

_____ 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 Assigns Green 1 (F) to the Green Finance Framework of Mitsubishi Estate Logistics REIT Investment Corporation

Subject : Mitsubishi Estate Logistics REIT Investment Corporation Green Finance Framework

<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

Mitsubishi Estate Logistics REIT Investment Corporation ("MEL") is a J-REIT mainly invests in logistics facilities and is sponsored by Mitsubishi Estate Co., Ltd., ("Mitsubishi Estate") established in July 2016, and listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) in September 2017. Mitsubishi Jisho Investment Advisors, Inc. (the "Asset Manager") is responsible for the asset management business of MEL, and the Asset Manager is wholly owned by Mitsubishi Estate. As of September 1, 2020, MEL's portfolio consists of 19¹ properties (46.5% of which are located in the Tokyo metropolitan area²) with an aggregate acquisition price of ¥142.1 billion.

MEL aims to maximize unitholder value through management that leverages the collective strengths of the Mitsubishi Estate Group. At the same time, MEL's basic philosophy is to contribute to the realization of an affluent society through development of logistics functions that support people's lives. MEL aims to build a high-quality portfolio and steadily and stably manage assets by leveraging the strengths of the Mitsubishi Estate and the Asset Manager. MEL is committed to endeavoring to enhance consideration towards the environment, social contributions and corporate governance to improve the sustainability of society. MEL recognizes that this is an important social responsibility for a listed enterprise to assume, and also believe that it is essential for maximizing our unitholder value. To put our commitment into practice based on the above recognition, MEL has developed policies and

¹ As of September 1, 2020

² Tokyo, Kanagawa, Chiba, Saitama and Ibaraki Prefectures

organizational structures, implementing initiatives as an organization.

The subject of this evaluation is the Green Finance Framework (the "Framework") established by MEL to limit the funds procured through Green Bonds or Green Loan (the "Green Finance") to the use of proceeds with environmental improvement effects. JCR will assess whether the Framework complies with the Green Bond Principles (2018 edition), the Green Loan Principles (2020 edition), the Green Bond Guidelines (2020 edition) and the Green Loan Guidelines and the Sustainability Linked Loan Guidelines (2020 edition). These principles and others are voluntarily published principles or guidelines by the International Capital Markets Association (ICMA), the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA) and the Ministry of the Environment, respectively, and they are not regulations. They are therefore not binding, but refer to these principles and guidelines as uniform standards both domestically and internationally at this time.

MEL uses qualifying criteria for the use of proceeds as bellow: (1) properties for which any of the following are acquired or renewed or scheduled to be acquired in the future: DBJ Green Building certification 3 stars or higher, CASBEE certification B+ or higher, and BELS evaluation 3 stars or higher; (2) renewable power generation facilities associated with buildings; and (3) facilities aimed at reducing environmental impacts. With respect to projects to be used for funding in the Framework, MEL plans to identify and manage negative environmental impacts and take appropriate action as necessary. Accordingly, JCR evaluated that the above-mentioned eligible criteria are expected to bring about environmental improvement effects.

The selection of target projects is decided after approval by the Executive Committee of the Asset Manager and approval by the President, and comprehensive resolution or approval by the Board of Directors of MEL, and the management team is appropriately involved. Proceeds from the Green Finance are used to finance the acquisition of individual green eligible assets or to refinance the funds. After appropriation of the proceeds, the balance is managed by portfolio management in the event of a sale, etc. of green eligible assets. The status of appropriation of funds and the content of reports on the effects of environmental improvement are also appropriate. Based on the above, JCR evaluated that the management and operation structure of MEL has been established and that it is transparent.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Green1 (F)" for overall "JCR Green Finance Framework Evaluation" to the Framework. Evaluation results are discussed in detail in the next chapter.

The Framework is considered to meet the standards for items required by the Green Bond Principles³, the Green Loan Principles⁴, the Green Bond Guidelines⁵ and the Green Loan and Sustainability Linked Loan Guidelines⁶.

