

PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS – SFDR PRE-CONTRACTUAL DISCLOSURE (SEPTEMBER 26, 2023)

Product Name: Japan Real Estate Investment Corporation
 Legal Entity Identifier: 3538003YAIR3CBGJJ928

Japan Real Estate Investment Corporation (“JRE”) promotes environmental and social characteristics, but does not have as its objective a sustainable investment within the meaning of Article 9(1) of 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 JRE’s portfolio. JRE and the Asset Manager are hereinafter referred to collectively as “we,” “us” or “our” unless noted otherwise. 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 data in this document are current as of the date of this document and are subject to change.

Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective : __% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective : __%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

What environmental and/or social characteristics are promoted by JRE?

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 environmental, social, and governance (“ESG”) initiatives as essential for a business to be both sustainable and stable, and are committed to implementing such initiatives in cooperation with our stakeholders. More specifically, we are committed to improving the environmental performance of our real estate portfolio while generating greater returns on our office investments, achieving sustainable development alongside all of our stakeholders, including unitholders, tenants, employees, suppliers and local communities, to contribute to sustainable society, and maximizing unitholder value. Our basic policy is to strictly observe legal requirements and relevant social norms, and under this basic policy, we have established a Sustainability Policy to implement the initiatives described below.

- *Environmental Initiative.* Based on the Sustainability Policy items “1. Climate change initiative (promoting decarbonization and strengthening resilience)” and “2. Contribution to resource conservation including water and resource recycling”, JRE has set reduction targets for energy consumption and greenhouse gas (“GHG”) emissions in order to improve the environmental performance of its real estate portfolio. In order to achieve these targets, the Asset Manager

implements measures to improve the operational performance of buildings, conducts energy efficiency retrofits, and engages tenant on energy efficiency based on its “Energy Conservation Policy”, which stipulates operational policies for improving energy efficiency of the real estate portfolio, and “GHG Emissions Reduction Policy”, which aims to create a decarbonized society.

- *Environmental Consideration of Portfolio.* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan’s (“DBJ”) Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification, Net Zero Energy Building (“ZEB”) certification and other equivalent certifications.
- *Tenant Engagement.* To increase the satisfaction of tenants in each building, we periodically carry out tenant satisfaction surveys. JRE is also implementing various initiatives to enhance the sustainability of each building in collaboration with tenants, such as distribution of sustainability guides. Sustainability guides introduce activities to improve the office environment, such as creating open spaces to promote communications among workers and introducing sustainable daily efforts to reduce electricity and water consumption. Regarding lease agreements, we include Green Lease provisions in our lease agreements that require tenants to achieve certain operational improvements 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. We conduct periodic surveys of property managers of all of our properties based on the questions from Global Real Estate Sustainability Benchmark (“GRESB”), and we analyze sustainability efforts based on survey results, which are shared with the property managers. The survey includes questions on whether a property manager has introduced any measures to reduce energy consumption, water usage and waste, whether it has implemented any sustainability measures and conducted any satisfaction survey for tenants and whether it has engaged in any social activities with local communities. As for property level energy, water usage, and waste-related data, we utilize a system to give online feedback regarding such data.
- *Employee Health and Well-being at the Asset Manager.* We believe that the physical and mental health of employees and the creation of an accommodating work environment are key to maintaining and improving our business performance. As an example of related initiatives, we conduct annual anonymous surveys of all employees on a wide range of topics, including the work environment, benefits and educational support. The survey results are reported to the Asset Manager’s President & CEO and are used for improving our activities. In addition, the HR department interviews employees to gather their opinions on how to improve operational efficiency. Furthermore, all employees can consult with the General Manager of the Asset Manager’s Compliance Department, a law firm, or an outside specialist on matters such as risks/problems at work, grievances and improvement requests as well as whistleblowing on illegal or unethical behaviour by officers and employees. Every employee can seek any of the foregoing consultations anonymously, and whistleblowers are given protection under the Whistleblower Protection Act of Japan. If deemed necessary, such matters of consultations are reported to the President & CEO, who will conduct an investigation and take measures necessary for resolution of the issue. In addition, we have implemented various measures, including creating a productive and employee-friendly workplace and promoting diverse work styles, to promote the physical and mental health of employees, help them achieve good work-life balance, and increase employees’ motivation.
- *International Initiatives and External Evaluations.* We attach great importance to ESG-conscious investing in order to continuously improve the value of assets under management, and are a signatory or participant in various international initiatives, such as PRI, RE100 and, as a member of Mitsubishi Estate Group, the United Nations Global Compact (UNGC). Also, JRE’s updated CO₂ emissions reduction target has been approved by the Science Based Targets initiatives (SBTi), which is a global joint initiative by CDP, the United Nations Global Compact,

the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Furthermore, several of the Asset Manager's ESG initiatives have been evaluated highly by external organizations in Japan and overseas. Going forward, we will maximize long-term returns by strengthening our environmental, social, and governance initiatives.

