

_____ JCR Green Finance Framework Evaluation by Japan Credit Rating Agency, Ltd. _____

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Finance Framework Evaluation Results.

JCR Assigned Green 1 (F) to the Green Finance Framework by ITOCHU Advance Logistics Investment Corporation

Subject : Green Finance Framework of
ITOCHU Advance Logistics Investment Corporation

<Green Finance Framework Evaluation Results>

Overall Evaluation	Green 1 (F)
Greenness Evaluation (Use of Proceeds)	g1(F)
Management, Operation and Transparency Evaluation	m1(F)

Chapter 1: Evaluation Overview

ITOCHU Advance Logistics Investment Corporation (the “Investment Corporation”) is a J-REIT centered on logistics real estate, which was established in May 2018 and listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) in September 2018. As of the end of July 2019, the Investment Corporation had eight properties with a total acquisition price of JPY 58.8bn. The asset management company is ITOCHU REIT Management Co., Ltd. (the “Asset Management Company”), and the sponsors of the Asset Management Company are ITOCHU Corporation, a major general trading company, and ITOCHU Property Development, Ltd., with an equity stake of 80% and 20%, respectively. The Investment Corporation aims to contribute to the creation of an affluent society by developing logistics infrastructures, including logistics real estate, and to maximize the unitholders value of the Investment Corporation and develop the J-REIT market in a sound manner by building Collaborative Growth Relationships with the ITOCHU Group.

The ITOCHU Group considers adaptation to global environmental and social issues to be one of the most important management policies. The ITOCHU Group has established the "The ITOCHU Group Basic Policy on Promotion of Sustainability" to promote the sustainability activities of group companies. Based on the policy of the ITOCHU Group, the Asset Management Company has established the "Principles for Sustainability" and the "Basic Sustainability Policy." The Asset Management Company has also announced that it will promptly implement ESG (Environment, Social and Governance) measures.

The scope of evaluation is the green finance framework (the “Framework”) established by the Investment Corporation to limit proceeds by means of green bonds or green loans (the “green finance”) to use projects with

environmental improvement effects. JCR evaluates whether the Framework meets with the Green Bond Principles (2018 edition), the Green Bond Guidelines (2017 edition) and the Green Loan Principles. The Green Bond Principles, the Green Bond Guidelines and the Green Loan Principles are principles voluntarily published by the International Capital Markets Association (ICMA), the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) and the Japanese Ministry of the Environment, respectively, and are not binding on them, but JCR will evaluate the Framework with reference to those principles and guidelines as globally unified standards at this time.¹²³

The Investment Corporation limits the use of proceeds procured through the green finance to Green Building, and defines the Eligible Criteria as properties that have acquired four stars or more in DBJ Green Building Certification, A or higher in CASBEE Real Estate, or four stars or more in BELS Certification. JCR evaluates that the use of proceeds set by the Investment Corporation is to be properties with high environmental improvement effects.

The Asset Management Company has established the Sustainability Committee, headed by the President, to share information on ESG initiatives of the Investment Corporation, including information on the green finance. The Investment Corporation is also actively working to acquire environmental certification, and 62.5% of the number of properties and 86.2% of total floor space meet the criteria. JCR has confirmed its robust management and operation system and high transparency with regard to the acquisition of properties subject to green finance. For example, the Investment Corporation's executive director makes final decisions on the acquisition of properties, and the person in charge makes appropriate decisions on fund procurement.

As a result, based on the JCR Green Bond Evaluation Methodology, JCR assigns "g1(F)" for the "Greenness Evaluation (Use of Proceeds)" and "m1(F)" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1(F)" for overall "JCR Green Finance Framework Evaluation." Detailed evaluation results are discussed in the next chapter.

The Framework is considered to meet the standards for items required by the Green Bond Principles, the Green Bond Guidelines of The Ministry of Environment of Japan and Green Loan Principle.

1 ICMA(International Capital Market Association) Green Bond Principles 2018
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

2 Ministry of the Environment Green Bond Guideline 2017 http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

3 LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2018
<https://www.lma.eu.com/>

Chapter 2: Current Status of the project on each evaluation factor and JCR's evaluations

Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1 (F)", the highest evaluation on "Evaluation phase 1: Greenness Evaluation".
Rationale: 100% use of proceeds under the Framework will be allocated to green projects, considering the factors described below.

