employees)
- Conducting antigen tests for those who are interested (all employees)
- Participating in events aimed at maintaining/improving health (all employees, including those on temporary assignment)
- Influenza vaccination cost subsidy program (all employees)

<Initiatives Targeting Work Style>

- Provision of satellite offices (all employees)

<Other>

- Collaboration with companies providing benefit services (all employees, including those on temporary assignment)
- Volunteer activities during working hours (all employees)
- Defined contribution pension plan intended to support life planning (all employees)
- Implementing base-pay increase in FY2023 (all employees)

Employee Stock Purchase Plan

We have established an Employee Stock Purchase Plan that enables direct-hire employees to acquire NBF investment units. Due to this system, it is anticipated that employees will be more focused on improving the company's performance, which we believe will contribute to the continued growth of NBF and improve value for investors. Furthermore, we provide financial incentives to employees who use the system, with the aim of enhancing employee benefits.introducing programs

Employee Satisfaction Survey

As part of our efforts to establish excellent relations between employees and the company, we conduct an employee satisfaction survey each year to verify how fulfilling their assigned duties are, how satisfied they are with the work environment, and their preferences with regard to introducing programs at the company (response rate: 100%). Based on the survey results, we strive to develop a better work environment.

Example Initiatives

- Expanding the scope of the training support program
- Enhancing support for employees balancing work with childcare, including establishing paid maternity leave and extending the childcare leave period, etc.

Respecting Human Rights and Diversity, Equity & Inclusion

Initiatives Policy Respecting Human Rights

In addition to respecting basic human rights, Mitsui Fudosan Group complies with laws and regulations concerning workers' rights in the various countries where it conducts its business activities. Furthermore, it supports and respects the basic labor rights stipulated in the ILO Declaration on Fundamental Principles and Rights at Work. The Group complies with the laws and regulations that apply in the different countries and regions where it conducts its business activities. In accordance with the provisions of the UN Guiding Principles on Business and Human Rights, it also promotes human rights due diligence in its supply chain.

1. Policy Prohibiting Discrimination
We will eliminate all discrimination on the grounds of race, nationality, religion, gender, age, disability, or sexual orientation.
2. Policy Prohibiting Harassment
We will not tolerate any form of harassment, including sexual harassment or abuse of power.
3. Policy to Prevent Child Labor or Forced Labor
We will not permit child labor or forced labor. The Group has never used child or forced labor. To ensure that none is used in the future, we ensure that each business location complies thoroughly with the laws and regulations of its host country and conduct regular monitoring. In the unlikely event that such a violation is suspected to have occurred, we have also established a whistle-blower contact point that employees can report to.
4. Policy to support Freedom of Association and the Right to Collective Bargaining
We respect freedom of association and the right to collective bargaining.
5. Policy Supporting Rights to a Minimum Wage and Living wage
Mitsui Fudosan Group conducts labor management while abiding by the labor laws and regulations of each country. In terms of wages, we have adopted a basic policy of not only following rules on minimum wages in each country, but also paying wages that exceed those requirements.

6. Principles and Procedures for Community Investment

The Group carries out business activities that do not infringe on human rights, either inside or outside Japan, by ensuring respect for the human rights of all stakeholders, including local residents and children. Through neighborhood creation, we are striving to form communities and create opportunities for interaction between diverse human resources, ultimately leading to new markets and employment. In this way, we offer various forms of value to the communities where we conduct business. By participating in and funding area management organizations, we invest in local communities, and work to increase the value of real estate.

Referring to international norms relating to human rights, such as the Universal Declaration of Human Rights, NBF and NBFM seek to identify any negative impacts of their business activities on the human rights of various people, including foreign residents and indigenous peoples, in advance and take steps to prevent or improve them with the aim of thoroughly promoting our business considering human rights.

In addition to complying with the relevant laws and regulations, NBF and NBFM support and respect the basic labor rights stipulated in the ILO Declaration on Fundamental Principles and Rights at Work.

1. Effective approval of freedom of association and collective bargaining rights
2. Prohibition of forced labor
3. Prohibition of child labor and consideration for young workers
4. Prohibition of discrimination in hiring
5. Prohibition of abuse and harassment
6. Appropriate wages and benefits
7. Appropriate working hours, holidays, and vacation time

Based on the above policy, NBF and NBFM have established a Compliance Manual, and seek to impart the human rights-related policies to all employees, including those on temporary assignment, through activities such as compliance training.

- Freedom of association and collective bargaining rights: NBF and NBFM support and respect freedom of association and collective bargaining rights.
- Prohibition of discrimination, harassment, and other inappropriate behavior in the workplace: NBF and NBFM prohibit discrimination and inappropriate behavior for any reason unrelated to one's position in the business, including on the basis of race, nationality, birthplace, religion, belief, gender, age, disability, sexual orientation, gender identity, education, marital status, and employment type. Furthermore, we do not tolerate abuse of any kind in the workplace, including sexual harassment and power harassment.
- Prohibition of child labor and forced labor: There has never been any child labor or forced labor at NBF or NBFM. Furthermore, a contact point has been established for reporting concerns if a potential violation is discovered.

Promoting Diversity, Equity, & Inclusion

NBFM pursues various diversity, equity & inclusion initiatives to enable a wide range of human resources to display their individual skills.

1. Promoting female participation (female employee rate)

FY2019	⇒	FY2022
13.3%		43.4%

2. Wide age range

FY2019	⇒	FY2022
20s – 30s: 42%		42%
40s – 50s: 54%		52%
60s: 4%		6%

3. Continued employment system (promoting participation of employees above retirement age)

We have created a system for continuing to employ interested employees above the designated retirement age until they reach the age of 65, with the aim of drawing on the extensive specialized skills and management capabilities that they have accumulated to date to train younger employees and maintain and improve the vitality of the business. The continuous employment system enables participants to use the same leave program, flex-time program, etc. as regular employees.