³ ICMA(International Capital Market Association) Green Bond Principles 2018
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁴ LMA (Loan Market Association), APLMA (Asia Pacific Market Loan Association) Green Loan Principle 2018
<https://www.lma.eu.com/>

⁵ Ministry of the Environment Green Bond Guidelines 2020
https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf (pp.14-47)

⁶ Ministry of the Environment Green Bond Guidelines Green Loan and Sustainability Linked Loan Guidelines 2020
https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf (pp.48-89)

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

Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated 100% of the use of proceeds under the Framework is a green project, and assigned "g1 (F)", the highest rank for Phase 1: Greenness Evaluation.

(1) JCR's Key Consideration in This Factor

In this section, JCR first assesses whether the use of proceeds set out in the Framework is a green project with clear environmental improvement effects. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of evaluation targets and JCR evaluation

<Framework for Use of Proceeds>

The proceeds from the Green Bonds or Green Loan will be used to fund the acquisition of, or to refinance, the Green Building that meets the following eligible criteria:

Eligible criteria

(1) Green Building

Acquired or renewed any of the certifications of third-party certifying bodies ①-③ below
Properties to be acquired in the future

- ① 5-star, 4-star or 3-star DBJ Green Building Certification
- ② S, A or B+ in CASBEE certification
- ③ 5-star, 4-star or 3-star BELS evaluation

(2) Renewable energy generation facilities associated with buildings (limited to solar power generation facilities on the premises)

(3) Equipment designed to reduce environmental impacts (limited to equipment that achieves 30% or higher energy efficiency before introduction)

<JCR's Evaluation of the Framework>

a. On the environmental improvement effects of the project

i. The eligible criteria set out in the Framework for the use of proceeds are as follows: (1) green buildings with standards and certifications narrowed to the top three certification levels, which are recognized regionally, nationally or internationally; (2) renewable energy generation facilities with solar power; and (3) new investments and refinancing targeting the introduction of equipment aimed at reducing environmental impacts, with environmental improvement effects expected.

1. Evaluation of Eligible Criteria (1) (Green Building)

The eligible criteria for Green Building established by MEL are evaluated by JCR as covering buildings at a level that is expected to have a certain environmental improvement effect, as described in detail below:

① On DBJ Green Building Certification and DBJ Green Building 3 stars or higher Environmental Performance

A certification structure provided by Development Bank of Japan Inc. (DBJ) to evaluate real estate with consideration for the environment and society. 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 three major categories: "Ecology (environmental)," "Amenity (comfort)," & Risk Management (crime prevention and disaster prevention)," "Community (region and landscape) & Partnership (stakeholder collaboration)." Each is represented by 5 stars (domestic highest level, excellent), 4 stars (extremely excellent), 3 stars (very excellent), 2 stars (excellent), and 1 star (satisfactory). Although this is not an evaluation specializing in environmental performance, it is highly recognized in Japan, and it also has certain evaluation items regarding environmental performance. Therefore, JCR evaluated this certification as also equivalent to the "green building that received standards or certifications recognized in the region, country, or internationally" of the green project classification defined in the "Green Bond Principles." However, since the certification is not limited to the environmental performance, it is considered desirable to confirm evaluation for the environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property being evaluated, but also on a comprehensive assessment that includes the comfort of tenant users, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and community, and cooperation with stakeholders. With a scoring design aggregating specific "excellent initiatives" for the environment and society, there are many properties in the real estate market that do not reach the level for the subject of evaluation. In order to be highly evaluated, it is necessary to be a building that is appropriately considered for the environment and all stakeholders related to buildings.

The certification level of DBJ Green Building certification is assumed to be the top 20% of all domestic income-producing real estate in "environmental and social considerations." In addition, each evaluation up to 3 stars covers an aggregate of the top 10% (5 stars), the top 30% (4 stars) and the top 60% (3 stars) of the properties that exceed the certification level⁷. Therefore, the eligible criteria of MEL are evaluated as being focused on the properties with high environmental performance among the buildings aiming at certification acquisition.

② On CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Certification and Environmental Performance of CASBEE Certification B+ or higher

An acronym for the English name of the Comprehensive Architectural Environmental Performance Assessment System (Comprehensive Assessment System for Built Environment Efficiency).

This is a method to evaluate and rate the environmental performance of buildings. The Comprehensive Environmental Evaluation Research Committee for buildings was established as a joint project between industry, government, and academia with the support of the Housing Bureau of the Ministry of Land,

⁷ Revision and Release of DBJ Green Building Certification Assessment Items (February 2019 DBJ Green Building Certification Website)

Infrastructure, Transport and Tourism in April 2001, and has been continuously developed and maintained since then. Evaluation tools include CASBEE-Building Design, CASBEE-Urban Development, as well as CASBEE-Market Promotion (real estate), which has been developed with the aim of showing environmental performance in an easy-to-understand manner for the real estate market.