(1) JCR's key consideration in this factor

In this section, JCR first assesses whether the eligible criteria set out in the framework are green projects with clear environmental improvement effects. Next, JCR assesses whether an internal department/division which is exclusively in charge of environmental issues or a third party agency confirms whether a green project has sufficiently taken necessary workaround or mitigation measures, in the event the use of proceeds has a negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of evaluation targets and JCR's evaluation

<Framework for Use of proceeds>

【Eligibility Criteria】

Properties which acquired or are to acquire any of the third-party certifications described in 1 to 3 below.

1. 5 Stars or 4 Stars in DBJ Green Building Certification
2. S or A Rank in CASBEE for Real Estate Certification
3. 5 Stars or 4 Stars in BELS Certification

<JCR's Evaluation of the Framework>

a. On the environmental improvement effects of the project

i. Use of proceeds is to acquire or refinance green buildings that have or are scheduled to acquire environmental certification for the top two categories of regional, national or internationally recognised standards or certifications, and are expected to have a high environmental improvement effect.

■ Overview of Environmental Certification

1. DBJ Green Building Certification

A certification system provided by DBJ (Development Bank of Japan) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "Buildings with consideration for the environment and society." It evaluates the three major categories of "Ecology (environment)", "Amenity (comfort) & Risk Management (crime and disaster prevention)" and "Community (community and landscape) and Partnership (cooperation with stakeholders)". Each is represented by five stars (the best class in Japan), four stars (exceptionally high), three stars (excellent), two stars (high), and one star (satisfactory). Although the evaluation is not specifically focused on environmental performance, it is highly recognized in Japan and has a certain evaluation item with regard to environmental performance. Therefore, JCR considers this certification to be equivalent to the Green Project Classification of "green buildings which meet regional, national or internationally recognised standards or certifications" defined in the Green Bond Principles. However, since the certification is not limited to environmental performance, JCR believes that it is desirable to confirm the evaluation of environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property, but also on comprehensive evaluations, including the comfort of tenants, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and communities, and cooperation with stakeholders. The scoring system integrates and designs specific "excellent initiatives" for the environment and society, and there are many properties that do not reach the evaluation target in the real estate market. High evaluation requires that buildings be designed with appropriate consideration not only for the environment but also for all stakeholders involved in buildings.

The level of DBJ Green Building certification is expected to be approximately 20% of all income-generating real estate in Japan in terms of environmental and social considerations. In addition, each evaluation up to 4 stars covers the aggregate of top 10% (5 stars), top 30% (4 of the properties exceeding the certification level. Accordingly, JCR evaluates that the GLP J-REIT's eligible criteria are limited to properties with high environmental performance among the buildings that aim to acquire certification.⁴

2. CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

This is a method for evaluating and rating the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for buildings was established as a joint project with industry, government, and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. Since then, the committee has been continuously conducting development and maintenance. In addition to CASBEE for Buildings and CASBEE for Urban Development, assessment tools include CASBEE for Real Estate developed to provide easy-to-understand environmental performance to the real estate market. The evaluation results are divided into five grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), Rank B (Slightly Poor), and Rank C (Poor) (CASBEE for Real Estate scoring has four grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), and Rank B (Satisfaction of mandatory items)).

CASBEE for Real Estate that the Investment Corporation uses as the eligible criteria was developed with the aim of utilizing the results of environmental assessments of buildings in CASBEE for the purpose of assessing real estate. The criteria have been developed with a focus on items that are strongly related to real estate assessments. Evaluation items of CASBEE for Real Estate are (1) energy consumption /GHG emissions, (2) water, (3) material/safety, (4) biodiversity/site and (5) indoor environments. Evaluation methods are as follows: (1) consistency with the weights assigned in other major assessment tools in the world, (2) use of point scoring system, (3) including five required items and 16 additional items for a total of 100 points and (4) evaluation is excluded if the required items are not satisfied.