Dealing with Harassment

In its internal regulations such as the Compliance Manual and Regulations on the Prohibition of Harassment, NBFM prohibits all employees from harassing others for reasons such as nationality, gender, age, pregnancy, childbirth, etc. or engaging in actions that could potentially lead to harassment. Furthermore, we conduct regular training.

Training Examples

- Training for all employees, including management, on methods of dealing with discrimination and harassment when they occur.
- Training on types of discrimination and harassment (power harassment, sexual harassment, maternity harassment), examples of language and behavior that constitute harassment, and methods for dealing with discrimination and harassment when subject to them (whistleblowing, prohibition of adverse treatment, etc.).
- Training to provide a deeper understanding of how to avoid discriminating against LGBT people and appreciate their diverseness and individuality.

System for Receiving Requests and Grievances from Employees

We have introduced a system (setting up suggestion boxes) allowing all employees, including those on temporary assignment, to submit a wide range of opinions relating to human resources, the work environment, etc. while maintaining their anonymity. Submitted opinions are shared with management as needed. Based on whistleblower protection regulations, NBFM has also set up internal and external whistleblowing contact points and established a system that enables conduct toward employees, suppliers, etc. that violates human rights (including discrimination and harassment), unfair or inappropriate conduct, and the like to be anonymously reported to a compliance officer or external law firm. When handling the details of requests or grievances, the rules prohibit adverse treatment of whistleblowers, including protecting whistleblowers' personal information and prohibiting retaliatory treatment, and oblige NBFM to determine and implement appropriate measures based on the reported information, as well as mandating that NBFM, whistleblowing/consulting contact persons, and individuals responsible for handling whistleblowing shall not disclose or leak the fact that whistleblowing or consulting occurred, the details of the whistleblowing or consultation, personal information obtained in the investigation, etc. without a valid reason (duty of confidentiality). Furthermore, if a whistleblower is subjected to adverse treatment due to consulting or whistleblowing, they may report this to a whistleblowing contact point. After receiving this report, the whistleblowing contact person shall promptly implement corrective measures addressing the adverse treatment to protect the whistleblower.

Labor Standards and Practices

Labor-Management Relations

No labor union has been formed at NBFM, but it recognizes basic labor rights such as freedom of association and collective bargaining rights in its Compliance Manual, etc. Furthermore, regarding labor-management relations, NBFM has not made any layoffs or the like in conjunction with mergers, acquisitions, etc. in the past. At NBFM, all employees are informed about policies relating to labor standards such as wages and working hours.

System Enabling Employees to Engage in Dialogue with Management

At NBFM, meetings between employees and directors are held twice a year as a mechanism for dialogue between employees and company management. These provide opportunities for employees to make requests related to the company's systems and discuss topics such as their personal career vision.

Compliance with Labor Standards

During the period from January 1, 2022, to December 31, 2022, there were no serious violations of labor standards.

Paying Higher than Minimum Wage and Complying with Equal Pay for Equal Work

NBFM not only complies with the minimum wage stipulated in labor laws but also has a basic policy of paying wages exceeding that amount. Along with paying a wage higher than the minimum wage specified, it is our policy to have a compensation system that ensures equal pay for equal work.

Reducing Excess Working Hours and Overtime

With the aim of reducing excess working hours and overtime, NBFM has established a labor-management agreement ("36 agreement") and pursues the following initiatives:

- Monitoring working hours and consulting employees about them
- Notifying employees who may be working long hours and their supervisors
- Encouraging employees to take at least two consecutive days of paid vacation
- Taking thorough steps on a monthly basis to inform immediate supervisors of the need to appropriately manage their subordinates' time at work and workload and all employees of the need to manage their time at work

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	FY2020		FY2021		FY2022	
Total number of employees	27		31		33	
(Number of regular employees)	18	Male 12 Female 6	22	Male 13 Female 9	23	Male 13 Female 10
Percentage of women	33.3%		40.9%		43.4%	
Average employment period	6.2 years		6.1 years		5.5 years	
Rate of used portion of paid vacation	50.1%		56.4%		77.7%	
Rate of use of medical examinations	100%		100%		100%	
Employment of People with Disabilities	0		0		0	
(Number of seconded employees)	9		9		10	
Number of newly hired employees	5		4		5	
Number of retired employees	0		0		4	
Employee turnover rate in the fiscal year	-		-		10.0%	
Temporary Employee	8		5		5	

(*)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.

Corporate Governance

NBF's Governance

NBF's Articles of Incorporation stipulate that NBF shall have at least one Executive Director and no more than four Supervisory Directors (but the number must be at least one more than the number of Executive Directors). At present, NBF's organization consists of a General Meeting of Unitholders and a Board of Directors, along with an Accounting Auditor.

NBF's Board of Directors is comprised of one Executive Director and three Supervisory Directors. NBF specifies in the Rules of Board of Directors that the Board of Directors must meet at least once every three months, and it gathers at a frequency of approximately once a month.

For the composition of the Board's members, please click [here](#).

(1) Board of Directors

In addition to the matters for approval stipulated by law, NBF's Board of Directors reports on NBF's management and the execution of operations at the asset management company Nippon Building Fund Management, Ltd. (NBFM). Via this reporting procedure, it maintains a structure that enables the Supervisory Directors, who are independent of NBFM and its stakeholders, to obtain accurate information and oversee the Executive Director's performance.

