

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Product name: Japan Prime Realty Investment Corporation
Legal entity identifier: 353800NJOQJAY1ODEX72

The following is the adverse sustainability impact statement of Japan Prime Realty Investment Corporation (“JPR”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). We have no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan and rely on Tokyo Realty Investment Management, Inc. (the “Asset Manager”), to manage and operate the properties in our portfolio. JPR and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our”.

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

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 January 1, 2022 to December 31, 2022. The statement will be reviewed at least once during every 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, in collaboration with the Asset Manager, take actions on climate change, including energy conservation, use of renewable energy, 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 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

We do not invest in investee companies, but invest 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	We do 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 December 31, 2022, 12.0% of our properties were not “Eligible Green Assets” (as defined to the right) based on acquisition price.	As of December 31, 2021, 34.9% of our properties were not “Eligible Green Assets” (as defined to the right) based on acquisition price.	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	We implement as appropriate measures to reduce the environmental impact of the real estate assets following acquisition, including by obtaining environmental certifications such as DBJ or CASBEE. We also install and renew energy-efficient facilities such

					<p>(“CASBEE”) certification, and other equivalent certifications. With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received 3 stars or higher out of DBJ’s five-star ranking system. With respect to CASBEE, we consider a property to have sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). We have developed a Sustainability Finance Framework and reviewed the eligibility criteria. Under this framework, we call our properties that meet the green eligibility criteria “Eligible Green Assets.” Also, we call our properties that</p>	<p>as LED lighting, reduce greenhouse gas emissions by reviewing agreements with electric power companies and increase use of renewable energy in order to reduce environmental impact caused by our properties.</p>
--	--	--	--	--	---	--

					meet both of “Green buildings” of the green eligibility criteria and social eligibility criteria “Eligible Sustainability Assets.”	
--	--	--	--	--	--	--

Table 2
Additional climate and other environment-related indicators

We do not invest in investee companies but 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.

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Greenhouse gas emissions	<p>18. GHG emissions</p> <p>Scope 1 GHG emissions generated by real estate assets were 1,369 t-CO2 (in 2018), 1,331 t-CO2 (in 2019), 1,293 t-CO2 (in 2020), 1,212 t-CO2 (in 2021) and 1,233 t-CO2 (in 2022).</p> <p>Scope 2 GHG emissions generated by real estate assets were 14,509 t-CO2 (in 2018), 15,283 t-CO2 (in 2019), 14,929 t-CO2 (in 2020), 14,419 t-CO2 (in 2021) and 12,224 t-CO2 (in 2022).</p> <p>Scope 3* GHG emissions generated by real estate assets were 55,624 t-CO2 (in 2018), 58,317 t-CO2 (in 2019), 54,347 t-CO2 (in 2020), 53,331 t-CO2 (in 2021) and 47,631 t-CO2 (in 2022).</p> <p><i>(*) Data for category 5 of Scope 3 are collected for the period from April to March. This data is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based data noted in the SFDR Delegated Regulation. For details of the data, please refer to our website: https://www.jpr-reit.co.jp/en/sustainability/e_climate_change.html</i></p> <p>We have established a target of 46.2% reduction in GHG emissions in 2030 (compared to the 2019 level) and a target of achieving net zero emission in 2050. We have submitted our commitment to the above targets to SBTi in November 2022.</p>	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets
		[From 1 January 2023,]Scope 3 GHG emissions generated by real estate assets
		Total GHG emissions generated by real estate assets

	<p>We have entered into agreements with electric power companies pursuant to which we monitor on an ongoing basis not only greenhouse gas emissions but also the underlying factors such as the composition of our power sources, and take actions to reduce them.</p> <p>We have also increased use of renewable energy through installation of solar panels. As of December 31, 2022, four of our 67 properties were equipped with solar panels.</p>	
--	--	--

Table 3

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

JPR 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 impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments to the Asset Manager or tenants		
Social and employee matters	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>Since 2005, we have conducted an annual tenant satisfaction survey for all tenants and considered ways to improve our properties based on the results. The survey conducted in June 2022 targeted 444 companies in 39 properties (58.2% of our properties based on the number of properties), and included questions related to tenant satisfaction with respect to our management, communication with tenants, security, communication in emergencies and environmental preservation. In the most recent survey, tenants gave an average of 3.52 out of 4 in terms of their satisfaction level. We use such results to address issues discovered, including in cooperation with property managers and building managers.</p> <p>Tenants in 38.5% of our properties based on the number of properties do not have a grievance/complaints handling mechanism.</p>	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters
	6. Insufficient whistleblower protection	Share of investments in entities without policies

	<p>The Asset Manager has established a system to deal with complaints of its employees appropriately. All employees of the Asset Manager can request a fair investigation and anonymously report actions such as violation of compliance through the hotline, internal or external. Through the hotline, the employees can report various matters such as violation of human rights, corruption, bribery and harassment. Reported matters are corrected appropriately and prevented from recurrence under the supervision of the representative director and auditor. The Asset Manager also prohibits unfair actions or retaliations to whistleblowers while it seriously considers protection of whistleblowers' privacy.</p> <p>All of the Asset Manager's employees are provided whistleblower protection as a matter of policy.</p>	<p>on the protection of whistleblowers</p>
--	--	--

For descriptions of actions which JPR takes and will take with respect to the PAI indicators, please refer to our ESG website with respect to JPR: <https://www.jpr-reit.co.jp/en/esg/about/>

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.

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.

The Asset Manager has established a green finance framework in accordance with the 2018 Green Bond Principles and the 2017 Green Bond Guidelines to conduct sustainable finance. With respect to the Development Bank of Japan's ("DBJ") Green Building Certification, we consider a property to have sufficient environmental certification if it received 3 stars or higher out of DBJ's five-star ranking system. With respect to Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification, we consider a property to have sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior).

For further information, please refer to our ESG website: <https://www.jpr-reit.co.jp/en/esg/about/>

4. Engagement policies

Due diligence and screening

We consider the environment and nature of the soil when investing in properties. We do not consider investing in properties that do not meet the standards for soil contamination and other environmental contamination in accordance with the Air Pollution Control Act and the Soil

Contamination Countermeasures Act of Japan and other environmental laws and ordinances from our portfolio. However, from time to time we acquire properties not meeting the standards as long as they are deemed fixable promptly after acquisition. We also invest in properties that have been constructed, reinforced, or otherwise modified to meet applicable new earthquake resistance building codes or have been deemed to have seismic capacity equivalent thereto. At the properties we operate, we set numerical targets and monitor the amount of energy used as well as the amount of CO2 emissions within the property in order to reduce our environmental burden.

Engagement

We have standardized environmental provisions, which we refer to as “Green Lease” provisions, in the leases with our tenants. Our Green Lease provisions include clauses requiring our tenants to collaborate with us in implementing various measures, including for energy savings and improving the office environment.

We regularly share information with property managers and discuss initiatives on energy-saving and environmental issues. We also hold workshops for property managers and other business partners to raise their awareness of sustainability and enhance their readiness.

5. References to international standards

The Asset Manager has adopted the recommendations of the Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board.

We also support the Universal Declaration of Human Rights in the International Bill of Human Rights, international labor standards such as the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

TRIM became a signatory to the Principles for Responsible Investment (PRI) in May 2019, in agreement with its fundamental thinking. In addition, Tokyo Tatemono has signed the United Nations Global Compact (UNGC) and Tokyo Tatemono Group is registered as a participating company. TRIM also participates as a member of the Group, as well as participates in subcommittees.

6. Historical comparison

See above.