

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name:

United Urban Investment Corporation

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Series 19 of unsecured investment corporation bonds

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

April 22, 2019

Publication date of review publication:

April 22, 2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

United Urban Investment Corporation (UUR) was established in November 2003 under the Investment Trust Law and listed on the Tokyo Stock Exchange Real Estate Investment Trust Market (J-REIT Market) in December 2003. The asset management business is conducted by Japan REIT Advisors Co., Ltd. (JRA). UUR defines real estate that can secure stable profitability over the medium to long term as real estate that has "intrinsic value," and aims to become a comprehensive portfolio with diversified uses and investment areas (comprehensive J-REIT), and is working to secure stable earnings over the medium to long term by investing in carefully selected properties from a wide range of investment targets, identifying the "intrinsic value" of individual properties.

UUR also merged with Nippon Commercial Investment Corporation in 2010. Even after the merger, the company continued to acquire assets by raising funds through loans and public offerings. As a result, it was one of the largest assets in the J-REIT market.

UUR is strengthening its ESG efforts to achieve "sustainable growth", and has already achieved its target of raising the coverage ratio of various types of environmental certifications for properties owned to 50% by 2020. In addition, JRA has strengthened its environmental and other ESG initiatives, such as signing the Principles for Responsible Investment (PRI) and acquiring ISO 14001, an international certification for environmental management.

JCR evaluates investment corporation bonds issued by UUR. The proceeds from the issuance of the Bonds will be allocated to refinance loans to acquire seven office buildings and a commercial facility and to newly invest in the acquisition of two new hotels. JRA, which is an asset management company of UUR, defines "green eligible assets" as newly or existing properties that have acquired or are expected to acquire any of three stars or more of DBJ Green Building certification, CASBEE Real Estate Evaluation Certification A or higher, or two or more stars of BELS. JCR evaluates that the definition of green eligible assets established by JRA covers buildings with environmental improvement effects.

JCR has confirmed that all seven existing offices and commercial facility refinanced by the Bonds have obtained and maintained environmental certification as set forth in JRA's asset management guidelines. In addition, it has been confirmed that the two newly acquiring hotels fall under the definition of "green eligible assets" of the JRA.

Based on the documents on "green eligible assets" and the interview with JRA, JCR confirmed that there is no possibility that this target asset will have a serious negative impact on the environment that exceeds the environmental improvement effect. From the above, JCR evaluates that the use of proceeds subject to this evaluation has a high environmental improvement effect, such as reduction of CO2 emissions and reduction of water use.

In addition, with UUR and JRA internal approval processes and a management of proceeds system in place, JCR confirmed the strong management and operation system and high transparency of UUR's Green Bonds. As a result, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation". Consequently, JCR assigns "Green1" as an overall preliminary evaluation result to the bonds. The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

i. 100% of the proceeds will be allocated to the refinance or new investment to acquire existing or new "green eligible assets," which has highly environmental improvement effect.

ii. Among the green projects defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines, the use of proceeds falls under the category of "Green Building with Regional, National or International Recognized Standards and Certification" and "Energy efficiency."

b. Negative impact on Environment

JRA checks and evaluates green eligible assets using checklists, etc. at due diligence meetings. At present, the negative impact on the environment of the nine properties for which the proceeds of the bond is expected to be allocated has not been identified. JCR confirms that if there is a negative impact on the environment, it is necessary to take corrective measures by the seller as a precondition to avoid or mitigate the negative impact.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

UUR have clear environmental goal, project selection criteria and process to determine the proceeds, which will be in the Evaluation report composed by JCR.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The bond will be used for refinancing and new acquisitions of "green eligible assets" by September. Until all proceeds are allocated, the unallocated proceeds will be managed in cash or cash equivalents. JCR confirmed that if there is an event that unallocated proceeds are generated by the sale of "green eligible assets" before redemption of this bonds, JRA will endeavour to reallocate the balance to green projects such as the acquisition funds and refinancing funds of other green eligible assets at the earliest possible stage after recognizing and management the balance.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section *(if applicable)*:

a. Reporting on proceeds allocation

JCR confirmed that allocation plan and annual reporting of unallocated proceeds will be disclosed on UUR's website after obtaining approval from management such as CEO, CFO, CIO, and CCO.

b. Impact reporting for environmental benefits

A list and outline of "green eligible assets" are presented in the press release materials issued by UUR. UUR plans to disclose the number of properties that obtained external certification and its acquisition value, electric power consumption, gas consumption, CO2 emissions, and water usage on its website once a year.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators <i>(please specify)</i> : |
| | • the number of properties that obtained external certification and its acquisition value |
| | • electric power consumption |
| | • gas consumption |
| | • water usage |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other <i>(please specify)</i> :
Showing on UUR's website |

- Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

UUR's Initiatives for External ESG Recognition
<http://www.united-reit.co.jp/en/feature/esg/environment.html>

JCR's website about green bond evaluation methodology
<https://www.jcr.co.jp/en/greenfinance/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Japan Credit Rating Agency, Ltd.

Date of publication:

April 22, 2019

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.