Japan Excellent, Inc.

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Japan Excellent, Inc. (TSE: 8987)
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Notice Concerning the Formulation of a Sustainability Finance Framework and Debt Financing (Sustainability Loan)

Japan Excellent, Inc. (hereinafter "JEI") announces the decision made today concerning the formulation of a "Sustainability Finance Framework" and the debt financing through a "Sustainability Finance" based on the said framework (hereinafter the "Debt Financing"), as follows.

1. Purpose and structures of a Sustainability Finance Framework

(1) Purpose

In recognition of the importance of consideration for the environment, society, and governance (ESG), JEI has established its Sustainability Policy and has been working to reduce the environmental burden and to cooperate/collaborate with stakeholders to achieve a sustainable society as its corporate social responsibility.

As a part of these initiatives, JEI has been promoting the acquisition of high-quality assets that aim to reduce the environmental burden as well as solve social issues, and JEI's efforts have been highly recognized, as indicated by the 3 stars or more awarded by DBJ Green Building Certification to 66% of its entire portfolio, as of June 30, 2020.

Also, in terms of financing, JEI has been procuring funds for the acquisition of assets with excellent environmental performance including the issue in August 2018 of the first green bond by an office-focused J-REIT based on the "Green Bond Framework," and the debt financing in September 2018 through a Green Loan based on the international guidelines, the "Green Loan Principles" (Note 1), which became the first of its kind by a J-REIT.

Recently, JEI, in an effort to procure funds for the acquisition of assets that are not only proficient in environmental performance but also conducive to the solution of social issues, has formulated a new "Sustainability Finance Framework" which aligns with the Sustainability Bond Guidelines of the International Capital Market Association (ICMA), while at the same time has selected "AKASAKA INTERCITY AIR (Note 2)" as an Eligible Sustainability Project (See (2) below), and will carry out this Debt Financing as a sustainability loan, the first of its kind by a J-REIT.

(Note 1) "Green Loan Principles" was established by the Loan Market Association, Asia Pacific Loan Market Association in March 2018 as an international guideline of loans used only in the environmental field and comprises four main items (1. Use of Proceeds, 2. Process for project evaluation and selection, 3. Management of proceeds, and 4. Reporting).

(Note 2) For the reasons for the evaluation of AKASAKA INTERCITY AIR, please refer to Appendix 1.

(2) Structures

(i) Use of proceeds

Funds procured through sustainability finance shall be allocated as new funds to acquire the assets defined in 2. below ("Eligible Sustainability Projects"), and funds for the refinancing or redemption of existing debt or investment corporation bonds required for the acquisition of the Eligible Sustainability Projects.

(ii) Project (Eligible Sustainability Project) evaluation and selection process

Eligible Sustainability Projects shall meet the following criteria and shall be selected at the sustainability council of Japan Excellent Asset Management Co., Ltd., the Asset Management Company of JEI.

- Properties that have received or are scheduled to receive one of the following certifications within the past three years from the procurement date or during the remaining term of the sustainability finance:

  DBJ Green Building Certification: 5, 4 or 3 stars

  CASBEE Real Estate Certification: S, A or B+ rank

- Properties that maintain a certain level or higher of the following functions contributing to the resolution of social issues

  Regional disaster prevention

  Healthcare services

  Child-rearing support

  Consideration for the elderly and the disabled

  Socioeconomic advancement and empowerment, etc. (Note)

(Note) Denotes those listed under the "Social Projects" category of "Social Bond Principles" of the International Capital Market Association (ICMA).

(iii) Management of proceeds and maximum amount

The determined total period-end book value of the Eligible Sustainability Project in the latest fiscal period multiplied by total assets-based LTV determined as of the end of the latest fiscal period (as of June 30, 2020 at the date of this announcement) (hereinafter the "Debts of Eligible Sustainability Projects") is set as the maximum amount of the Sustainability Finance.