The assessment results are divided into following five grades: S rank (excellent), A rank (very good), B+ rank (good), B- rank (slightly inferior), and C rank (inferior). CASBEE-Market Promotion is classified into following four grades: S rank (excellent), A rank (very good), B+ rank (good), and B rank (satisfying essential items). The assessment method uses quantified performance in the four fields of energy consumption, resource circulation, regional environment, and indoor environment in buildings, reconfigured from the viewpoint of the environmental quality of buildings (Q = Quality) and the environmental impacts of buildings (L = Load). The assessment is conducted by the value of BEE (Building Environmental Efficiency) with L as the denominator and Q as the numerator. For high evaluation, in addition to environmental considerations such as energy efficiency and use of materials and equipment with low environmental impacts, consideration of indoor comfort and landscape, etc. are also required, suggesting that high overall building quality is required. Buildings with BEE of 1.0 or higher are rated as B+ or higher, which MEL has established as eligible criteria, and environmental quality of buildings clearly exceeds the environmental impacts. Therefore, the eligible criteria of MEL are evaluated as having an environmental improvement effect.

③ On BELS (Building-Housing Energy-efficiency Labeling System) and Environmental Performance of BELS 3 Stars or higher

BELS (Building-Housing Energy-efficiency Labeling System) is a structure for labeling energy efficiency performance of buildings, and is a structure to evaluate and certify the energy efficiency performance of new and existing buildings by a third party organization. Building envelope performance (performance standard and specification standard) and primary energy consumption (performance standard and specification standard) are subjects of evaluation, and the evaluation result is expressed by the number of stars by the achievement numerical value of energy efficiency standard. It is required to have excellent energy efficiency performance for high evaluation. In BELS, the number of stars is ranked from one to five according to BEI (Building Energy Index). BEI is a measure for energy conservation performance compared with the standard value, using the design primary energy consumption as the numerator and the standard primary energy consumption as the denominator. BELS 1 star represents the existing energy efficiency standard, 2 stars the energy efficiency standard, and 3 stars the guidance standard. BELS 3 stars or higher, which MEL has defined as eligible criteria, are based on high energy efficiency performance (BEI of 0.8 or less for offices and commercial buildings) that exceeds the guidance standard, and are evaluated as having an environmental improvement effect.

2. Evaluation of Eligible Criteria (2) (renewable energy generation facilities associated with buildings)

The eligible criteria cover renewable energy power generation facilities limited to solar power generation facilities on buildings' rooftops, etc. on the premise of the properties owned by MEL. JCR evaluated this eligible criteria to be effective in improving the environment by reducing CO₂ emissions.

3. Evaluation of eligible criteria (3) (facilities aimed at reducing environmental impacts)

The eligible criteria cover the introduction of equipment that has an energy efficiency effect of 30% or higher from the pre-introduction level at the properties owned by MEL. JCR assesses that the above target setting is comparable to global levels and has a high environmental improvement effect.

Based on the above, JCR has evaluated the eligible criteria of MEL as being expected to have an environmental improvement effect.

- ii. The use of proceeds fall under the following categories: "Green Buildings which meet regionally, nationally or internationally recognized standards or certifications," "Renewable Energy" and "Energy efficiency" in the Green Bond Principles and the Green Loan Principles; "Green Building Projects," "Renewable Energy Projects" and "Energy Efficiency Projects" among the uses of proceeds exemplified in Green Bond Guidelines and Green Loan and the Sustainable Linked Loan Guidelines.**

According to a survey by the World Green Building Council, CO₂ emissions from buildings are estimated to account for 39% of the total emission, and as a global warming prevention measure in our country, it is important to further spread green buildings with high energy efficiency performance to reduce CO₂ emissions from buildings. In addition, the Basic Energy Plan approved by the Cabinet in July 2018 states that by 2020, new houses and buildings will be obligated to comply with energy conservation standards in stages. From this, it is consistent with Japanese energy conservation policy that MEL actively acquires and constructs buildings with a high level of environmental certification.

