

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTOR

Product Name: TOKYU REIT, Inc.

The following is the adverse sustainability impact statement of TOKYU REIT, Inc. (“TOKYU REIT”) 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 Tokyu Real Estate Investment Management Inc. (the “Asset Manager”) to manage and operate the properties in our portfolio. TOKYU REIT 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 February 1 of the year specified in line with the fiscal year of TOKYU REIT, 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”), TOKYU REIT is required to publish on its website the information referred to therein covering the period of one calendar year. TOKYU REIT is a Japanese real estate investment trust, commonly known as J-REIT, and does not operate based on a calendar year, but operates based on fiscal year ending in January 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 February 1, 2022 to January 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 February 1, 2022 to January 31, 2023. The statement will be reviewed as needed, at least once during every twelve-month period ending on January 31 of each year.

ESG (Environment, Social and Governance) matters and SDGs (Sustainable Development Goals) are important considerations as we seek to make sustainable investments. The Asset Manager established a Sustainability Policy in March 2022, based on its belief that contribution to the sustainability of society is the most important challenge that must be met in pursuing sustainable growth and maximizing unitholder value over the medium to long term. We work together with the Asset Manager to promote initiatives that help to realize a sustainable society, while aiming to enhance portfolio value and maximize unitholder value.

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 TOKYU REIT’s 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 in the future, we intend to add more indicators.

Table 1

Description of the principal adverse impacts on sustainability factors

TOKYU REIT does 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 FY2022	Impact in FY2021	Explanation	Actions taken
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	TOKYU REIT 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 January 31, 2023, 45.9% of TOKYU REIT’s properties were not “Green	As of January 31, 2022, 68.5% of TOKYU REIT’s properties were not “Green	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations,	We implement as appropriate measures to reduce the environmental impact of our properties following

			Buildings” (as defined to the right) based on gross floor area.	Buildings” (as defined to the right) based on gross floor area.	such as Building-Housing Energy-efficiency Labeling System (“BELS”) certification, Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, the Development Bank of Japan’s (“DBJ”) Green Building Certification, Leadership in Energy and Environmental Design (“LEED”) and other equivalent certifications. We call our property that receives any such certifications “Green Buildings”. With respect to BELS, we consider a property to have sufficient environmental certification if it received two stars or higher out of BELS’ five-star ranking system. With respect to CASBEE, we consider a property to have sufficient	acquisition, including by obtaining environmental certifications such as CASBEE, BELS or LEED and renewal of energy-saving equipment.
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					<p>environmental certification if it received a 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). With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received two stars or higher out of DBJ's five-star ranking system. With respect to LEED, we consider a property to have sufficient environmental certification if it received a Silver certification or higher out of the LEED certification system featuring Platinum certification, Gold certification, Silver certification and Certified certification.</p>	
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Table 2

Additional climate and other environment-related indicators

TOKYU REIT 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.

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	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets
	Scope 1 GHG emissions generated by our properties were 44 t-CO ₂ (in FY2020), 21 t-CO ₂ (in FY2021) and 78 t-CO ₂ (in FY2022).	
	Scope 2 GHG emissions generated by our properties were 4,586 t-CO ₂ (in FY2020), 2,363 t-CO ₂ (in FY2021) and 161 t-CO ₂ (in FY2022).	Scope 2 GHG emissions generated by real estate assets
	Scope 3 GHG emissions generated by our properties were 11,501 t-CO ₂ (in FY2020), 6,289 t-CO ₂ (in FY2021) and 1,358 t-CO ₂ (in FY2022).	Scope 3 GHG emissions generated by real estate assets
	Total GHG emissions generated by our properties were 16,132 t-CO ₂ (in FY2020), 8,675 t-CO ₂ (in FY2021) and 1,597 t-CO ₂ (in FY2022).	Total GHG emissions generated by real estate assets
	We aim to reduce GHG emission intensity by 46.2% at our properties by FY2030 as compared to the level in FY2019, and to ultimately achieve carbon neutrality at our properties by FY2050.	
Energy consumption	19. Energy consumption intensity	Energy consumption in GJ of owned real estate assets per square meter
	Energy use intensity of our properties were 364,489 GJ (in FY2020), 336,496 GJ (in FY2021) and 264,635 GJ (in FY2022) excluding properties where use of energy was managed by tenants. We aim to reduce energy consumption intensity that we are responsible for by 5% at our properties from FY2019 to FY2024.	