The maximum amount as of today is ¥2.7 billion (¥6.5 billion of Eligible Sustainability Projects x 42.8% total assets-based LTV).

(xi) Reporting

The total period-end book value of the Eligible Sustainability Projects, the Debts of Eligible Sustainability Projects, and the balance of outstanding Sustainability Finance as of December 31 of each year shall be disclosed. Additionally, the following indices of Eligible Sustainability Projects as of March 31 of each year shall be announced.

- The number of properties, evaluation by third-party agencies (DBJ Green Building Certification or CASBEE Real Estate Certification), and total leasable floor space
- Electricity consumption, water consumption, and CO_2 emissions
  (To the extent that JEI has the control authority)
- Details on the provision of services to solve social issues
  (regional disaster prevention, healthcare services, child-rearing support, etc.)

(3) Evaluation by third-party agencies

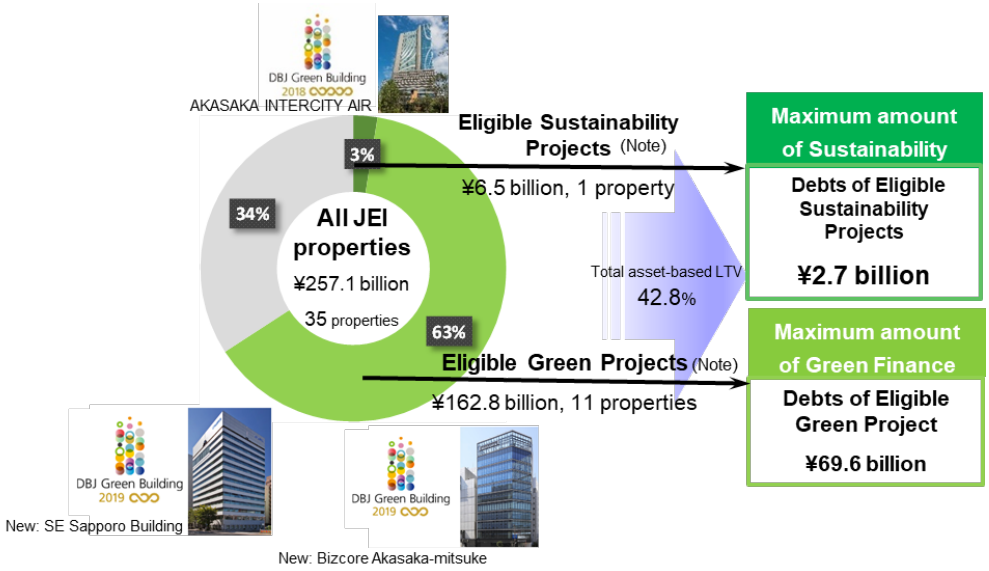
JEI's Sustainability Finance Framework has been assigned the "SU1(F)", the highest rank, rating by the Japan Credit Rating Agency, Ltd. (JCR), which provides third-party evaluations (Note). Additionally, this framework complies with the following principles and guidelines.

- Green Bond Principles of the International Capital Market Association (ICMA)
- Green Loan Principles of the Loan Market Association (LMA)
- Social Bond Principles of the International Capital Market Association (ICMA)
- Sustainability Bond Guidelines of the International Capital Market Association (ICMA)
- Green Bond Guidelines of the Ministry of the Environment, Japan
- Green Loan and Sustainability Linked Loan Guidelines of the Ministry of the Environment, Japan

(Note) For details, please refer to the website of Japan Credit Rating Agency, Ltd.
(https://www.jcr.co.jp/en/greenfinance/sustainability/)

(4) Others

AKASAKA INTERCITY AIR, which had previously been categorized as an "Eligible Green Project" under the Green Bond Framework will be categorized as an "Eligible Sustainability Project" under the newly formulated Sustainability Finance Framework.



(Note) Calculated based on the book value and total assets-based LTV at the period-end of the latest determined period (June 30, 2020) as of the conclusion of the Sustainability Loan Agreement (August 20, 2020) and rounded down to the nearest specified unit.