We have no reference benchmark designated for the purposes of attaining the environmental or social characteristics promoted by our investment units.

What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by JRE?

We use the following indicators to measure the attainment of the environmental or social characteristics we promote:

- *Environmental Initiative*
 - *Climate Change Initiatives.* We aim to achieve a 80% reduction in total CO₂ emissions from our portfolio by FY2030 compared with the 2019 level and net zero CO₂ emissions from our portfolio by FY2050. We recognize that reduction of GHG emissions is of critical importance to ensure the sustainability of our business. We have been working to reduce energy consumption and GHG emissions of our portfolio by installing eco-friendly equipment such as LED lighting, which reduces electronic usage, and energy-saving air conditioning systems. The percentage of progress in installing LED light bulbs in certain common areas for the entire portfolio was 55% as of March 31, 2022 and 57% as of March 31, 2023 on a gross floor area basis. In addition, we have accelerated the use of electricity 100% from renewable energy sources, and the number of properties in which we had introduced 100% renewable electricity was 58 as of September 30, 2022 but had grown to 59 as of March 31, 2023. We reduced total CO₂ emissions from our portfolio by 31.01% in the fiscal year ended March 31, 2022, and 71.02% in the fiscal year ended March 31, 2023, as compared with the 2019 level. As for energy consumption, we reduced total energy consumption from our portfolio by 7.86% in the fiscal year ended March 31, 2022, and 9.10% in the fiscal year ended March 31, 2023, as compared with the 2019 level.
 - *Water Saving Initiatives.* We aim to achieve 20% reduction in water use (intensity) in our portfolio by FY2030 compared with the 2019 level. Some of the buildings we own are equipped with facilities for reusing rainwater and greywater, as we endeavour to reduce the consumption of tap water. We reduced water use (intensity) by our properties by 29.63% in the fiscal year ended March 31, 2022, and 23.38% in the fiscal year ended March 31, 2023, as compared with the 2019 level.
 - *Waste Management Initiatives.* We aim to achieve a more than 90% waste recycling rate in our portfolio by FY2030. We have reduced waste and promoted efficient use of resources through the promotion of reuse and recycling at our properties. In the fiscal year ended March 31, 2022, we achieved a 55.3% waste recycling rate in our portfolio and in the fiscal year ended March 31, 2023, we achieved a 55.0% waste recycling rate in our portfolio.
 - *Renewable Energy.* We are making efforts to accelerate the use of electricity from renewable energy recognized by RE100 (where "RE" stands for renewable electricity), which is a global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity. In May 2022, JRE joined the international initiative RE100 as the first J-REIT. We aim to make 90% of electricity (of Scope 2) used at our buildings renewable energy by FY2030 and 100% by FY2050. While as of the end of FY2021 the renewable energy rate (Scope 2) of our portfolio was 16.4%, the renewable energy rate of our portfolio had increased to 72.9% as of the end of FY2022.
- *Environmental Consideration of Portfolio.* As of September 30, 2022, 74.5% of our properties

were green-certified based on gross floor area of owned buildings. As of March 31, 2023, 76.3% of our properties were green-certified based on gross floor area of owned buildings. Three of our properties with BELS certification are also certified as ZEB Ready (energy savings of greater than 50%) and one property is certified as ZEB Oriented (gross floor area 10,000 m² or more and energy savings beyond the regulation for each application).