The Board of Directors possesses the authority to convene General Meetings of Unitholders and approve the execution of certain duties stipulated in the Act on Investment Trusts and Investment Corporations (the "Investment Trusts Act") as well as other powers stipulated in the Act and the Articles of Incorporation and the authority to oversee the Executive Director's performance. Except where specified otherwise in the law or Articles of Incorporation, resolutions of the Board of Directors shall be attended by a majority of the members with the right to vote and passed based on a majority vote of those present.

(2) Executive Director

The Executive Director executes the operations of NBF and has the authority to act in or out of court on its behalf in any matters relating to its operations. The Supervisory Directors have the authority to supervise the Executive Director's execution of operations.

(3) Supervisory Directors

External professionals with specialized expertise, such as lawyers, real estate appraisers, or certified public accountants, shall be appointed as Supervisory Directors, each of whom shall fulfill supervisory functions relating to the Executive Director's execution of duties from their respective specialized viewpoints.

At Board of Directors meetings, the Supervisory Directors shall request reports on asset management status, compliance, and risk management from the Executive Director and NBFM. They also carry out oversight of the Executive Director's execution of duties through conducting investigations as needed.

NBF's Supervisory Directors are "independent Directors" in alignment with the standards for independence from the Executive Director, asset management company, etc. stipulated in the Investment Trusts Act, and the current Board of Directors is comprised of individuals with no special interest in NBF, including the chairperson.

(4) Accounting Auditor

The Accounting Auditor audits NBF's financial statements and other documents and is responsible for reporting improper conduct by the Executive Director, a material breach of the law, or the like to the Supervisory Directors in the event that such an incident is discovered. The Accounting Auditor shall provide an audit report to the Supervisory Directors ahead of the meeting of the Board of Directors for approving financial statements and work in collaboration with the Supervisory Directors by conducting interviews regarding awareness of fraud, suspicion of fraud, or an allegation of fraud that would impact NBF.

(5) Monitoring of Internal Control Status, Etc.

NBF monitors the status of internal control at NBFM by receiving reports at its Board of Directors meetings about the results of internal audits conducted by NBFM, the details of Risk Management Committee meetings held once every three months, and other matters.

Furthermore, with regards to other related companies to which tasks are outsourced, it has established a system for managing the execution of operations by conducting interviews about these companies' internal management, internal control status, and the like via NBFM as needed.

NBF's Executive Director and Supervisory Directors

When selecting Director candidates, the Board of Directors makes decisions based on their expertise, qualifications, and eligibility, assuming that they do not meet any of the reasons for disqualification stipulated in various laws such as the Investment Trusts Act, and chosen candidates are appointed via a resolution of the General Meeting of Unitholders held on a biennial basis, per NBF's Articles of Incorporation.

Title	Name	Attendance at Board of Directors Meetings (2022)
Executive Director	Koichi Nishiyama (Male)	100% (12/12 meetings)
Supervisory Director	Masaki Okada (Male)	100% (12/12 meetings)
Supervisory Director	Motohiko Sato (Male)	100% (12/12 meetings)
Supervisory Director	Keiko Hayashi (Female)	100% (12 /12 meetings)

Compensation of Directors

Compensation of Directors

Compensation for each of NBF's Directors is no more than 700,000 yen per month per person. The amount is determined by the Board of Directors based on the amount that is deemed reasonable in light of compensation standards for Directors and auditors who perform comparable duties, general price trends, wage trends, and so forth.

Title	Name	Total Amount of Compensation (2022)
Executive Director	Koichi Nishiyama	7,200,000 yen
Supervisory Director	Masaki Okada	6,000,000 yen
Supervisory Director	Motohiko Sato	6,000,000 yen
Supervisory Director	Keiko Hayashi	6,000,000 yen

The Directors receive fixed compensation only. There is no variable compensation.

An Executive Director (man) and three Supervisory Directors (2 men, 1 woman) were elected at the General Meeting of Unitholders on March 14, 2023.

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

Compensation of Accounting Auditor

The auditing compensation for the Accounting Auditor is as shown below.