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2. Details of the Sustainability Loan

(1) Details of the debt financing

Lender	Loan Amount	Interest Rate (Note 1)		Borrowing Period	Drawdown Rate	Principal Repayment Date (Note 2)	Borrowing Method, Repayment Method, Collateral
Mizuho Bank, Ltd.	¥2.0 billion	Floating	Base interest rate (JBA one-month Yen-TIBOR) ＋0.200%	2.0 years	September 30, 2020	September 30, 2022	Term loan agreement To be repaid in full on the repayment date (early repayment permitted) Unsecured / Non-guaranteed

(Note 1) The base interest rate (JBA one-month Yen-TIBOR) to be applied to the calculation period pertaining to the interest paid on each interest payment date is determined two business days before the draw down date and the immediately preceding interest payment date. The current JBA Yen-TIBOR can be referenced on the website of the JBA TIBOR Administration: http://www.jbatibor.or.jp/english/rate/ The latest information on debt financing can also be found on JEI's website.

(Note 2) However, if the concerned date is not a business day, the subsequent business day; and if this day falls into the following month, the business day immediately preceding the concerned date shall be the interest payment/principal repayment date.

(2) Purpose of debt financing

JEI intends to allocate the proceeds to the repayment of the Green Loan of ¥2.0 billion (Note 2), which is due on September 30, 2020, and which was borrowed as part of the funds to acquire AKASAKA INTERCITY AIR (Note 1).

(Note 1) For the acquisition of AKASAKA INTERCITY AIR, please refer to "Notice Concerning Acquisition of Investment Asset (AKASAKA INTERCITY AIR)" announced on June 27, 2018.

(Note 2) For details of the Green Loan, please refer to "Notice Concerning Debt Financing (Green Loan) and Early Repayment of Borrowings" announced on August 24, 2018.

(3) Total amount to be borrowed, use of proceeds and scheduled expenditure date

(i) Total amount to be borrowed

¥2.0 billion

(ii) Detailed use of proceeds and scheduled expenditure date

Detailed use of proceeds : To be allocated to the repayment of the Green Loan of ¥2.0 billion which will become due on September 30, 2020

Scheduled expenditure date : September 30, 2020

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3. Status of borrowings before and after the Debt Financing

(millions of yen)

	Before the Debt Financing	After the Debt Financing	Increase/Decrease
Short-term borrowings	5,000	5,000	-
Long-term borrowings	87,600	87,600	-
Total borrowings	92,600	92,600	-
Investment corporation bonds	33,000	33,000	-
Total interest-bearing debt	125,600	125,600	-

(Note) Long-term borrowings include those due within one year.

4. Other matters required for investors to appropriately understand and evaluate the above information

There is no change to the content of "Risks in Investment" set forth in JEI's Securities Report (yuka shoken houkoku-sho) for the 27th Fiscal Period (ended December 31, 2019) submitted on March 19, 2020, with respect to the risks of the Debt Financing.

(End)

*Japan Excellent, Inc. Website: https://www.excellent-reit.co.jp/en/

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(Appendix 1) Reasons for the Evaluation of AKASAKA INTERCITY AIR



(1) Taking excellent energy-saving/resource-saving measures, such as sunlight shielding with vertical louvers, wind-catching natural ventilation, an air-conditioning system using middle-temperature cooling water, reuse of rainwater/wastewater and use of exhaust heat from solar power generation and cogeneration system.

(2) Being equipped with many facilities to support office workers, visitors to the district, and local residents, such as an office lounge, conference hall, childcare facility, clinic, and large-scale green space on top of offering office environment with the latest specifications.

(3) Implementing excellent BCP measures, such as incorporating a system capable of supplying power up to 200 hours through an emergency generator adopting a dual-fuel system using medium-pressure gas and heavy oil, as well as a sturdy anti-seismic construction method.