

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name:

Japan Prime Realty Investment Corporation

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Japan Prime Realty Investment Corporation 's Green Finance Framework

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

July 1, 2019

Publication date of review publication:

July 1, 2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Japan Prime Realty Investment Corporation (the "Investment Corporation") is a multi-purpose J-REIT that invests in offices and urban retail properties. In June 2002, it was listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market). The sponsors of Tokyo Real estate Investment Management Co., Ltd. (the "Asset Management Company") are Tokyo Tatemono Co., Ltd. (investment ratio: 52%), Yasuda Realty Co., Ltd. (investment ratio: 18%), Taisei Corporation (investment ratio: 10%), Sompo Japan Nipponkoa Insurance Inc. (investment ratio: 10%), and Meiji Yasuda Life Insurance Company (investment ratio: 10%). The current portfolio is comprised of 63 projects, and the asset size is JPY439.5bn (on an acquisition price basis). The Investment Corporation mainly invests in real estate consisting of offices (urban business facilities), commercial facilities located in locations with a high degree of entertainment value, buildings of complexes, and their sites, as well as asset-backed securities for these properties, etc.

In view of the fact that it is essential to meet the demands of society, such as the environment, society, and governance, in order for the Investment Corporation to grow stably over the medium to long term, The Asset Management Company formulated the Sustainability Policy, and initiatives for the environment is picked up as one of the Policy. In addition, the Investment Corporation regularly discloses the details of specific initiatives to achieve the targets based on the setting of environmental targets, as well as the results of various monitoring data to demonstrate its positive efforts.

The scope of the evaluation is the Green Finance Framework (the "Framework") of the Investment Corporation, which was established to limit funds raised by green bonds and green loans ("Green Finance") to the use of proceeds that have an environmental improvement effect. JCR assess whether the Framework conforms to 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 or guidelines voluntarily published by the International Capital Markets Association (ICMA), the Ministry of the Environment, the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA), respectively, and are not binding on them, but JCR assesses with reference to those principles and guidelines as globally unified standards at this time.

The Investment Corporation defines properties subject to the use of proceeds as properties for which 3 stars or more of DBJ Green Building certification and B+ ranks or higher of CASBEE-Building has been acquired or are expected to be acquired. JCR evaluates the use of proceeds specified by the Investment Corporation as having environmental improvement effect.

The Investment Corporation intends to raise Green Finance based on clear environmental objectives. The internal system for dealing with environmental issues has been properly established, and a system has been established to ensure that departments with specialized environmental knowledge are also involved in the selection and process of projects for which funds are to be used. JCR confirmed the strong management and management system and high transparency of the Investment Corporation, since environmental initiatives are being promoted while incorporating opinions of outside experts.

As a result, based on JCR Green Finance Evaluation Methodology, JCR assigns "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1 (F)" for overall "JCR Green Finance Framework Evaluation" to the Framework.

The Framework meets the standards for the items required in the Green Bond Principles, the Ministry of the Environment's Green Bond Guidelines, and the Green Loan Principles.

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

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

i. The use of proceeds is financing or refinancing of buildings (Green Buildings) that have already acquired or are planning to acquire environmental certification for up to the top 3 certification categories in the region, country, or internationally recognized certification levels, and is expected to contribute to the improvement of the environment.

ii. The use of proceeds falls under the category of "regional, national or internationally recognized standards and certification green buildings" and "energy conservation" among green projects as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on Environment

The Asset Management Company conducts a variety of investigations on the acquisition of properties by confirming evaluation reports, etc. by experts. In addition, it has been confirmed that the buildings to be acquired do not have a negative impact on the environment, etc., by acquiring them on the term that they satisfy the pre-determined check items, etc., within the Asset Management Company.

Therefore, JCR confirmed that appropriate consideration was given to the negative impact on the environment.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Investment Corporation has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

- The funds procured through Green Finance are expected to be used for the acquisition of Green Building or for the refinancing of the acquisition funds within 2 months after procurement, and it is assumed that there will be no unallocated funds for a long period of time.
- Until all Green Finance is redeemed/repaid, the balance management and unallocated funds will be managed under the portfolio management approach. In the event that a property that is already subject to the use of proceeds in Green Finance is excluded from the use of proceeds due to sell, etc., the Asset Management Company confirms that Green Eligibility Liabilities (total acquisition price of Green Eligibility Assets multiplied by the interest-bearing debt ratio to total assets) exceed the balance of Green Finance.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING**Overall comment on section** (*if applicable*):**a. Reporting on proceeds allocation**

In the Framework, the appropriation of Green Finance will be disclosed on the Investment Corporation's website. JCR evaluates that the disclosures on unallocated funds are appropriate. The Investment Corporation plans to announce in their news release on the sale of the property that was the subject of the use of proceeds if the property is excluded from the use of proceeds due to the sale of the property before the redemption/repayment of the Green Finance.

b. Impact reporting for environmental benefits

In addition to the third party certification levels acquired by the Green Eligibility Assets, the Investment Corporation plans to disclose energy consumption, CO₂ emissions, and water consumption limited to Green Eligibility Assets.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
|---|--|

☒ Decrease in water use

☒ Other ESG indicators (please specify):

Status of Environmental Certification Acquisition

Means of Disclosure

☐ Information published in financial report

☒ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify):
Show on the website

☐ Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Sustainability activities by the Investment Corporation

<http://www.jpr-reit.co.jp/en/about/sustainability/>

JCR's website about green bond evaluation methodology

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Second Party Opinion

☐ Certification

☐ Verification

☒ Scoring/Rating

☐ Other (please specify):

Review provider(s):

Date of publication:

Japan Credit Rating Agency, Ltd.

July 1, 2019

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.