

PRINCIPAL ADVERSE IMPACT STATEMENT

The following is the adverse sustainability impact statement of Japan Real Estate Investment Corporation (“JRE”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). JRE has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on Japan Real Estate Asset Management Co., Ltd. (the “Asset Manager”) to manage and operate the properties in the portfolio. JRE and the Asset Manager are hereinafter referred to collectively as “we,” “us” or “our.” References to “fiscal year” or “FY” are to the 12 months began or beginning April 1 of the year specified in line with the fiscal year of the Asset Manager, unless noted otherwise.

Please note that SFDR requirements, including the scope of their application to issuers outside the European Economic Area, continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.

1. Summary

Pursuant to Article 4 of the Delegated Regulation C(2022)1931 supplementing SFDR (the “SFDR Delegated Regulation”), JRE is required to publish on its website the information referred to therein covering the period of one calendar year. JRE is a Japanese real estate investment trust, commonly known as J-REIT, and has no employees, relying on the Asset Manager for the management and operation of its properties. The Asset Manager does not operate based on a calendar year, but operates based on fiscal year ending in March of every year. A recalculation and translation of the data into the reference period of one calendar year would most likely lead to inaccuracies and would therefore provide a potentially less accurate overview of the required information than using the approved and validated data for the period from April 1, 2022 to March 31, 2023. This reference period is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based reference period noted in the SFDR Delegated Regulation.

We consider principal adverse impacts of our investment decisions on sustainability factors. The present statement is our consolidated statement of the principal adverse impacts on sustainability factors (“PAI”). The statement covers the reference period from April 1, 2022 to March 31, 2023. The statement will be reviewed at least once during a year.

We believe that our sustainability initiatives are essential for our sustainable growth. We improve long-term returns of investors and contribute to the realization of sustainable society and urban development by implementing initiatives that address social issues. Under our sustainability policies and framework, we take actions on climate change, including energy conservation, and being resilient in times of disasters.

We use the definition of PAI as described in Recital 20 of SFDR being “those impacts of investment decisions and advice that result in negative effects on sustainability factors,” with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in article 2 (24) of SFDR.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider PAI of our investment decisions throughout all major steps of the investment decision and property management process throughout the lifecycle of the properties in our portfolio.

2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various PAI indicators, both positively and adversely. We aim to manage the risk connected to PAI from our investment decisions in several ways, including general screening criteria, due diligence and our environmental, social, and governance (“ESG”) initiatives.

Some of the PAI indicators listed below are currently already being monitored and reported. As the availability of data improves, it is our intention that more indicators will be added.

Table 1
Description of the principal adverse impacts on sustainability factors

JRE does not invest in investee companies, but invests in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	JRE does not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	As of March 31, 2023, 23.7% of our properties were not “Green Assets” (as defined to the right) based on gross floor area of owned buildings.	As of March 31, 2022, 25.0% of our properties were not “Green Assets” based on gross floor area of owned buildings.	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the green building certification of the Development Bank of Japan (“DBJ”), Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, and other equivalent certifications. We call our properties that have acquired one of (i) DBJ Green Building Certification, (ii) CASBEE for Real Estate certification and (iii) Building Energy-efficiency Labeling System (“BELS”) certification, “Green Assets.” Please note that properties which are not	We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications such as DBJ Green Building Certification or CASBEE for Real Estate certification, installing LED light bulbs and introducing renewable energy. We plan to maintain the percentage of Green Assets at more than 70%

					classified as Green Assets are not necessarily energy-inefficient because various measures to reduce energy consumption have also been taken for those assets. In addition, we track and monitor energy-consumption related data every year and introduce appropriate measures to address any issue found through such tracking and monitoring.	of JRE's properties.
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Table 2
Additional climate and other environment-related indicators

JRE does not invest in investee companies, but invests in real estate. As additional climate and other environment-related indicators 1-17 as contained in Table 2 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Energy consumption	19. Energy consumption intensity Energy consumption of owned properties was 0.166 MWh/m ² (in FY2022). We aim to reduce energy consumption using various methods, such as renovation of existing buildings to make them energy-saving. As of March 31, 2023, three of our properties are certified as ZEB Ready (energy savings of greater than 50%) and one property is certified as ZEB Oriented (gross floor area 10,000 m ² or more and energy savings beyond the regulation for each application).	Energy consumption in GWh of owned real estate assets per square meter

Table 3
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

JRE has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on the Asset Manager to manage and operate the properties in our portfolio. Accordingly, additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters in this PAI statement pertain to the Asset Manager and the tenants of the properties in our portfolio, to the extent available.