- *Tenant Engagement*
 - *Including “Green Lease” provisions in our agreements.* JRE has increasingly entered into Green Leases. While, as of March 31, 2022, floor area percentage for buildings leased under a Green Lease agreement that contains a cost recovery clause was 58.4%, such percentage had increased by 11.2% to 69.6% as of March 31, 2023. (The figures for Green Leases include properties disposed during each fiscal year based on the SASB standards).
 - *Sustainability program for tenants.* We conduct periodic satisfaction surveys to solicit feedback from tenants to maintain a high level of tenant satisfaction and use such feedback to improve our buildings’ sustainability. Our survey on tenant satisfaction covered 26.4% of our properties calculated based on the number of buildings as of May 2021, 56.2% as of May 2022, more than double the previous percentage, and 56.0% as of May 2023. We believe that this improvement is thanks to advances in the understanding of property managers as a result of our ongoing engagement efforts, such as ESG seminars for property managers.
- *Employee Health and Well-being at the Asset Manager.* As described above, we conduct annual anonymous surveys of all employees on a wide range of topics, including the work environment, benefits and educational support. During the fiscal period ended on March 31, 2023, we conducted the latest survey and achieved a score of 4.2 (on a 5-point scale) for the employee satisfaction level, almost the same level as the previous score of 4.4, with a 100% response rate.
- *International Initiatives and External Evaluations*
 - *PRI Assessment.* The Asset Manager is a PRI (Principles for Responsible Investment) signatory, which is required to report annually on the status of its ESG integration practices for evaluation, and received “4 Stars” in the “Investment and Stewardship Policy” module and the highest rating “5 Stars” in the “Real Estate” module in 2021.
 - *MSCI Japan ESG Select Leaders Index.* The MSCI Japan ESG Select Leaders Index is an index to represent companies with high ESG performance selected based on the data from the MSCI Japan IMI Index. JRE was selected as a constituent of the MSCI Japan ESG Select Leaders Index as of June 1, 2022. In addition, in 2023, JRE received a rating of “A” in the MSCI ESG Ratings assessment where companies are rated on a seven-tier scale ranging from “AAA” (highest) to “CCC” (lowest) according to their exposure to industry—specific ESG risks and their ability to manage those ESG risks.
 - *GRESB Real Estate Rating.* GRESB was founded in 2009 by a group of major European pension funds who played leading roles in launching PRI. In the 2022 GRESB Real Estate Assessment, JRE received for the fifth consecutive year “5 Stars,” which is the highest GRESB rating (out of “5 Stars”), and also received for the seventh consecutive year “Green Star” based on its excellent ESG management system and performance record.
 - *Carbon Disclosure Project (“CDP”) score.* Since 2003, CDP has sent questionnaires every year to major companies to assess corporate actions on climate change. JRE received the “A-” designation and was recognized at the highest Leadership Level in the 2021 CDP Climate Change Program. By way of update, after the end of fiscal year ended September 30, 2022, JRE has received the highest score of “A” securing a place on its annual “A List” for the first time.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

Not applicable.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable.

Principal Adverse Impact

Does JRE consider principal adverse impacts on sustainability factors?

Yes, we collect on an ongoing basis select information on our existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets, GHG emissions and energy consumption intensity. We monitor these indicators and aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence. As we actively conduct due diligence review of properties before acquisition and promote environmental and social initiatives as described above, we believe that any principal adverse impacts are substantially mitigated.

- *Exposure to fossil fuels through assets.* We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient investment assets.* We consider properties other than the properties that have received any of the green building certifications and energy-saving certifications (“Green Assets”) to be energy-inefficient. As of March 31, 2023, 76.3% of our properties were Green Assets, and 23.7% of our properties were not Green Assets. As described in more detail above, we implement as appropriate measures to reduce the environmental impact of these properties, including by obtaining environmental certifications.
- *Energy consumption intensity.* The amount of energy consumption of our properties per square meter is 0.166 MWh in the fiscal year ended March 31, 2023. The amount of total GHG emission of our properties per square meter was 22.2 kg-CO₂/m² in the fiscal year ended March 31, 2023. Specifically, the amounts of Scope 1 GHG emission, Scope 2 GHG emission and Scope 3 GHG emission of our properties were 2,786 t-CO₂, 14,380 t-CO₂ and 12,670 t-CO₂, respectively in the fiscal year ended March 31, 2023.

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 the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in our portfolio.