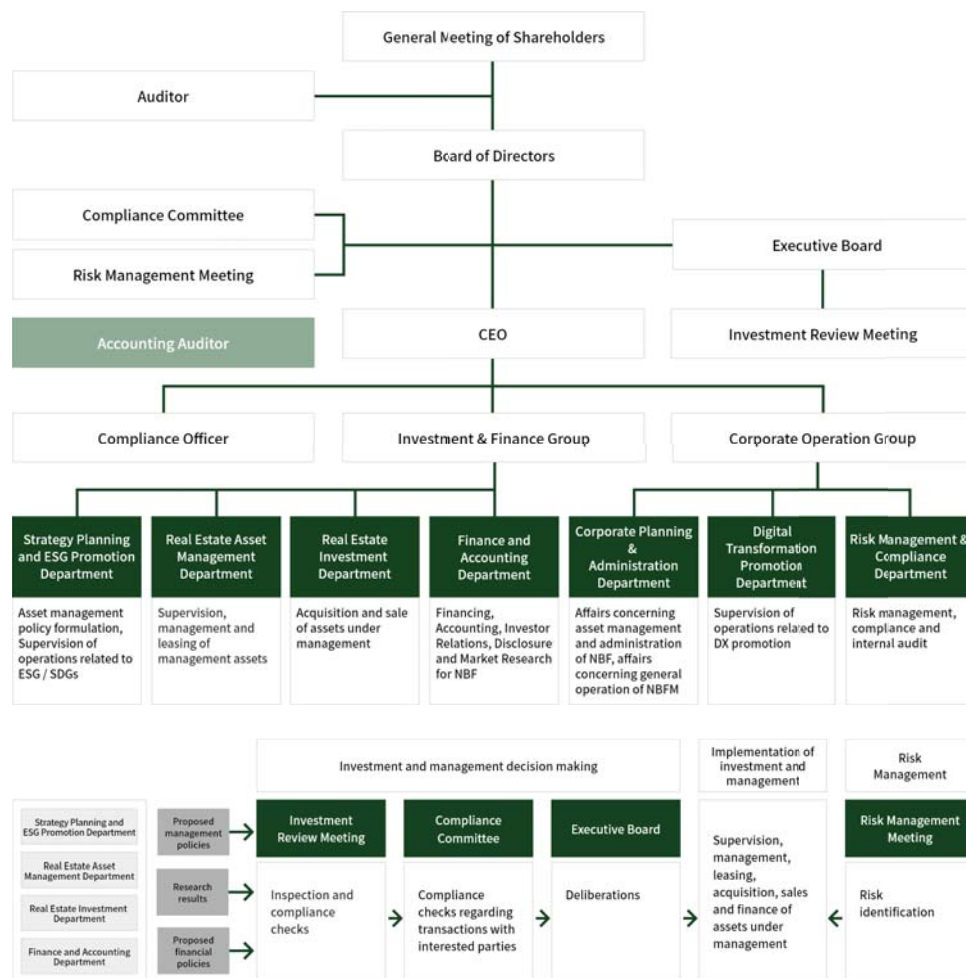
Name	Description of Fees	Total Compensation (2022)
KPMG AZSA LLC	Audit-based fees	30,000,000 yen
	Non-audit-based fees	0 yen

In accordance with auditing firm regulations based on the Certified Public Accountants Act, this shall be managed as follows:

- Executive officers may not be involved in the company's auditing tasks for more than seven accounting periods, and the chief executive officer may not be involved in them for more than five accounting periods.
- Executive members may not be involved in the company's auditing tasks for more than five accounting periods after replacement, and the chief executive officer may not be involved in them again after replacement.

NBF's Management Structure

NBF entrusts its asset management to the asset management company Nippon Building Fund Management, Ltd. (NBFM). NBFM handles tasks based on the management structure shown in the image below, in accordance with the Asset Management Entrustment Agreement with NBF. NBFM's organizational chart is as follows.



Overview of Each Body

Name of Body	Members	Meeting Frequency	Overview
Executive Board	CEO Head of Investment & Finance Group (Director, CIO and CFO) Head of Corporate Operation Group (Director, and COO)	As a rule, meets when discussion is required	Discusses general policies for executing operations, planning, and executing important tasks, verifies compliance, and considers the merits of submitting issues to persons with decision-making authority.
Compliance Committee	CEO Head of Investment & Finance Group Head of Corporate Operation Group Compliance Officer External members	As a rule, meets at least once per 3 months	Verifies compliance for material compliance-related matters, such as transactions with interested parties.
Risk Management Meeting	CEO Head of Investment & Finance Group Head of Corporate Operation Group (Chair) Compliance Officer Department Managers Risk Management & Compliance Department	As a rule, meets at least once per 3 months	1) Status of risk monitoring during the applicable period 2) Details of grievances, professional misconduct, etc. that occurred during the applicable period 3) Details of other reports, as necessary Amount of risk relating to accidents at assets under management, disasters, or projects involving long-term commitments, etc.
Investment Review Meeting	CEO Head of Investment & Finance Group Head of Corporate Operation Group Compliance Officer and Department Managers	As a rule, meets at least once per month	The Investment Review Meeting body formulates and approves specified key management strategies, policies, etc., conducts practical discussions about individual projects, and so forth (including verification of compliance), with the aim of improving management efficiency through appropriate management and striving to protect assets under management when carrying out management of the assets entrusted by NBF.

Initiatives Relating to Conflicts of Interest

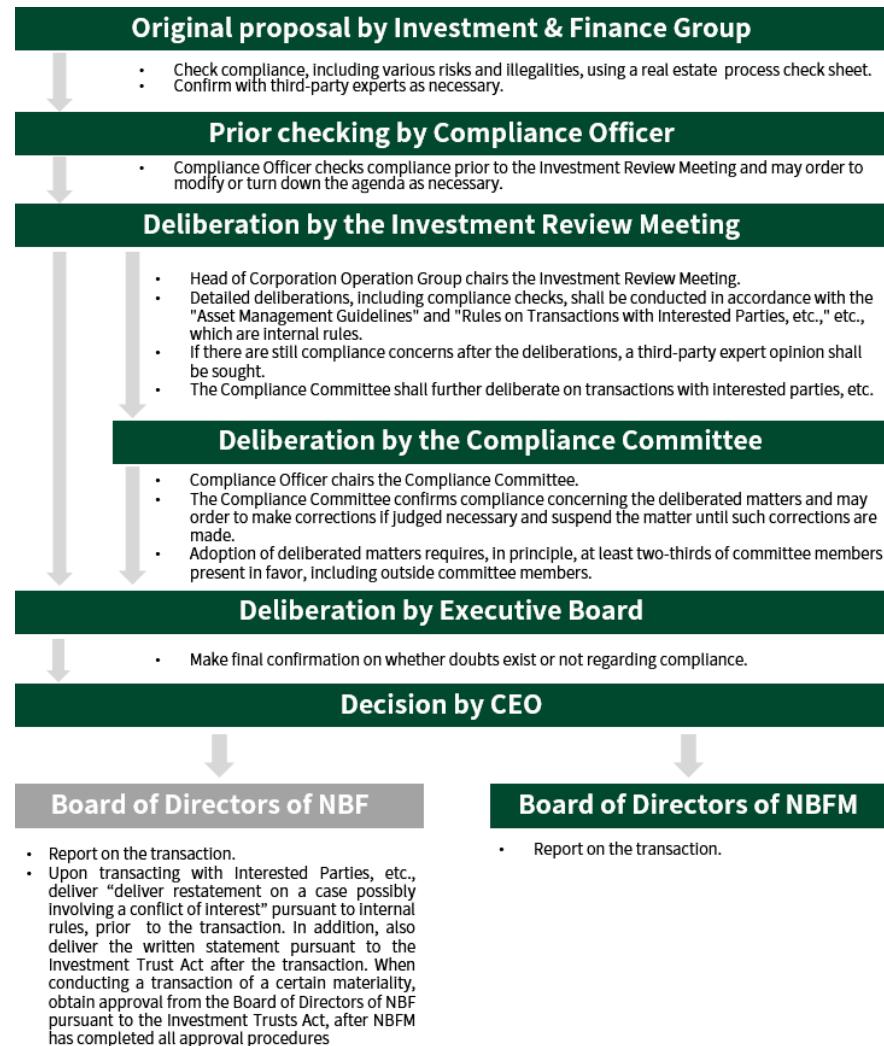
Basic Policy Regarding Potential Conflict-of-Interest Transactions