b. Negative impact on the environment

The Asset Manager conducts due diligence by the Investment Sales Department when acquiring properties, using a check sheet to confirm from various perspectives, thereby identifying and managing material environmental risks associated with green-eligible assets. When there is a risk of negative impact on the environment, MEL will follow a policy to avoid and mitigate risks by forgoing property acquisitions, requesting corrections from sellers, or implementing additional construction, among others. In addition, since the installation of renewable energy power generation facilities is limited to solar power generation facilities on buildings' rooftops, etc. on the premise of the properties, no negative effects on the environment such as deforestation and land development are expected. In addition, it is planned to confirm that the waste treatment of the previous facilities is properly carried out when the equipment for the purpose of reducing the environmental impacts is introduced.

Accordingly, JCR confirmed that MEL has appropriately taken measures to identify, avoid and mitigate environmental risks with respect to the use of funds set forth in the Framework.

c. Consistency with SDGs

JCR assessed the goals of the use of proceeds set out in this Framework, referring to SDGs mapping of ICMA, and contributing to the following SDGs goals and 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. Reduce per capita environmental impacts of cities, including by paying special attention to air quality and general and other waste management, by 2030.

Evaluation Phase 2: Management, Operations and Transparency Evaluation

Based on the current status described below and the JCR's evaluation, JCR assessed that the management and operation system was well established, that the transparency was extremely high, and that the implementation of projects as planned and the appropriation of funding could be sufficiently expected. JCR assigned "m1 (F)" as the highest ranking to the evaluation phase 2: Management, Operation, and Transparency Evaluation.

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 the goals to be achieved through green bonds, the selection criteria for green projects and the appropriateness of the process, and whether the process is properly disclosed to investors and others.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Goals

<The Framework for Goals>

Investment policy based on a long-term vision

The sponsor, Mitsubishi Estate, has set the Mitsubishi Estate Group 2030 Goals for SDGs in the Long-Term Management Plan 2030 and the Goals are positioned as a milestone for defining specific themes and actions. Mitsubishi Estate intends to provide more profound value to a wider range of stakeholders on the four key themes of Environment, "Diversity & Inclusion," "Innovation" and "Resilience." The Asset Manager and MEL, as a real estate investment management business operator and a listed investment corporations, respectively, believe that it is necessary to incorporate environmental, social and governance (ESG) factors into the investment decision-making and investment process as much as possible in order to maximize unitholder value over the medium to long term. Based on this approach, the Asset Manager and MEL will set the following items as basic policies and targets for sustainability, and put them into practice in daily operations.

1. Efforts for Energy Efficiency and Low-Carbon for Real Estate under Management
2. Efforts to Improve Water Resource Management and Waste Management
3. Enhancement in the Safety, Security and Satisfaction of tenants
4. Efforts for Directors and Employees
5. Collaboration with External Stakeholders
6. Disclosure of ESG Information and Utilization of External Evaluation
7. Compliance and Risk Management

<JCR's Evaluation of the Framework>

Green finance implemented in the Framework is aimed at acquisition of green buildings which are expected to have environmental improvement effect, acquisition of renewable energy generation facilities with a high environmental improvement effect, and introduction of facilities with an energy efficiency effect. MEL's goal in the Green Finance is to promote reduction of CO₂ emissions in its portfolio and work to improve social sustainability and unitholder value. JCR confirmed that the Framework contributes to the Sustainability Policies defined by MEL and "Environment" in the Mitsubishi Estate Group 2030 Goals for SDGs.

b. Selection Standard

The eligible criteria in this Framework are as described in Evaluation Phase in this report. JCR evaluated that the selection standard for these green projects are appropriate.

c. Processes

<The Framework for Processes>

1. Project selection participants

Projects for which the proceeds to be used will be evaluated and selected for conformance to the eligible criteria by the person in charge of the Logistics REIT Department of the Asset Manager. The Sustainability Committee of the Asset Manager, which meets once a quarter, shall be provided with a follow-up report. The Sustainability Committee is composed of the Asset Manager's President & Chief Executive Officer as Chief Representative of Sustainability and the Director of the Management Department as Sustainability Executive Director, and the Logistics REIT Department General Director (concurrently serving as a full-time director) of MEL as the Director of the Fund Executive.