We believe that climate change is more than an environmental issue, which has a major impact on social and industrial infrastructure, and therefore on our business activities. To maintain sustainable and stable earnings over the long term and overcome the oncoming changes from climate change, we will need to evaluate the risks and opportunities presented by climate change, and reflect such evaluation in our operational policies and asset management. Based on the foregoing, JRE has examined the magnitude of the financial impact of risks and opportunities presented by climate change for scenarios involving temperature increases between 1.5°C and 4°C, which are scenarios published by international organizations and other entities that predict the impact of global warming and climate change and of the changes that may occur in the business environment as a result of long-term policy trends in relation to climate change. We examined the impact of each scenario for 2030 (medium-term prospects) and 2050 (long-term prospects) for qualitative financial impact analysis. As for quantitative financial impact analysis, we assumed as of 2050 based on the FY2021 operating profit.

Investment Strategy

What investment strategy does JRE follow?

We invest directly or indirectly through trust beneficiary interests in real estate and real estate-related assets primarily in office buildings located in major cities all over Japan. JRE's investment management operation is conducted in conformity with the Sustainability Policy established by the Asset Manager, which stipulates JRE's priority issues and basic policies on sustainability with regard to its real estate investment management. In this manner, we have incorporated ESG factors into our asset investment and management decision-making processes and aim to achieve healthy asset growth and stable distributions over the medium to long term. To ensure implementation of the Sustainability Policy and execute a plan-do-check-act ("PCDA") cycle related to the same, the Asset Manager established the Sustainability Committee in May 2016.

We take into account sustainability in our investment process as follows.

- *Due diligence.* When acquiring real estate properties, we conduct on-site inspections and also investigate soil contamination and toxic substances such as asbestos and PCBs, by obtaining real estate appraisal reports and engineering reports in addition to receiving related disclosure materials from the sellers.
- *Incorporation of ESG criteria for property acquisition.* In December 2020, we added the following factors to the assessment criteria (in addition to location and building specifications) that we consider when acquiring properties: (i) green building certifications and (ii) environmental performance including CO₂ emissions. In incorporating these ESG criteria, we have obtained a second-party opinion from CSR Design Green Investment Advisory, Co., Ltd.
- *Green Bond Framework.* In order to further promote our sustainability initiatives, we have established a green bond framework to conduct green financing. The net proceeds from green bonds are used to refinance and/or finance refurbishments to or acquisition of assets that meet the following eligibility criteria:
 - Refurbishments with a primary purpose of achieving one of the following criteria which have been completed within 36 months prior to the date of the green bond issuance and/or will be completed in the near future: (i) refurbishments with more than 10% reduction in CO₂ emissions or energy consumption, (ii) refurbishments with more than 10% reduction in water consumption, (iii) more than one level of star/rank improvement in the green building certifications listed in the following paragraph, (iv) refurbishments that contribute to the conservation and recovery of biodiversity, including of diversity of outdoor plants, if one or more of criteria (i) to (iii) above are met, (v) refurbishments that contribute to the local community by improving public open space connected to the building and renovation to accommodate people who are temporarily unable to return home, if one or more of criteria (i) to (iii) above are met, and (vi) obtaining a certification or recertification listed in the following paragraph.
 - Acquisition of buildings that have achieved the following top three levels of third-party green building certification or recertification within 36 months prior to the date of green bond issuance and/or will achieve: (i) DBJ Green Building Certification (three-stars or better), (ii) BELS certification (three-stars or better) and (iii) CASBEE for Real Estate certification (B+ rank or better).

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by JRE?

Findings from due diligence review conducted prior to an acquisition of a property, including environment assessment and evaluation of earthquake resistance and probable maximum loss, are binding

on our investment strategy, and we will not acquire a property that does not meet certain criteria based on such findings. We also take into account the acquisition of green building certifications and environmental performance including CO₂ emissions, which promotes acquisition of properties with high environmental performance.

In addition, the Asset Manager evaluates risks associated with climate change and environmental issues, and makes investment decisions that take into account impacts on ESG factors. For example, we have examined the magnitude of the financial impact of risks and opportunities presented by climate change qualitatively and quantitatively under scenarios of temperature increases between 1.5°C and 4°C and has designed our initiatives, including acquisition of ZEB properties, based on such examination.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The Asset Manager's investment decision-making process involves assessment of material ESG related-risks and opportunities to ensure that JRE's sustainable investment strategy is implemented on a continuous basis. With each acquisition opportunity, JRE and the Asset Manager review ESG-related due diligence findings and take into account the acquisition of green building certifications and environmental performance including CO₂ emissions. These findings and factors are deliberated at the Asset Manager's Investment Management Council, where a final decision is made on the investment.