With regard to transactions conducted in relation to asset management that involve a potential conflict between the interests of NBF and the interests of NBFM or its interested parties, NBFM is always aware of its duty to explain transactions to NBF and its unitholders and actively prevents transactions that are not fair and equitable in accordance with the law and internal regulations.

Appropriate Management of Potential Conflict-of-Interest Transactions

Based on the Rules on Transactions with Interested Parties, NBFM has defined the scope of interested parties to be managed more broadly than it is defined by law, stipulated decision-making procedures for transactions with interested parties, the scope of applicable transactions, and transaction standards, based on which it implements appropriate management of potential conflict-of-interest transactions.

Asset Management Decision-Making and Internal Control Structure for Potential Conflict-of-Interest Transactions



Compliance

Basic Policy

Officers and employees of NBF and NBFM comply with laws and regulations and maintain high ethical standards and conduct business activities in an honest and appropriate manner.

In its Rules of Board of Directors, NBF specifies that the Board of Directors must meet at least once every three months, and it gathers at a frequency of approximately once a month, receiving reports from the Executive Director about the execution of operations and ensuring oversight and check functions through the Supervisory Directors. The Board of Directors has a structure with three Supervisory Directors for one Executive Director, and external professionals with specialized expertise, such as lawyers, real estate appraisers, or certified public accountants, are appointed as the Supervisory Directors.

In accordance with the Management Policies that stipulates its basic management philosophy, NBFM positions compliance as a key issue in management with the aim of increasing the confidence of all investors and other stakeholders. Moreover, as an asset management company entrusted with managing assets, it strives to appropriately manage the assets under management by specifically stipulating norms, processes, strategies, etc. that should be complied with and fulfills its fiduciary responsibilities.

Viewing compliance as a category that includes not only legal compliance but also following internal regulations and acting in accordance with general social ethics and norms, NBFM has established internal regulations such as its Code of Ethics and Compliance Rules as practical guidelines and rules. Furthermore, its Compliance Officer promotes company-wide compliance activities by planning a Compliance Program, training and awareness activities for officers and employees.

In the event of concerns arising about a violation of or conflict with the laws, regulations, or internal rules, the Compliance Rules stipulate that officers and employees of NBFM must immediately report the relevant facts, the background to the incident's occurrence, and the approach to its resolution to the Compliance Officer. If it is deemed that there is a problem relating to the reported information, the Compliance Officer must promptly report it to the CEO, the head of the Investment & Finance Group, and the head of the Corporate Operation Group and discuss the appropriate response. Furthermore, if necessary, the Compliance Officer will obtain confirmation from external experts and report to the Compliance Committee, Board of Directors, and NBF Board of Directors as well.

In light of the laws, regulations, and internal rules, if a compliance violation occurred or if it is deemed that there is conduct that could cause a violation, the necessary measures will be taken following discussion by the Board of Directors in the case of an officer, while employees will be subject to discipline based on its work rules.

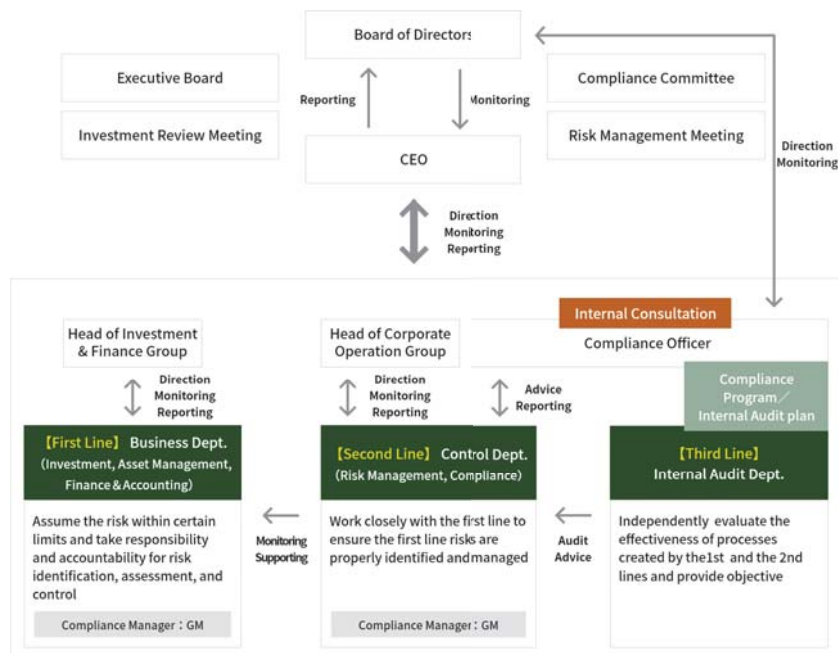
(From January to December 2022, there were no claims violation cases, or disciplinary actions for officers or employees relating to compliance breaches.)