Buildings with a total of 66 points or more will be eligible for rank A or higher, as determined by the Investment Corporation as eligible criteria. This can be obtained by taking the standard level 3 (3 points) for all the additional items and taking the points above the standard level for some additional items. Accordingly, JCR evaluates that the eligible criteria set out by the Investment Corporation is buildings for having high environmental improvement effects.

3. BELS (Building-Housing Energy-efficiency Labeling System)

BELS is a building energy efficiency performance indicator system under which third-party assessment bodies evaluate and accredit the energy efficiency performance of new and existing buildings. The outer skin performance (performance standards and specification standards) and primary energy consumption (performance standards and specification standards) are subject to evaluation, and the evaluation results are

⁴ Revision and Disclosure of DBJ Green Building Certification Evaluation Items (DBJ Green Building Certification Website, February 2019)

expressed in stars according to the achievement values of the energy efficiency standards. High evaluation requires excellent energy-efficiency performance. In BELS, this ranking is based on BEI (Building Energy Index). The number of stars is divided from one to five by BEI. BEI is a measure of energy efficiency performance that uses the designed primary energy consumption as the molecular weight and the standard primary energy consumption as the denominator, and is compared with the standard value. One star is the existing energy saving standard, two stars is the energy saving standard, and three stars are the guiding standard. Buildings that qualify as BELS four stars or higher are based on high energy efficiency performance (non-residential: BEI value of 0.7 or lower) and have energy efficiencies of more than 30% compared to the basic primary energy consumption. Accordingly, JCR evaluates buildings that can be expected to have high environmental improvement effects.

Based on the above, JCR evaluates that the use of proceeds stipulated in the Framework have high environmental improvement effects.

■ Evaluation of the Framework

The brand name of "iMissions Park" attached to properties owned by the Investment Corporation has the meaning that "i (means the ITOCHU Group)" has "missions" to resolve the issues of customers. The ITOCHU Group has been developing real estate for logistics since 2004 relatively earlier stage than the competitive peers. Based on the know-how accumulated as a developer and a user, the Group has developed properties with universal design that can solve the issues of tenants and respond to various needs, while implementing reduction of the environmental burden.

Of the properties owned by the Investment Corporation, five out of eight have acquired environmental certification of four stars or more in DBJ Green Building Certification, which are in line with the eligible criteria stipulated in the Framework. In obtaining the certification, the Investment Corporation has been highly evaluated for its efforts to conserve energy by installing LED lighting, turning off lights and reducing lights using human sensors, and installing water-saving toilets. The Investment Corporation also pays attention to environmental considerations, such as greening outside the building, employee usage environments, and security and disaster prevention. JCR evaluates that these properties reflect the knowledge the ITOCHU Group has accumulated in the development of logistics real estate.

As indicated by the eligible criteria in the Framework, the Investment Corporation aims to acquire more environmentally friendly properties in cooperation with the ITOCHU Group.

ii. **The eligible projects are green projects defined in the Green Bond Principles, Green Loan Principles or the Ministry of the Environment's Green Bond Guidelines that fall under the categories of "green buildings which meet regional, national or internationally recognised standards or certifications" and "energy efficiency."**

According to a survey conducted by the World Green Building Council, carbon dioxide emissions from buildings account for 39% of total emissions. As a measure to prevent global warming in Japan, it is important to further promote green buildings with high energy efficiency performance that reduce CO₂ emissions from buildings. In addition, the New Strategic Energy Plan decided by the Cabinet of Japan in July 2018 stipulates that new housing and buildings will be obligated to comply with the Energy Efficiency Standards in stages by 2020. Therefore, it is consistent with Japan's energy conservation policy that the Investment Corporation actively acquires buildings with high environmental certification levels.

b. Negative impact on the environment

The Asset Management Company conducts due diligence when acquiring properties and checks for factors that could negatively impact the environment. Through interviews with the Asset Management Company, JCR evaluates that there are little possibilities of a negative impact on the environment caused by the logistics facilities owned by the Investment Corporation. JCR confirms that if there is a negative impact on the environment, it is necessary to take corrective measures by the seller as a precondition to avoid or mitigate the negative impact.

c. Consistency with SDGs Goals and Targets

The projects are classified into "Energy Efficiency" and "Green Buildings Which Meet Regional, National or Internationally Recognised Standards or Certifications" as defined in the Green Bond Principles, Green Loan Principles or the Ministry of the Environment's Green Bond Guidelines. Based on the SDGs mappings of the ICMA, JCR evaluated the project as contributing to the following SDGs targets.



Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

JCR assigns "m1 (F)", the highest rating on JCR evaluation Phase 2: Management, Operation and Transparency Evaluation.

Rationale: These projects will receive funding and implement businesses as planned through a firmly equipped management and operation system with high transparency as described below

1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

(1) JCR's key consideration in this factor

In this section, JCR confirms that the goals to be achieved through the green finance, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current status of evaluation targets and JCR's evaluation

a. Goal

<The Framework for Green Finance Objectives>

(Goal of Green Finance)

ITOCHU REIT Management Co, Ltd., an asset management company of the Investment Corporation, established the "Basic Sustainability Policy."

Utilizing the funds procured through green finance to carry out initiatives to promote sustainability based on sustainable policy, the Asset Management Company (IRM) also proactively acknowledges the expected level of implementation of ESG (environment, society, and governance) through dialogue with many investors and reflects it in its asset management policy.

ITOCHU REIT MANAGEMENT BASIC SUSTAINABILITY POLICY

1. Environmental stewardship

(1) Reduce energy consumption (decarbonization) and conserve resources

In cooperation with its tenants, IRM shall consider installing more energy-efficient equipment and make use of renewable energy sources at its properties in order to proactively reduce electricity consumption, conserve water, and facilitate recycling.

(2) Utilize environmental certification programs

IRM shall actively strive to acquire environment-related certifications from third-party organizations as a means to add more value to its properties, meet environmental standards expected by stakeholders, and incorporate such standards in its asset management policy.

2. Social contribution

(1) Place importance on human resources training

IRM shall work to improve the expertise of each of its members and raise their awareness of ESG while facilitating opportunities for training in and outside the company

(2) Respect human rights and promote workplace reforms

IRM shall aim to maintain a comfortable work environment by fostering a corporate culture that respects individuals and prohibits discrimination and harassment, and proactively implementing measures for raising productivity.

(Continue to the next page)

(Continue from previous page)

(3) Implement sustainability policies together with suppliers

IRM shall give consideration to the environment and social contributions in its business activities in cooperation with all companies in its supply chain, particularly property management and building management companies.

(4) Cooperate with tenants

IRM shall give further consideration to the environment and social contribution social contributions in cooperation with its tenants, and work together with the ITOCHU Group to provide services that benefit the businesses of tenants and facilities that enable them to operate dependably with respect to health, comfort and safety.

(5) Benefit areas surrounding properties and the real estate market as a whole

IRM shall give consideration to the communities directly surrounding its properties and work to help expand and develop Japan's logistics real estate and J-REIT markets.

3. Corporate governance**(1) Comply with the law and prohibit improper conduct**

IRM shall establish and maintain organizations that ensure compliance with relevant laws and regulations while strictly prohibiting improper conduct, and work to entrench these principles in its corporate culture.

(2) Disclose accurate and timely information to unitholders and other stakeholders

IRM shall make sure to promptly provide accurate and clear information, and proactively disclose financial and non-financial data, including ESG-related information.

(3) Build sound relations with the ITOCHU Group and other stakeholders

IRM shall aim to create value through its collaborative growth relationship with its sponsor, the ITOCHU Group, while making absolutely sure to consider transactions with stakeholders and protect the interests of unitholders.

<JCR's Evaluation of the Framework>

The ITOCHU Group, to which the Investment Corporation and the Asset Management Company belong, recognizes that the responses to global environmental and social issues is one of the most important management policies and has established the "The ITOCHU Group Basic Policy for promoting Sustainability" to promote the sustainability activities of group companies.