Moreover, taking into account the Sustainability Policy and the examination of the magnitude of the financial impact of risks and opportunities presented by climate change for scenarios involving temperature increases between 1.5°C and 4°C, we strategically replace properties in our portfolio and select properties that help us achieve competitive strength over the medium to long term, including through high environmental performance.

What is the policy to assess good governance practices of the investee companies and JRE?

JRE invests directly or indirectly through trust beneficiary interests in real estate and real estate-related assets. Therefore, due diligence review (including the assessment of good governance practices) in relation to investee companies is not applicable.

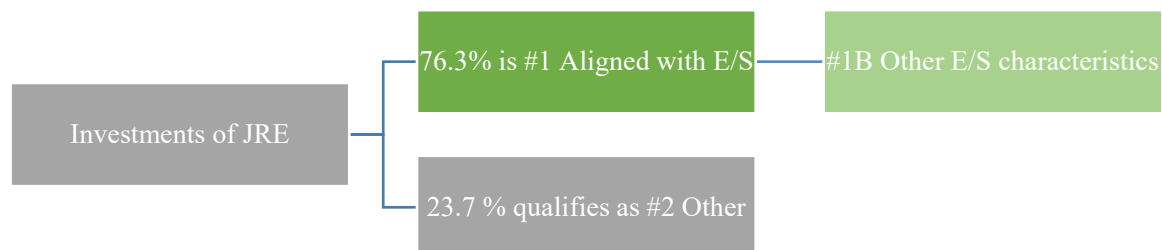
While there is no third-party rating used for assessment of JRE's governance practices only, JRE and the Asset Manager have acquired the high ratings under GRESB and MSCI ESG Rating assessments, which evaluate governance factors as well as other factors. In addition to these assessments, we have introduced the following measures to assess and enhance JRE's governance practices.

- *Adoption of Performance-linked Asset Management Fees.* JRE pays performance-linked fees based on net operating income or dividends to the Asset Manager to align the interest of JRE's unitholders and the interest of the Asset Manager.
- *Related-party Transactions.* JRE is not allowed to carry out related-party transactions which amount exceed certain threshold without the approval of JRE's Board of Directors.
- *Transparent and Appropriate Information Disclosure.* JRE holds management calls for its overseas unitholders and engages with a wide range of unitholders at its earnings meetings, which are held via teleconference. JRE makes ongoing disclosures in Japanese pursuant to the Financial Instruments and Exchange Act and other applicable laws and regulations in Japan, and provides ongoing disclosures in English simultaneously.

Asset Allocation

What is the asset allocation planned for JRE?

As of March 31, 2023, 76.3% of the properties in the portfolio were Green Assets, and 23.7% were uncertified assets based on gross floor area of owned buildings.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by JRE?

Not applicable.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

Does JRE invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

Not applicable. JRE does not invest in real estate assets involved in fossil gas and/or nuclear energy-related activities.

What is the minimum share of investments in transitional and enabling activities?

Not applicable.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.

What is the minimum share of socially sustainable investments?

Not applicable.

What investments are included under “#2 Other,” what is their purpose and are there any minimum environmental or social safeguards?

As of March 31, 2023, based on gross floor area of owned buildings 23.7% of our properties were not Green Assets. However, we implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications, installing environmentally-friendly equipment, using renewable energy and undertaking appropriate renovations.

Index as Reference Benchmark

Is a specific index designated as a reference benchmark to determine whether JRE is aligned with the environmental or social characteristics that it promotes?

Not applicable.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by JRE?

Not applicable.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

Not applicable.

How does the designated index differ from a relevant broad market index?

Not applicable.

More Product-specific Information

Where can I find more product-specific information online?

More product-specific information can be found on the website: <https://jre-esg.com/en/esg/>.

Note Regarding the EU Taxonomy Regulation

As set out above, JRE promotes certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the “EU Taxonomy Regulation”), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening

criteria which are currently developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

JRE invests in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and the fact that, as a result thereof, data on alignment of JRE's investments with these environmental objectives and climate related goals in line with EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent JRE's investments technically qualify as Taxonomy-aligned or "environmentally sustainable" within the specific meaning of the EU Taxonomy Regulation. JRE's investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of JRE's investments that qualify as such.

The Asset Manager further states that the "do no significant harm" principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF JRE (SFDR ARTICLE 6 DISCLOSURE)

JRE and the Asset Manager address sustainability risks by taking into account environmental, social and governance, or ESG, factors in our investment decision process and on a continuous basis.