Compliance Promotion Structure

NBFM has established the following compliance promotion structure, and in its decision-making process, compliance-related verification is implemented based on a multi-level review structure.

Body/Title	Main Role
Board of Directors	The Board of Directors determines basic management policy and is responsible for ensuring that compliance is implemented fairly and effectively as a supervisory body for the Directors. The Board of Directors discusses the formulation, revision, and abolition of the Compliance Rules, Compliance Committee Rules, Compliance Manual, etc. in addition to discussing the formulation of the Compliance Program, which serves as a practical plan relating to compliance implementation for each department and receives reports on its progress status.
Board of Auditors	As an independent body, the Board of Auditors is responsible for establishing a high-quality corporate governance structure that will meet social expectations and accommodate the sound continued growth of the company by auditing the Directors' execution of their duties. For this purpose, the Board of Auditors attends meetings of the Board of Directors and Compliance Committee in an advisory capacity and expresses its opinions as necessary. Furthermore, it reviews important approved documents and other important documents related to the execution of operations, requests explanations from Directors or employees if necessary and expresses opinions about them.
Compliance Committee	Comprised of the CEO, head of the Investment & Finance Group, head of the Corporate Operation Group, and Compliance Officer along with external members appointed by the Board of Directors, this committee discusses key matters relating to compliance, such as certain transactions with interested parties, receives reports, and conducts compliance-related verification.
CEO	As the chief executive for the entire business, the CEO serves as the senior officer with respect to compliance and is also the supervisor for risk management, including compliance risks.
Compliance Officer	Along with supervising NBFM's compliance, the Compliance Officer performs tasks related to internal auditing.
Risk Management & Compliance Department	Under the supervision of the Compliance Officer, this department implements compliance promotion, internal auditing, verification of risk management status, etc.

Furthermore, with a view to preventing the emergence of compliance risks through three line-based management, NBFM has established a multi-level management system founded on the three lines of defense model, with the understanding that all officers and employees are to autonomously engage in compliance and risk management.



Policy on Anti-Corruption Initiatives

NBF and NBFM view the implementation of compliance as a key issue in the Group's management, and in addition to establishing a compliance system, they strive to promote compliance. The Compliance Manual stipulates practical guidelines on preventing bribery, eliminating anti-social forces, preventing money laundering, ensuring fair competition, prohibiting insider trading, giving/receiving gifts and hospitality, etc., and NBF and NBFM strive to implement thorough compliance and prevention of corruption, including bribery.

Supervision by the Board of Directors

Each year, NBFM creates a Compliance Program that serves as a practical plan for implementing the Compliance Manual (the details include preventing corruption, including bribery). This program is finalized based on the approval of the Board of Directors, and the Compliance Committee receives reports about it. Verification results (achievement status, etc.) are reported to both the Board of Directors and the Compliance Committee.

If necessary, the Board of Directors and the Compliance Committee may state opinions about these reported matters, with the aim of ensuring improvement initiatives function effectively.

Gifts/Hospitality and Prohibition of Bribery

In the Compliance Manual, NBF and NBFM prohibits accepting gifts or hospitality internally or from clients or stakeholders that exceed the bounds of moderation, receiving, requesting, or promising bribes in dealings with external clients, associates, etc. (such as gifts and hospitality exceeding the bounds of moderation), and making special arrangements based on these.

Due Diligence Relating to New Clients and Brokers

For transactions with new companies and transactions with new contractors and brokers, NBF and NBFM conduct a check for anti-social activities, verify their approach to information management, and so forth as part of due diligence. Furthermore, NBF and NBFM take steps to prevent corruption in general by sharing their policies relating to corporate ethics, such as bribery and corruption.

Whistleblowing

NBF and NBFM have established an internal whistleblowing system that allows anonymous consultation, through which they strive to prevent corruption and graft of all kinds. The company has established whistleblowing contact points for the purpose of rapidly obtaining information about risks, such as illegal conduct, improper conduct, and actions that violate compliance, and taking self-corrective action to rectify these matters. Appropriate management is implemented to strengthen protection for whistleblowers, implement investigations that lead to corrective measures, and ensure the effectiveness of the whistleblowing system.

Training

Training such as that shown below is regularly conducted for all employees and officers, including employees on temporary assignment, on a variety of topics relating to legal and other compliance (including matters relating to preventing corruption), through which NBF and NBFM strive to improve organizational as well as individual capabilities.

Examples of Key Initiatives

- Compliance training for managers (July 2022 – management-level employees)
- Training to prevent harassment (August 2022 – all employees, including temporary employees)
- Human rights training (December 2022 – all employees, including temporary employees)
- Training on customer-oriented business management (January 2023 – all employees)
- Training on insider trading regulations (February 2023 – all employees, including temporary employees)
- Training on administrative sanctions (March 2023 – all employees, including temporary employees)
- Real estate appraisal checkpoints (March 2023 – all employees, including temporary employees)

Information about internal rules, revisions to the law, and compliance (including matters related to preventing corruption) is distributed as appropriate.