As a member of the ITOCHU Group, the Asset Management Company strongly feels the need for sustainability activities (ESG) including the environment, and established the "Basic Sustainability Policy" in January 2019 soon after listing on Tokyo Stock Exchanges. It describes policies for environmental, social, and governance (ESG) initiatives. As for the environment, two points are listed: (1) reduce energy consumption (decarbonization) and conserve resources, and (2) utilize environmental certification programs.

The use of proceeds under the Framework is acquisition or refinancing funds for acquisition of green buildings that meet Eligibility Criteria. JCR evaluates that the implementation of the green finance contributes to the implementation of the aforementioned items in the Asset Management Company's Basic Sustainability Policy.

b. Selection Criteria

The Investment Corporation's "Eligibility Criteria" are properties for which the Investment Corporation has acquired or plans to acquire four stars or more in DBJ Green Building certification, A rank or higher in CASBEE for Real Estate Certification, and four stars or more in BELS certification. As mentioned above in Phase 1, JCR evaluates the criteria limits the eligible projects with a high environmental improvement effect.

The eligibility criteria are prepared after the consultation with the Finance & Planning Department and Investment & Asset Management Department of the Asset Management Company and approved by the executive officers of the Investment Corporation.

c. Processes

<The Framework for Processes>

(Selection Process for Projects)

(Project Selection Stakeholders)

The Finance & Planning Department examines, verifies, and assesses the suitability of the Eligible Criteria for projects for which funds are to be raised.

(Project Selection Process)

1. The green finance is discussed in advance by the Sustainability Promotion Committee as one of the objectives for each term and important measures necessary to achieve them.
2. The execution of the green finance will be resolved by the executive officer of the Investment Corporation as the final decision maker.
3. After implementing the green finance, reports are made to the board of directors of the Investment Corporation, the board of directors of the Investment Corporation, and the Sustainability Committee, which meets regularly.

<JCR's Evaluation of the Framework>

The Asset Management Company promotes the implementation of the green finance as a sustainability initiative of the Finance & Planning Department and evaluates compliance with the eligibility criteria. Subsequently, the execution of green finance will be decided by a decision-making process with the Investment Corporation's executive officer as a final decision maker.

Following the approval of Green Finance, the Board of Directors of the Asset Management Company, the Board of Directors of the Investment Corporation, and the Sustainability Committee will be reported on the implementation of Green Finance.

The Sustainability Committee of the Asset Management Company is composed of the general manager of the General Affairs & Human Resources Department, Investment & Asset Management Department, Finance & Planning Department, the Compliance Officer and other members in charge of business affairs who are in charge of supervising the President. The Sustainability Committee regularly shares information on the sustainability of each department. The implementation of the green finance based on the Framework is discussed in advance as a sustainability initiative of the Finance & Planning Department and reported after approval.

The goals, selection criteria and processes set forth in the Framework are described in this evaluation report and are scheduled to be disclosed in the Investment Corporation's press releases when implementing the green finance, and in the case of issuing the green bonds, the Investment Corporations will disclose in the revised shelf registration statement. Accordingly, JCR evaluates that transparency to investors is ensured.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's key consideration in this factor

It is generally assumed that the management method of the proceeds varies by issuer or borrower. JCR confirms whether proceeds procured through the issuance of green finance are appropriated to the green projects and whether a mechanism and internal system are in place to enable easy tracking and management of the appropriation of proceeds.

JCR also attaches importance to evaluating the management and operation of the unallocated proceeds, as well as to confirming that the proceeds from the bonds are allocated to green projects at an early stage.

(2) Current status of evaluation targets and JCR's evaluation

<The Framework for proceeds management>

(Allocation Plan for Procurement Funds and allocation Method)

Funds procured through the green finance will be used to acquire Green Eligible Assets promptly, to repay the loans borrowed to acquire the assets, or to redeem the outstanding investment corporation bonds issued for acquiring the assets.

(Method of Tracking and Management of Procured Funds)

Until the green finance balance decreases to zero, tracking and management of proceeds shall be conducted by the Finance & Planning Department through the internal system. The Finance & Planning Department shall regularly report to the board of directors on the total amount of Green Eligible Assets, Green Eligible Debt and Green Finance Balance, and the appropriation of Green Finance Procurement Fund.