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.

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 and environmental issues.

Furthermore, the Asset Manager tracks sustainability measures including climate change initiatives, water-saving initiatives and waste management initiatives.

As a result of the growing interest in ESG factors among our investors and other stakeholders, we believe that insufficient engagement in ESG-related issues could materially adversely impact our reputation, business activities and our unit price. Having established the Sustainability Policy, we will take ESG factors into serious consideration when investing in new properties and managing our portfolio in accordance with such policy. We believe that our ongoing ESG initiatives will contribute to our sustainable growth and improve unitholders’ value while mitigating such ESG-related risks. In addition, we believe that such initiatives also contribute to reduction of the environmental impact of Japan’s overall economy while contributing to local communities and regional economies and at the same time generate sustainable growth in returns.

The following table presents the key climate-related risks that may have a financial impact on our real estate investment management business and the initiatives that we have taken to address those risks.

Category	Risk and Opportunity Factors	Identified Risks (Financial Impacts)	Initiatives
Transition Risk - Policy and Legal	Introduction of CO ₂ emission regulations Adoption of carbon taxes	Increase in cost of complying with laws and regulations (e.g., carbon taxes, carbon credit purchases)	<ul style="list-style-type: none"> • Set CO₂ reduction targets (80% reduction compared with FY2019) • Reduce energy intensity in a planned manner • Proactively conduct resource efficiency-related capital improvements using internal carbon pricing (in cooperation with external experts) • Replace existing properties with properties with good environmental performance • Manage energy consumption using our proprietary EMS • Increase use of renewable energy
	Introduction of carbon emission-related regulations Introduction of health and welfare regulations	Increase in expense of acquiring environmental certification	<ul style="list-style-type: none"> • Acquire environmental certifications and energy-efficiency ratings based on a medium- to long-term GHG emissions reduction plan

	Strengthening of energy regulations		
Transition Risk - Technology	Spread of low-carbon technology (Improvement of environmental performance of existing properties)	Increase in costs incurred in procuring ZEBs and in conducting research on converting properties to ZEBs and installing new technology	<ul style="list-style-type: none"> • Acquire ZEBs • Convert existing properties to ZEBs in a proactive and planned manner
		Rise in retrofit costs associated with introducing energy efficient equipment and renewable energy and promoting the carbon neutralization of real estate	<ul style="list-style-type: none"> • Cooperate with outside experts • Provide support for technical assessments and equipment, including for energy efficiency • Review lifecycle costs • Formulate medium- to long-term refurbishment plans to achieve net zero emissions • Promote switch to renewable energy sources
Transition Risk – Market and Regulation	Growth in importance of transition risks	Increase in fund procurement costs due to high climate risk assessment	<ul style="list-style-type: none"> • Reduce portfolio energy intensity in a planned manner • Proactively conduct resource efficiency-related capital improvements using internal carbon pricing (in cooperation with outside experts) • Replace existing properties with those with good environmental performance
	Changes in tenants' environmental performance needs	Decrease in earnings resulting from properties becoming stranded assets following decline in environmental performance	<ul style="list-style-type: none"> • Acquire environmental certifications and energy-efficiency ratings based on a medium- to long-term GHG emissions reduction plan • Improve portfolio competitiveness by acquiring properties with good environmental performance by applying ESG evaluation criteria at the time of acquisition
Physical Risk - Acute	Increase in typhoons, concentrated heavy rains, floods	Increase in the cost of refurbishments and expense of up-front countermeasures and property insurance premiums due to flooding of properties	<ul style="list-style-type: none"> • Perform flood risk assessment in due diligence process • Understand flood risks by checking hazard maps, for both existing and anticipated properties • Implement hard (e.g., installation of water-stopping plates) and soft (e.g., evacuation drills and formulation of BCP) disaster measures
		Loss of sales opportunities due to flooding of properties	
		Decrease in asset value of properties with high risk of flooding	
Physical Risk - Chronic	Rise in annual average temperature	Rise in costs resulting from growth in demand for air-conditioning	<ul style="list-style-type: none"> • Install highly efficient air-conditioning (implement as an energy-saving measure)
	Rise in sea levels	Increase in costs incurred for measures to tackle rising sea levels	<ul style="list-style-type: none"> • Implement hard (e.g., installation of water-stopping plates) and soft (e.g., evacuation drills and formulation of BCP) disaster measures