	<p>25 of our properties (74.1% of our properties based on the gross floor area) used 100% renewable energy as of March 2023.</p> <p>We generally compile the share of our properties that use 100% renewable energy as January of each year. However, since TOKYU REIT introduced 100% renewable energy in March 2023, as an exception, we compiled the share as of March 2023. Accordingly, we provide the share of our properties that use 100% renewable energy as of March 2023 in this PAI statement.</p>	
Waste	<p>20. Waste production in operations</p> <p>We have entered into waste recovery or recycling contracts with regard to all of our properties and are managing waste in compliance with the Waste Disposal and Public Cleansing Law of Japan.</p> <p>With respect to waste recycling rate, we aim to maintain the level in FY2019 or higher by FY2024.</p>	<p>Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract</p> <p>All of our properties are covered by applicable waste recovery or recycling contracts.</p>

Table 3

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

TOKYU REIT 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 TOKYU REIT's 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 TOKYU REIT's 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>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>The Asset Manager has established a hotline that can be used to report compliance and harassment issues to prevent and</p>	Share of investments in investee companies without any grievance/complaints

	<p>correct violations. All officers, employees (including temp workers) and retired employees can consult using the hotline and also consult directly with our sponsor or our outside counsel.</p>	<p>handling mechanism related to employee matters</p> <p>All of the Asset Manager's officers and employees are provided a grievance/complaints handling mechanism.</p>
	<p>6. Insufficient whistleblower protection</p> <p>The Asset Manager has established a whistleblower protection system in compliance with the Whistleblower Protection Act of Japan (Act No. 122 of 2004, as amended). Our Compliance Rules allow anonymous reporting, prohibits dismissal or other disadvantageous action against any whistleblower, and stipulate that appropriate measures be taken to ensure that the work environment will not suffer in the event of whistleblowing.</p>	<p>Share of investments in entities without policies on the protection of whistleblowers</p> <p>All of the Asset Manager's officers and employees are provided whistleblower protection.</p>
Human Rights	<p>9. Lack of a human rights policy</p> <p>Tokyu Corporation, our sponsor, supports the United Nations Global Compact consisting of ten principles that stipulate fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. The Asset Manager, in collaboration with Sponsor, promotes sustainability initiatives.</p>	<p>Share of investments in entities without a human rights policy</p> <p>The Asset Manager, together with its Sponsor, has a human rights policy.</p>
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>The Asset Manager's Work Regulations and Compliance Manual stipulate that its officers and employees may not give more-than-de minimis gifts or gamble. Any person who gives or receives illicit or unjust money or goods in connection with our business will be strictly punished.</p> <p>To the best of our knowledge, nobody who gives or receives illicit or unjust money or goods in connection with our business during FY2021 and FY2022.</p> <p>The Asset Manager's Code of Conduct requires its officers and employees to reject any relationship with anti-social forces and its Basic Policy on Development and Operation of Internal Control System stipulates a structure that prevents any relationship with anti-social forces.</p> <p>In addition, the Asset Manager conducts due diligence review when entering into a lease agreement with a tenant or a service agreement with a vendor and rejects those found to have any relationship with anti-social sources. The Asset Manager subjects existing business partners to periodic</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>The Asset Manager has compliance policies addressing anti-corruption and anti-bribery that apply to all of its officers and employees.</p> <p>None of the Asset Manager's tenants has, to the best of our knowledge, any</p>

	<p>review to ensure that they have no relationship with anti-social forces.</p> <p>To the best of our knowledge, there is no relationship with anti-social sources in TOKYU REIT's properties during FY2021 and FY2022.</p>	<p>relationship with anti-social sources.</p>
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For descriptions of actions which TOKYU REIT takes and will take with respect to the PAI indicators, please refer to our ESG website:

<https://www.tokyu-reit.co.jp/eng/sustainability/message>.

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.