<JCR's Evaluation of the Framework>

The purpose of the green finance is to finance or to refinance the acquisition of the Green Eligible Assets described in this evaluation report and will not be used for any other purpose.

Regarding the proceeds, JCR confirms that the person in charge of the Finance & Planning Department of the Asset Management Company manages information such as the use of proceeds, due dates, balances, etc. using its internal system. Through interviews with the Asset Management Company, JCR confirms that the total amount of funds procured through the green finance will be allocated to the acquisition of properties or refinancing within a short period of time after the procurement, and that the tracking management will be conducted at the time of the lump-sum allocation. The Director of the Finance & Planning Department confirms and approves all of the operations related to deposits and withdrawals.

The Investment Corporation does not expect to generate unallocated funds because the funds procured through the green finance will be used for the acquisition of properties or refinancing in a short period of time after the procurement. On the other hand, in the event that unallocated funds arise due to such factors as the sale of assets subject to the use of the proceeds prior to repayment or redemption of the green finance, the Investment Corporation shall manage the outstanding balance of the green finance so that it does not exceed the amount of Green Eligible Liabilities (the total acquisition cost of Green Eligible Assets) \times (Loan To Value ratio (LTV) of the total assets at the end of the recent fiscal period).

Based on the above, JCR evaluates that fund management is highly appropriate and transparent.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the disclosure system for investors before and after the issuance of green finance is planned in a detailed and effective manner at the time of the issuance of green finance.

(2) Current status of evaluation targets and JCR's evaluation

<Framework for Reporting>

1. Reporting on the Status of proceeds allocation

The appropriation of funds procured through the green finance will be disclosed on the Investment Corporation's website. Update every year until the full amount is allocated or the green finance balance reaches zero.

Until the green finance balance decreases to zero, the total amount of Green Eligible Assets, Green Eligible Debt and Green Finance Procurement balance as of the end of January of each year are reported annually.

2. Reporting on environmental improvement effects

Impact reporting on the following KPIs is disclosed annually on the Investment Corporation's website.

- (i) Number of Green Eligible Assets, Level of Environmental Certification, and Total Floor Space
- (ii) Following environmental data (not only Green Eligible Assets but also data-acquired properties are disclosed along with the coverage ratio)

- 1. Energy consumption
- 2. CO₂ emissions
- 3. Water consumption
- 4. Waste volume

<JCR's Evaluation of the Framework>

a. Reporting on the proceeds allocation status

The use of proceeds procured through the green finance will be announced on the Investment Corporation's website, and in legal documents such as revised shelf registration documents and shelf registration supplements in the case of issuing the green bonds. As confirmed in the previous section, the funds procured through the green finance will be allocated for acquisition or refinancing funds for acquisition of properties immediately. Therefore, reporting of unallocated funds during the period is not currently anticipated. However, JCR confirms that in the event of a major change in circumstances, such as the occurrence of unallocated funds due to the sale of properties acquired through the green finance, disclosure will be made on the Investment Corporation's website.

b. Reporting on environmental improvement effects

In accordance with the Framework, the Investment Corporation plans to report on the effects of environmental improvements in energy consumption, CO₂ emissions, water consumption, and waste volume, in addition to the number of Green Eligible Assets, the level of environmental certification, and the total floor space.

JCR evaluates that the above reporting is planned to be disclosed appropriately to investors, etc. in terms of both the allocation of funds and the effects of environmental improvement.

4. Organization's Environmental Activities

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the issuer's management positions environmental issues as a high priority management issue, and whether the green finance policy, process and the criteria for selecting green projects are clearly defined through the establishment of a department specializing in the environmental field or through the assistance of external organizations.

(2) Current status of evaluation targets and JCR's evaluation

The ITOCHU Group, to which the Investment Corporation belongs, considers the adaptation to global environment and social issues to be one of the most important management policies and has established the "Basic Policy on Promotion of Sustainability" to promote the sustainability activities of group companies. The Asset Management Company has also established the "Principles for Sustainability" and the "Basic Sustainability Policy" and has announced that it will promptly implement measures related to the environment, society, and governance (ESG). This reflects a strong sense of the need for sustainability initiatives (ESG) and the establishment of ESG policies and philosophies ahead of the implementation of individual measures, which the Investment Corporation and the Asset Management Company regard as showing a particular emphasis on sustainability.