2. Project selection process

Procurement of funds through green finance for target projects as a use of proceeds is carried out through the following process as well as ordinary finance (execution of borrowing and issuance of investment corporation bonds).

- Green Bonds: After approval by the Executive Committee of the Asset Manager and approval by the President, MEL's Board of Directors will issue the bonds through a comprehensive resolution pertaining to the Investment Corporation Bonds.
- Green Loan: After approval by the Executive Committee of the Asset Manager and approval by the President, the agreement is concluded with approval by MEL's Board of Directors.

※The process varies depending on whether or not it was established in the annual operation plan in advance.

<JCR's Evaluation of the Framework>

The selection of projects eligible for green finance funding is evaluated, selected and approved in accordance with the process described in the Framework above. Institutional decisions are made in the implementation of approved Green Finance in a manner that is consistent with the form of financing. JCR evaluated the above selection process as highly transparent, as the responsibilities of each organization are clear.

MEL's Green Finance objectives, selection criteria and processes are disclosed on MEL's website, press releases, etc. Therefore, transparency to investors is considered to be ensured.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's Key Consideration in This Factor

It is generally assumed that the methods of managing procurement funds vary widely among issuers, but it is necessary to confirm that funds procured through the implementation of green finance are appropriated for green projects, and that mechanisms and internal systems are in place to easily track and manage the appropriations.

In addition, it is important that funds procured through green finance be allocated to green projects at an early stage, and that the management and operation of unappropriated funds be evaluated.

(2) Current Status of Evaluation Targets and JCR's Evaluation

<The Framework for proceeds management>

Plan for appropriation of proceeds

Proceeds from the Green Finance are scheduled to be used entirely to fund the acquisition of new or existing properties or to refinance such funds within one month after the execution of the Green Finance. Proceeds from the Green Finance are credited to MEL's account and then remitted by a person in charge in the Logistics REIT Department from the above-mentioned deposit account for redemption and repayment at the timing of appropriation to the above. When remitting money, it is necessary to give prior approval to the manager of the Logistics REIT Department.

How to track and manage proceeds

Proceeds from the Green Finance are credited to MEL's account. After the deposit, the proceeds will be managed by an Excel spreadsheet for the account. Then, the person in charge in the Logistics REIT Department will transfer the entire amount of the proceeds to an account to deposit property acquisition fund or funds to redeem investment corporation bonds or repay borrowings on a predetermined date. The above-mentioned process is subject to in-house approval with the final approver as the President in advance.

Internal control and external audit for tracking management

The Asset Manager conducts periodic external and internal audits. In addition, accounting in general is subject to external audits by an auditing firm.

Management method of unappropriated funds

Until the determination of appropriation of proceeds from the Green Finance, the proceeds will be managed in cash or cash equivalents. Even after appropriation of funds in full, if assets subject to the use of proceeds are removed from the scope of funds due to sell or impairment before the redemption or repayment of the investment corporation bonds or borrowings subject to the evaluation, the unused funds that arise temporarily will be managed by the portfolio management. Each accounting period, it will be confirmed that the total amount of the Green Finance balance does not exceed the maximum amount of green eligible liabilities (Total acquisition price that meets the eligible criteria × LTV (Total Assets LTV)).

<JCR's Evaluation of the Framework>

The proceeds will be managed using an Excel spreadsheet by the Logistics REIT Department of the Asset Manager. When managing and operating funds, prior approval is given by the manager such as the General Manager or the President, depending on the content of the procedure. The proceeds from the Green Finance are managed in cash or cash equivalents and will be used for the subject project within one month.

The proceeds from the Green Finance are used to finance the acquisition of individual green eligible assets or to refinance such funds. In the event that a decline in green eligible assets is expected due to the sale or impairment of assets after appropriation of the proceeds, MEL will confirm the greenness of such the Green Finance by confirming that the balance of the Green Finance does not exceed the amount of green eligible

liabilities. If the balance of the Green Finance exceeds the amount of green eligible liabilities, measures, such as increasing the amount of green eligible assets, will be taken. JCR believes that there are no particular issues to be addressed on the management by MEL, as this portfolio management is consistent with the manner commonly used as the market practice.

The control of funds procured through the Green Finance is subject to internal audits and external audits by auditing firms, and thereby controls are ensured.