In order to realize sustainability in our asset management while maximizing our portfolio value, we consider ESG factors in our investment and asset management processes. In particular, we monitor environmental performance of our properties, such as energy consumption, CO₂ emissions and water consumption, and strive to continuously improve our performance. The Asset Manager has established a Sustainability Promotion Committee, which is composed of Chief Financial Officer as Chief Sustainability Manager, as the chairperson, full-time directors, executive officers and heads of each division, which generally meets at least once every quarter, to establish sustainability goals, review the progress and achievement against those goals and report to the Board of Directors of the Asset Manager and our Board of Directors. The Sustainability Policy and any material issues we identify will be reviewed and discussed by the Sustainability Promotion Committee as necessary and reported to the Board of Directors of the Asset Manager and our Board of Directors.

4. Engagement policies

Due diligence and screening

Prior to our investment in a property, the Asset manager conducts due diligence review of the property, including the assessment of compliance with applicable environmental laws and ordinances, environmental performance and environmental and disaster risks, as well as investigation into hazardous substances and soil contamination. We do not consider investing in properties that do not meet the standards stipulated in applicable environmental laws and ordinances. However, from time to time we acquire properties not meeting the standards as long as they are deemed fixable after acquisition, comprehensively considering their impact on our entire portfolio and the degree of expected contribution to the enhancement of our portfolio value. The above investment strategy applies to all of our properties.

We have selected PAI indicators GHG emissions and energy consumption intensity as our PAI indicators in Table 2 above for the following reasons.

- GHG emissions from buildings have a major environmental impact.
- We believe that contribution to the sustainability of society is the most important challenge that must be met in pursuing sustainable growth and maximizing unitholder value over the medium to long term. We promote environmentally friendly initiatives such as transitioning to a decarbonized society and addressing climate change by promoting energy conservation and using renewable energy and realizing a recycling-oriented society by conserving water and reducing waste.
- We obtain independent assurance on these environmental performance data from Sustainability Accounting Co., Ltd (SusA), an organization providing assurance services on non-financial information including environmental performance data, in order to ensure a high degree of transparency and disclosure.

We have selected PAI indicators grievance/complaints handling mechanism, whistleblower protection, human rights policy and anti-corruption and anti-bribery policies as our PAI indicators in Table 3 above for the following reason.

- Excellent governance is a source of competitiveness and a factor that contributes to the enhancement of unitholder value. We conduct steady operations with strong governance that meets global standards. We believe a grievance/complaints handling mechanism, whistleblower protection, a human rights policy and prevention measures against corruption are essential for such governance.

Engagement

We had introduced 100% renewable energy at 25 of our properties (74.1% of our properties based on the gross floor area) as of March 2023. We had installed LED lighting at 80.3% of our office properties (based on total leasable area of exclusively owned areas) as of January 31, 2023. We also renewed air conditioning equipment in 5 of our properties in the year ended January 31, 2023.

The GRESB, established in 2009, validates ESG performance data and provide benchmarks for measuring real estate companies' and institutional investors' commitment to sustainability. In the 2022 GRESB Real Estate Assessment, we received a "4 Stars" in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won a "Green Star" designation for the 8th consecutive year by achieving high performance both in "Management Component" that evaluates policies and organizational structure for ESG promotion, and "Performance Component" that assesses environmental performance and tenant engagement of properties owned. We also received the highest "A Level" for the GRESB Public Disclosure, which assess the width of ESG disclosure.

5. References to international standards

The Task Force on Climate-related Financial Disclosures ("TCFD") was established by the Financial Stability Board (FSB) to develop recommendations for more effective climate-related disclosures. In September 2020, our sponsor, TOKYU CORPORATION announced its endorsement of the TCFD recommendations. In August 2022, the Asset Manager expressed its support for the TCFD recommendations and joined the TCFD Consortium, an organization formed by domestic companies supporting the TCFD recommendations.

In 2019, TOKYU CORPORATION joined RE100, a global joint initiative between international non-profits Climate Group and CDP that brought together international businesses committed to 100% renewable electricity. TOKYU CORPORATION has established long-term targets of 100% renewable energy procurement and net zero CO₂ emissions by 2050 and is implementing various initiatives to achieve these targets.

6. Historical comparison

See Table 1, Table 2, and Table 3 above.