ITOCHU REIT MANAGEMENT Principles for Sustainability

As a member of the ITOCHU Group, IRM is guided by three basic principles established at the time of ITOCHU Corporation's founding called *Sampo Yoshi* in Japanese, meaning "Good for the seller, good for the buyer, and good for society."

A strong sense of ethics and responsibility as well as a passionate approach are embedded in IRM's management philosophy. By fostering a corporate culture based on this approach, IRM's management believes that it can proactively promote sustainability. With a firm grasp of expected standards of environmental, social and governance (ESG) performance, which are increasingly demanded by stakeholders today, IRM intends to promptly initiate relevant measures going forward.

ITOCHU REIT MANAGEMENT Basic Sustainability Policy (Excerpt)

1. Environmental stewardship

(1) Reduce energy consumption (decarbonization) and conserve resources

In cooperation with its tenants, IRM shall consider installing more energy-efficient equipment and make use of renewable energy sources at its properties in order to proactively reduce electricity consumption, conserve water, and facilitate recycling.

(2) Utilize environmental certification programs

IRM shall actively strive to acquire environment-related certifications from third-party organizations as a means to add more value to its properties, meet environmental standards expected by stakeholders, and incorporate such standards in its asset management policy.

The Basic Policy on Sustainability states that energy conservation, water conservation, and recycling activities are promoted in "(1) Reduce energy consumption (decarbonization) and conserve resources" in "1. Environmental stewardship", and "(2) Utilize environmental certification programs" requires a high level of environmental certification used in the Framework. In addition, the aforementioned "(2) Disclose accurate and timely information to unitholders and other stakeholders" in "3. Corporate governance" stated that the Investment Corporation and the Asset Management Company will actively disclose information on reporting. JCR highly evaluates that the Investment Corporation and the Asset Management Company are actively engaged in sustainability initiatives under the aforementioned basic policy in the Framework.

As mentioned above, the Sustainability Committee is an organization with expertise in the sustainability of the Asset Management Company. This is an organization formed with the intention of sharing the efforts concerning sustainability of the Asset Management Company among the various departments under the leadership of the President, which is composed of managers and persons in charge of each department. JCR confirms that the Investment & Asset Management Department of the Asset Management Company has expertise in green buildings, and is involved in the development of eligible criteria in the Framework. In addition, when formulating the aforementioned Basic Sustainability Policy and obtaining GRESB Real Estate Assessments, together with the participation of consulting companies on ESG as external experts, the Asset Management Company accepts employees from the sponsor group, and utilizes the expertise within the Group in professional business from the acquisition of properties to the maintenance, and utilizes it in the promotion of Investment Corporation's business.

The Investment Corporation has received 3 stars of GRESB Real Estate Assessment and also awarded "Green Star" that is obtained by companies that excel in both "management and policy" and "execution and measurement," which are two axes for evaluating sustainability, albeit shortly after its establishment. In the process of the Investment Corporation obtaining GRESB Real Estate Assessment shortly after its establishment, the Investment Corporation is able to recognize the initiatives required to receive such evaluations, thereby fostering awareness of the sustainability of the Investment Corporation. The majority of the properties acquired by the Investment Corporation have more than four stars in DBJ Green Building. In addition, the Investment Corporation has received the highest rating of five stars for i Missions Park Inzai. In line with these basic policies, the Investment Corporation is promoting sustainability initiatives.

JCR considers environmental issues to be a high priority for the management of these organizations. JCR also evaluates that the Investment Corporation is utilizing the know-how of external experts with expertise to be involved as an organization in the selection of green finance procurement policies and processes and selection of green projects.

(Reference) GRESB Real Estate Assessment

Established in 2009, GRESB refers to benchmarks and organizations that measure and evaluate the asset of ESG consideration of companies that holding and operate real estate and infrastructure. From 2016, the evaluation-results are shown on a five-star scale (five stars, four stars, three stars, two stars, and one star). Companies that have made excellent efforts are given "Green Star" separately from the five-star evaluation. From J-REIT, 44 investment corporations have participated in the evaluation as of 2019.

