

NEWS RELEASE

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Investment Corporation

Japan Real Estate Investment Corporation

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Announcement of Debt Financing (Sustainability-Linked Loans)

Japan Real Estate Investment Corporation ("JRE") hereby announces that it today decided to borrow funds (the "Borrowings"), as described below, which will be procured through sustainability-linked loans (the "SLLs" *), the first such arrangement in the J-REIT industry.

*Sustainability-linked loans are loan instruments that aim to facilitate and support environmentally and socially sustainable economic activity and growth. In this loan scheme, the borrower sets sustainability performance targets ("SPTs") based on its business management strategy, and the lender incentivizes the borrower's achievement of those objectives by aligning loan terms to the borrower's performance against the relevant predetermined SPTs.

1. Reason for the Borrowings

JRE will borrow the funds to repay an existing short-term loan of JPY 5.5 billion executed on January 15, 2021 and an existing long-term loan of JPY 4.0 billion executed on January 31, 2014, and to allocate the remainder as cash on hands.

2. Overview of the Borrowings

		Loan 1	Loan 2
(1)	Lender:	The Norinchukin Bank	
(2)	Loan amount:	JPY 5,000 million	JPY 5,000 million
(3)	Borrowing date:	January 29, 2021	January 29, 2021
(4)	Principal repayment date:	July 31, 2031	January 30, 2032
(5)	Principal repayment method:	Lump-sum repayment on the principal repayment date	Lump-sum repayment on the principal repayment date
(6)	Interest rate (Note 1):	0.35625% (fixed)	0.37750% (fixed)

		<p>However, the applicable interest rate will be lower by 0.01% for each, on the condition that either one of the following targets set as SPTs are achieved for the performance levels set for the end of July 2021, July 2024 and July 2028 (as well as July 2031 for Loan 2 only), respectively, for the period until the performance level is next confirmed (for the time of final confirmation, the repayment date). The interest rate applicable after the performance level is confirmed will be announced each time.</p> <ul style="list-style-type: none"> • SPT 1: Reduce CO₂ emissions by 35% by fiscal 2030 (Base year: Fiscal 2013 / Carbon intensity basis) • SPT 2: Own five ZEBs (zero-energy buildings) (Note 2) by fiscal 2030
(7)	Interest payment date:	The principal repayment date and the 31st of every January and July in the period until the principal repayment date (Note 3)
(8)	Borrowing method:	Loan agreement dated January 18, 2021 Unsecured and unguaranteed

(Note 1) The Borrowings are SSLs based on the Sustainability Linked Loan Principles (SLLP) that is internationally recognized and will be granted incentives for the loan terms if the predetermined sustainability targets are achieved.

(Note 2) The ZEBs that is certified by BELS (Building-Housing Energy-efficiency Labeling System) shall include buildings that are Nearly ZEB, ZEB Ready and ZEB Oriented.

(Note 3) When an interest payment date is not a business day, the interest shall be paid on the following business day or the immediately preceding business day if the following business day is in the following month.

3. Background of the Borrowings

- JRE believes that it is the social responsibility of a listed investment corporation to endeavor for enhanced sustainability of society, including environmental awareness, social contributions and reinforced governance, and that such is essential for maximizing unitholder value. Under this policy, Japan Real Estate Asset Management Co., Ltd. (JRE-AM), the asset management company, established its Sustainability Policy that set forth the material issues and basic policies on sustainability when conducting real estate investment management. JRE-AM became a signatory to PRI (the Principles for Responsible Investment) in 2018; disclosed information in line with the TCFD (Task Force on Climate Related Financial Disclosures) recommendations, the first such disclosure among J-REITs, in 2019; and announced the environmental Key Performance Indicators (KPIs) for fiscal 2030 in 2020.

JRE's ESG website: <https://ire-esg.com/en/>

- In the SSLs, focus is placed on climate change risks, especially reduction of CO₂ emissions. Among the JRE's environmental KPIs for fiscal 2030, the following targets have been set as the SPTs.

Reduce CO ₂ emissions by 35% (Base year: Fiscal 2013 / Carbon intensity basis)
Own five ZEBs

Moreover, the SLLs are designed in such a way that, based on the above SPTs, achievement confirmation shall be made several times and, if the predetermined levels are achieved upon each confirmation, the reduction in the interest rate will be offered.

- In concluding the agreement for the SLLs, JRE has obtained a second-party opinion from Japan Credit Rating Agency, Ltd. (JCR) with regard to conformity with the SLLP and the rationality of the established SPTs.

For more details, please refer to the press release by JCR.

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

4. Balance of Interest-Bearing Debt after the Borrowings

(Unit: millions of JPY)			
	Before	After	Increase/Decrease
Short-term loans	23,500	18,000	-5,500
Long-term loans (Variable interest rate)	23,000	23,000	±0
Long-term loans (Fixed interest rate)	329,500	335,500	+6,000
Total loans	376,000	376,500	+500
Investment corporation bonds	42,993	42,993	±0
Total investment corporation bonds	42,993	42,993	±0
Total interest-bearing debt	418,993	419,493	+500

5. Others

With regard to the risks pertaining to the repayment, etc. of the Borrowings, there is no material change to the descriptions of "Investment risks" in the latest securities report submitted on December 25, 2020.

This is the English translation of the announcement in Japanese dated January 18, 2021.

No assurance or warranties are given for the completeness or accuracy of this English translation.