Data on Fraud and Corruption

	2020	2021	2022
No. of cases of exposure related to fraud and corruption	0	0	0
No. of cases of punishment/dismissal related to fraud and corruption	0	0	0
Reconciliation cost of penalties/punishment related to fraud and corruption (yen)	0	0	0
Total amount of political donations (yen)	0	0	0

Tax Transparency

NBF and NBFM make appropriate tax payments and contribute to the public good and the achievement of a sustainable society by conducting their business activities in a fair and highly transparent manner.

Compliance with Tax Laws

In accordance with the spirit of the applicable taxation, NBF and NBFM always comply with tax laws and carry out their business activities based on the intent of the law.

Ensuring Transparency

In compliance with tax laws and related laws and regulations, NBF and NBFM declare and pay their taxes in an appropriate manner. They aim to provide explanations that facilitate understanding by the tax authorities and ensure transparency. They have important tax-related issues validated by external experts, and if necessary, they also verify them with tax authorities in advance, thereby striving to minimize tax risks.

Relationship with Tax Authorities

NBF and NBFM maintain a healthy, proper relationship with the tax authorities and do not offer them any improper benefits. If a difference of opinion with the tax authorities arises, NBF and NBFM will strive to resolve it based on proactive discussion with these authorities and prevent the recurrence of problems by implementing suitable improvement measures.

Tax Planning

NBF and NBFM do not engage in so-called tax avoidance behavior, which is considered to be “reducing the tax burden in an unacceptable and inappropriate manner” by deviating from the true meaning and intent of various tax system-related provisions in ways that were not intended by the tax laws and tax agencies, even if doing so could officially be viewed as a legitimate reduction of the tax burden.

Governance Structure

The occurrence of inappropriate taxation-related incidents is a monitoring item at Risk Management Meetings, and if such a case occurs, it will be reported to NBF's Board of Directors and NBFM's Board of Directors.

NBF's Taxes Paid by Country (Corporate Taxes, Etc.)

	2022
Japan	1,786,000 yen
Overseas	0 yen

Risk Management

Basic Policy

NBFM has formulated Risk Management Rules and Risk Management Guidelines for risks relating to investment management activities, and the Risk Management & Compliance Department, which oversees risk management, reports to NBF's Board of Directors and NBFM's Board of Directors about matters such as the status of risk management and improvement measures.

Risk Management Structure

NBFM has established Risk Management Rules and stipulated its basic approach to risk management, and with respect to items whose risks should be managed, it verifies whether risk monitoring is being conducted appropriately based on the Risk Management Guidelines at regular Risk Management Meetings held at least once every three months. Summaries of Risk Management Meetings are reported to both NBF's Board of Directors and NBFM's Board of Directors.

Risk Assessment

NBF and NBFM strive to prevent corruption of all kinds, including the prevention of bribery, elimination of anti-social forces, prevention of money-laundering, elimination of unfair business practices, and prohibition of insider trading. Furthermore, key risks are monitored at Risk Management Meetings and regularly reported on to NBF's Board of Directors and NBFM's Board of Directors.

Internal Auditing

Based on the Internal Auditing Rules, internal auditing is conducted each year, internal audit reports are prepared, and the CEO and Board of Directors receive reports, with the Compliance Officer serving as the senior officer for internal auditing activities. Internal auditing covers the activities of all departments, and it is planned and implemented from various perspectives, including the effectiveness and implementation status of the Code of Conduct and the implementation of policies to prevent corruption. To enhance and complement internal auditing functions, internal auditing activities may be outsourced to an external third party if approved by the Board of Directors. Since they are in fact outsourced to a third party, the perspective of external experts is included in the implementation of auditing.

BCP Measures

For the purpose of rapidly understanding disaster conditions and safety and implementing measures relating to disaster risks, drills are conducted twice a year in collaboration with a supplier (NBF Office Management Ltd.). Furthermore, disaster-related information such as evacuation shelters in the area, healthcare institutions, and information sites are collected in a Disaster Safety Handbook for owned buildings, and various evacuation drills are conducted.

In addition, there is always a reserve of three days' worth of emergency provisions and other supplies if required.

Safety Confirmation

As part of crisis management, NBFM has introduced a safety confirmation system for the purpose of confirming safety and understanding disaster conditions in the event that a disaster occurs. Safety confirmation drills are conducted twice a year. In 2022, the participation rate was 100%.

Commitment

Signatory to PRI

NBFM agreed with the fundamental principles of the PRI (PRI : Principles for Responsible Investment) and became a signatory.

PRI principles encourage the incorporation of ESG issues into investment decision making process. By including those issues in the investment process, the goal is to help companies enhance long-term investment performance and better fulfill their fiduciary duty.

Signatory of:



※(For further information on PRI, please click [here](#).)

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 click [here](#).)

Participation in CDP Climate Change Program

NBF participates in CDP (Carbon Disclosure Project) Climate Change Program, which evaluates efforts such as information disclosure on climate change.



※(For further information on CDP, please click [here](#).)

External Evaluation

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 2022 Assessment, NBF's initiatives were highly appreciated in both dimensions of "Management Component" and "Performance Component" as sustainability efforts, and it has received a "Green Star" recognition since 2015. NBF also received a "5-Star", the most superior rating, based on its overall GRESB Score ranking. In the 2022 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.

2022 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 click [here](#).)

SBT Certification

NBF has established targets to reduce greenhouse gas emissions by 2030 and the Science Based Targets initiative (SBTi) has approved it as NBF's science-based emissions reduction target.