■ Evaluation result

As a result, based on the JCR Green Bond Evaluation Methodology, JCR assigns "g1 (F)" for the "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1 (F)" for overall "JCR Green Finance Framework Evaluation." The Framework is considered to meet the standards for items required by the Green Bond Principles, Green Loan Principles and the Ministry of the Environment's Green Bond Guidelines.

[JCR Green Finance Framework Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1 (F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness Evaluation	g1(F)	Green 1(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g2(F)	Green 2(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g3(F)	Green 3(F)	Green 3(F)	Green 4(F)	Green 5(F)	Not qualified
	g4(F)	Green 4(F)	Green 4(F)	Green 5(F)	Not qualified	Not qualified
	g5(F)	Green 5(F)	Green 5(F)	Not qualified	Not qualified	Not qualified

■ Scope of Evaluation

Issuer/Borrower: ITOCHU Advance Logistics Investment Corporation (Security code: 3493)

[Assignment]

Subject	Evaluation
Green Finance Framework	JCR Green Finance Framework Evaluation : Green 1 (F)
	Greenness Evaluation : g1(F)
	Management, Operation and transparency Evaluation : m1(F)

Analysts in charge of this evaluation: Rieko Kikuchi and Kosuke Kajiware

Important explanation regarding the evaluation of the Green Finance Framework

1. Assumptions, Significance, and Limitations of JCR Green Finance Framework Evaluation

JCR Green Finance Framework Evaluation provided by Japan Credit Rating Agency, Ltd. (JCR) evaluates the policies set forth in the Green Finance Framework, and presents JCR's overall opinion at this time on the suitability of the Green Project as defined by JCR and the extent of efforts to ensure management, operation, and transparency regarding the use of funds. Therefore, it is not intended to perform specific environmental improvement effects, management and operational systems, and transparency evaluations, etc. of the use of funds for individual bonds or borrowings, etc. implemented based on the said policy. In cases where green finance evaluations are granted for individual bonds or individual borrowings based on the framework, it is necessary to perform a separate evaluation. JCR Green Finance Framework Evaluation does not demonstrate the environmental improvement effects of individual bonds or borrowing implemented under this framework, and does not assume any responsibility for the environmental improvement effects. In principle, JCR does not directly measure the environmental improvement effects of funds procured under the Green Finance Framework, although JCR confirms matters that are quantitatively and qualitatively measured by the issuer or by a third party requested by the issuer.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance & ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

JCR Green Financial framework Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Independence in Evaluation of JCR Green Finance Framework

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■Disclaimers

The information contained in this document has been obtained by JCR from the Issuer and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Green Bond Evaluation does not express any opinion on the various risks (credit risk, price fluctuation risk, market liquidity risk, etc.) associated with the green bond, which is the subject to the evaluation. JCR Green Bond Evaluation is a comprehensive statement of opinion at the present time of JCR and is not a statement of fact and does not make any recommendations regarding risk judgment or the decision to purchase, sell or hold individual bonds, commercial paper, etc. JCR Green Bond Evaluations may be changed, suspended, or withdrawn due to changes in information, lack of information, or other reasons. All rights to this document, including data from JCR Green Bond Evaluation, are held by JCR. Reproduction, adaptation, modification or alteration of this document, in whole or in part, including data from JCR Green Bond Evaluation, without the permission of JCR is prohibited.

■Glossary

JCR Green Finance Framework Evaluation evaluates the extent to which funds procured under the framework will be used for Green Projects as defined by JCR, and the degree of management, operation, and transparency initiatives related to the use of Green Finance. The ratings are graded on a five-point scale and are displayed using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) rating symbols in order of rank.

■Status of registration as an external assessor of green finance

- Environment Ministry's Green Bond Issuance Registration
- Members of the Working Group on Social Bonds (ICMA)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- CBI Approved Verifier

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization. (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en>).

■ For further information, contact

Information Service Dept. TEL: 03-3544-7013 FAX: 03-3544-7026

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026