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments to the Asset Manager or tenants		

Social and employee matters	<p>2. Rate of accidents We believe that the physical and mental health of employees is essential for the sustainable growth of our corporate value. Based on this understanding, we implement various measures to promote the physical and mental health of employees, such a health consultation service that employees can use to consult about their health and take a stress check.</p>	Rate of accidents in investee companies expressed as a weighted average
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies We believe that any relationship with anti-social forces could lead to corruption and bribery. Our property managers confirm whether a tenant itself is an anti-social force or has any relationship with anti-social forces when we enter into or renew a lease with the tenant. In addition, the Asset Manager conducts an annual survey to confirm such status of each tenant.</p>	<p>Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption</p> <p>As of March 31, 2023, we confirmed that there is no tenant which falls into or has any relationship with anti-social forces in our properties.</p>

For descriptions of actions which JRE takes and will take with respect to the PAI indicators, please refer to our ESG website with respect to JRE: <https://jre-esg.com/en/>

3. Description of policies to identify and prioritize principal adverse sustainability impacts

Subject to data availability, we monitor the selected PAI indicators for the existing properties in our portfolio.

We are committed to pursuing social sustainability, making socially responsible investments, and maximizing unitholder value by being mindful of the environment, contributing to society, and enhancing governance. We view ESG-related initiatives as essential for a business to be both sustainable and stable, and are committed to implementing these initiatives in cooperation with our stakeholders. On this belief, we have established a Sustainability Policy to implement various ESG initiatives and the Sustainability Committee to promote this policy in May 2016. In this policy, we set the following goals: (i) climate change initiative (promoting decarbonization and strengthening resilience), (ii) contribution to resource conservation including water and resource recycling, (iii) contribution to conserving biodiversity and ecosystem, (iv) enhancement of tenants' health and well-being, and safety, (v) creating a workplace where a diverse workforce can thrive, (vi) Enhancement of governance systems, and (vii) Stakeholder engagement through information disclosure and ESG evaluations. Based on this policy, prior to our investment in a property, we conduct due diligence review of the property, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision.

Moreover, in order to realize sustainability in our asset management while maximizing our portfolio value, we consider ESG factors in our investment and asset management process. In particular, in December 2020, we added the following factors to the assessment criteria (in addition to factors such as location and building specifications) that we consider when acquiring properties: (i) green building certifications and (ii) environmental performance including CO₂ emissions. In addition, we have established a green bond framework to enable us to have a choice of green financing to provide investors with investment opportunities of environmental and/or social significance.

Furthermore, as mentioned above, the Sustainability Policy establishes goals for our employees and officers. We believe it is important to develop each of their abilities and promote a healthy working environment to undertake

quality asset management. Our selection of the PAI indicator “rate of accidents” has been made from this perspective.

In addition, the Asset Manager believes that compliance is a top priority issue and continuously makes efforts to achieve full compliance to enhance the value of its business operation both qualitatively and quantitatively. In addition to adopting a compliance promotion structure, the Asset Manager follows the Mitsubishi Estate Group’s policies to prevent fraud and corruption, such as the Mitsubishi Estate Group Basic Regulations on the Prevention of Corruption, adopted in 2013, and the Mitsubishi Estate Group Anti-Corruption Guidelines, adopted in 2018. Our selection of the PAI indicator “lack of anti-corruption and anti-bribery policies” has been made from this perspective.

For further information, please refer to our ESG website: <https://jre-esg.com/en/>

4. Engagement policies

Due diligence and screening

As part of due diligence review prior to investment in a property, the Asset Manager conducts due diligence on the property, including environment assessment and evaluation of earthquake resistance and probable maximum loss. The Asset Manager also reviews each property’s green building certification and environmental performance including CO₂ emissions at the time of acquisition. In addition to the review of environmental issues discovered through due diligence review, we evaluate risks associated with climate change, environmental issues, human rights and social challenges, including health and safety.

The Asset Manager’s investment decision-making process involves assessment of material ESG-related risks and opportunities to ensure that our investment strategy is sustainable. With each acquisition opportunity, JRE and the Asset Manager review ESG-related due diligence findings and risk assessment. These findings and assessment are deliberated at the Asset Manager’s Investment Management Council, where a final decision is made on the investment.

In addition, we monitor and track energy consumption, greenhouse gas emissions, water usage and waste amounts at our properties.

Engagement

JRE has increasingly entered into Green Leases that require tenants to achieve certain operational improvement and install energy-efficient retrofits. Specifically, Green Leases include provisions requiring each party to cooperate with the other party on measures to achieve sustainability targets and obtain environmental certifications, and to share energy-consumption and water usage data.

To create sustainable society through asset management, the Asset Manager has established a Green Procurement Policy to promote ESG-related engagement within the whole value chain of our portfolio and specify criteria to select and assess products and suppliers. In addition, when selecting property management companies, we assess their sustainability-related initiatives including energy-saving and reduction of greenhouse gas emission, appropriate water and waste management and recycling promotion, and control and reduction of hazardous chemical substances. Furthermore, we periodically monitor property management companies’ compliance with sustainability requirements.

5. References to international standards

The Asset Manager has become a signatory to Principles for Responsible Investment (PRI), and Mitsubishi Estate Group, which includes the Asset Manager, was registered as a participant of the United Nations Global Compact (UNGC) after our sponsor, Mitsubishi Estate Co., Ltd., became a signatory of UNGC.

6. Historical comparison

See Table 1 and Table 2 above.