A structure has been put in place in which documents on the management of funds for the Green Finance are stored for a sufficient period of time after the redemption or repayment of the Green Finance.

Based on the above, JCR evaluated that the fund management of MEL is appropriate and that the management method is highly transparent.

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section JCR assesses whether the system for disclosing green finance to investors before and after implementation is planned in a detailed and effective manner by referring to the Framework.

(2) Current Status of Evaluation Targets and JCR's Evaluation

<Framework for Reporting>

Disclosure Status of Appropriation of Funds

The appropriation of the proceeds on the website will be reported on an annual basis. If unused funds are available at the time of Green Bond issuance or Green Loan borrowing, the appropriation plan will be disclosed. In the event that assets subject to the use of proceeds are sold by the redemption and repayment period, it will be disclosed by the press release that the balance is managed by portfolio management as well as the amount of the Green Finance balance and the maximum amount of green eligible liabilities. If there are other major changes in conditions, the information is to be disclosed on the company website.

Impact Reporting Disclosure Method and Frequency

The corresponding Green Finance balance will be disclosed on the company website on an annual basis until it reaches zero.

KPIs (Key Performance Indicators) in Impact Reporting

- Number and type of environmental certification of acquired assets
- Specifically, the amount of use of the following items:
 - Water and sewerage usages
 - Total energy consumption (electricity consumption and gas/fuel consumption)
 - CO₂ emissions
 - Waste discharged
 - Annual generation of photovoltaic power
 - Details of equipment installed as equipment for the purpose of reducing environmental impacts and energy efficiency effect

<JCR's Evaluation of the Framework>

a. Reporting on the proceeds allocation

MEL plans to disclose the appropriation of the proceeds from the Green Finance on its website once a year. In the unlikely event that there is a change in green eligible assets and there is an unappropriated funds, details of such changes and the management method of such funds will be also disclosed. JCR assessed that reporting on the allocation of these funds is appropriate.

b. Reporting on environmental improvement effects

In addition to the status of obtaining certification for green eligible assets and details of each green eligible asset, MEL plans to disclose the KPIs set forth in the Framework above for all green eligible assets annually on its website. It is also planned that, for renewable energy power generation facilities by solar light and facilities aimed at reducing environmental loads, indicators necessary for calculating the effects of environmental improvement will be sufficiently disclosed. JCR assesses these disclosures and the frequency of disclosures as appropriate.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

This section evaluates whether the issuer's management positions environmental issues as a high priority issue for management, and whether the implementation policy of Green Finance and process, Green Project selection criteria, etc. are clearly positioned by establishing a department that specializes in the environmental field or by cooperating with external organizations.

(2) Current status of evaluation targets and JCR evaluation

In addition to the Mitsubishi Estate Group 2030 Goals for SDGs established by the Mitsubishi Estate Group, MEL carries out environmental initiatives in accordance with the Sustainability Policies set forth by the Asset Manager. In the following, environmental efforts by the Mitsubishi Estate Group and MEL will be examined.

a. Environmental Initiatives of the Mitsubishi Estate Group

The Mitsubishi Estate Group aims to "contribute to realization of a truly valuable society through creation of an attractive community that satisfies people who live, work, and relax, and is also friendly to the global environment," as its basic mission, based on the Mitsubishi Three Corporate Principles (Corporate Responsibility to Society⁸, Integrity and Fairness⁹, and Global Understanding through Business¹⁰), which are the fundamental philosophy of the Mitsubishi Group. The Mitsubishi Estate Group considers urban development to be a mission that constantly breathes life into the city over 50 and 100 years, and realizes high value in both social and environmental aspects while attracting new people. It is therefore important to implement sustainability management based on a long-term vision. Under this understanding, with an aim at growing together with a variety of stakeholders through "urban development" that looks 100 years into the future, the Mitsubishi Estate Group formulated the Mitsubishi Estate Group 2030 Goals for SDGs in January 2020, which is back casted from the ideal state for 2050 year from a long-term perspective. This is positioned as a milestone that defines specific themes and actions for aiming to become a corporate group that promotes the world's highest level of initiatives for the four key themes of "Environment," "Diversity & Inclusion," "Innovation," and "Resilience." For "Environment," specific action plans and KPIs have been formulated, such as reducing waste emissions by 20% per square meter compared to fiscal 2019 and reducing CO₂ emissions by 35% compared to fiscal 2017. Consistency with global initiatives is also considered, such as having received SBT Initiative Certification¹¹ for reducing CO₂ emissions.

b. Environmental Initiatives of MEL

MEL carries out environmental initiatives with taking into account the characteristics as an investment corporation, based on the efforts of the Mitsubishi Estate Group.