The science-based targets (SBT) are a scientifically based GHG emissions reduction targets approved by SBTi, an international joint initiative established in 2015 by CDP, the United Nations Global Compact, the World Resources Institute (WRI) and World Wide Fund for Nature (WWF).



Utilization of 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 aims to acquire 100% 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.

Summary of Green Building certified properties in NBF's portfolio (as of June 30, 2023)

	Rating	Number of Certified properties	Proportion of certified properties to whole portfolio (based on number of properties)	Total floor area of certified properties (㎡)	Proportion of certified properties to whole portfolio (based on floor area)
DBJ Green Building Certification	★★★	8	11.4%	466,815	24.9%
	★★	27	38.6%	749,334	40.0%
	Subtotal	35	-	1,216,149	-
CASBEE for Real Estate	S	14	20.0%	393,238	21.0%
	A	13	18.6%	136,335	7.3%
	Subtotal	27	-	529,573	-
Total		62	88.6%	1,745,722	93.1%

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






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

Stars

★★★★★	★★★★	★★★	★★	★
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
				
DBJ Green Building 2021	DBJ Green Building 2021	DBJ Green Building 2021	DBJ Green Building 2021	DBJ Green Building 2021

Property Name	DBJ Green Building Certification
<u>Shinjuku Mitsui Bldg.</u>	★★★★
<u>NBF Osaki Bldg.</u>	★★★★
<u>Roppongi T-CUBE</u>	★★★★
<u>Gate City Ohsaki</u>	★★★★
<u>GranTokyo South Tower</u>	★★★★
<u>Osaki Bright Core - Bright Plaza</u>	★★★★
<u>Nakanoshima Central Tower</u>	★★★★
<u>OSAKI BRIGHT TOWER</u>	★★★★
<u>Nishi-Shinjuku Mitsui Bldg.</u>	★★★
<u>Celestine Shiba Mitsui Bldg.</u>	★★★

Property Name	DBJ Green Building Certification
<u>NBF Shinagawa Tower</u>	★★★
<u>NBF Toyosu Canal Front</u>	★★★
<u>Shiba NBF Tower</u>	★★★
<u>NBF Platinum Tower</u>	★★★
<u>NBF COMODIO Shiodome</u>	★★★
<u>NBF Toyosu Garden Front</u>	★★★
<u>Toranomon Kotohira Tower</u>	★★★
<u>Nakameguro GT Tower</u>	★★★
<u>NBF Shibuya Garden Front</u>	★★★
<u>Aqua Dojima NBF Tower</u>	★★★
<u>S-ino Omiya North Wing</u>	★★★
<u>Sumitomo Mitsui Banking Nagoya Bldg.</u>	★★★
<u>River City M-SQUARE</u>	★★★
<u>Nagoya Mitsui New Bldg.</u>	★★★
<u>Nagoya Mitsui Main Bldg.</u>	★★★
<u>Shinbashi M-SQUARE</u>	★★★
<u>NBF Ueno Bldg.</u>	★★★
<u>Chofu South Gate Bldg.</u>	★★★
<u>Higashi Gotanda Square</u>	★★★
<u>Hakata Gion M-SQUARE</u>	★★★
<u>NBF Kandasudacho Bldg.</u>	★★★
<u>Panasonic Tokyo Shiodome Bldg.</u>	★★★
<u>Sapporo L-Plaza</u>	★★
<u>Jingumae M-SQUARE</u>	★★
<u>NBF Matsuyama Nichigin-mae Bldg.</u>	★★

CASBEE for Real Estate

"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. Evaluation results are expressed in four-level ratings.(S rating to B rating).

Property Name	CASBEE for Real Estate
<u>IIDABASHI GRAND BLOOM</u>	S
<u>Nakanoshima Mitsui Bldg.</u>	S
<u>Toyosu Bayside Cross Tower</u>	S
<u>Ueno East Tower</u>	S
<u>G-BASE TAMACHI</u>	S
<u>Shinjuku Mitsui Bldg. No.2</u>	S
<u>Tsukuba Mitsui Bldg.</u>	S
<u>NBF Ikebukuro East</u>	S
<u>NBF Shibuya East</u>	S
<u>NBF Nagoya Hirokoji Bldg.</u>	S
<u>NBF Shibakouen Bldg.</u>	S
<u>NBF Hatchobori Terrace</u>	S
<u>Parale Mitsui Bldg.</u>	S
<u>Hiroshima Fukuromachi Bldg.</u>	S
<u>NBF Ginza Street Bldg.</u>	A
<u>Shinanobashi Mitsui Bldg.</u>	A
<u>Kowa Nishi-Shinbashi Bldg. B</u>	A
<u>Yotsuya Medical Bldg.</u>	A

Property Name	CASBEE for Real Estate
<u>NBF Takanawa Bldg.</u>	A
<u>NBF Akasaka Sanno Square</u>	A
<u>NBF Ogawamachi Bldg.</u>	A
<u>NBF Higashi-Ginza Square</u>	A
<u>Nihonbashi Kabuto-cho M-SQUARE</u>	A
<u>NBF Ikebukuro Tower</u>	A
<u>NBF Ikebukuro City Bldg.</u>	A
<u>Ryukakusan Bldg.</u>	A
<u>NBF Urawa Bldg.</u>	A

※ For properties with both DBJ Green Building and CASBEE for Real Estate certifications, the certification with the later expiration date is listed.

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)."

Property Name	Certified Level
GranTokyo South Tower	Top-Level Facility
Shinjuku Mitsui Bldg.	Near-Top-Level Facility
IIDABASHI GRAND BLOOM	Near-Top-Level Facility