The Asset Manager has established the Sustainability Policies, believing that it is necessary to incorporate ESG factors into the investment decision-making and investment process as much as possible for maximization of unitholder value in the medium to long term. The Policies lays out policies for its investment properties on greenhouse gas emissions reduction through efficient use of energy and use of

⁸ Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

⁹ Maintain principles of transparency and openness, conducting business with integrity and fairness.

¹⁰ Expand business, based on an all-encompassing global perspective.

¹¹ SBT (Science Based Target) Initiative accreditation that ensures that the target is "science-aligned" when the company's greenhouse gas reduction target is consistent with the level required to maintain global temperature increases below 2°C relative to pre-industrial temperatures.

renewable energies, improvement of water-use efficiency, waste management, etc. This is in line with the "Environment" initiatives in the "Mitsubishi Estate Group 2030 Goals for SDGs." For example, in terms of greenhouse gas reduction, given the characteristics of MEL that many of its properties are environmentally conscious, it is consistent with its goal for reducing CO₂ emissions. MEL has established the Sustainability Committee with the President & Chief Executive Officer as the ultimate decision-making authority, for the purpose of implementing the Policies and improving sustainability and maximizing unitholder value. Specific environmental initiatives include acquisition of Green Building Certification for owned properties and introduction of LEDs using green lease agreements, among others by the Logistics REIT Department, the Business Management Department, and other departments in charge under the Committee. In addition, a structure has been put in place to reflect objective and specialist perspectives in environmental initiatives, such as utilizing consultations from external experts on environmental initiatives as an investment corporation and potential assessments for reducing CO₂ emissions related to individual properties owned. In this way, MEL has established a structure that emphasizes environmental and other sustainability perspectives when making management decisions.

These efforts were evaluated as 5 Stars on a relative evaluation and Green Star on the absolute evaluation in GRESB Real Estate Assessment conducted in 2020. In addition, MEL ranked first among six listed logistics real estate companies in the Japanese logistics real estate sector and first among 22 companies globally, and was selected as "Global Listed Industrial Sector Leader" and "Asia Listed Industrial Sector Leader." As such, the high-level efforts are confirmed by external evaluation as well.

From the above, JCR evaluated that the management team of MEL regards environmental issues as a high priority issue for management, and that Green Finance procurement policies and processes, green project selection standards, etc. are clearly defined through cooperation with departments with expertise.

(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 holding and operating 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, 46 investment corporations have participated in the evaluation as of 2020.

■ Evaluation Results

Based on the JCR Green Finance Evaluation Methodology, JCR assigns “g1 (F)” for the “Greenness Evaluation (Uses of Proceeds)” and “m1 (F)” for the “Management, Operation, and Transparency Evaluation.” As a result, JCR assigns “Green 1 (F)” for the “JCR Green Finance Framework Evaluation” to the Framework. The Framework meets the standards for the items required in the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan and Sustainability Linked Loan 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

■ Subject

Issuer/Borrower: Mitsubishi Estate Logistics REIT Investment Corporation (Security code: 3481)

[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)

(Responsible for) Rieko Kikuchi and Hiroya Kakiuchi

Important explanation regarding the evaluation of the Green Finance Framework

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

JCR Green Finance Framework Evaluation, which is granted and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses the overall opinion of JCR at this time regarding the appropriateness of the Green Project as defined by JCR and the degree of management, operation and transparency initiatives related to the use of funds and other matters. Accordingly, it does not undertake specific environmental improvement effects, management and operation systems, and transparency assessments of the use of funds for individual bonds and borrows implemented in accordance with this policy. In the event that green finance assessments are granted for individual bonds or individual borrowings based on this framework, such assessments need to be conducted separately. Furthermore, the JCR Green Finance Framework Evaluation does not demonstrate the improvement effect on the environment of individual bonds or borrows implemented under this Framework and does not assume any responsibility for the environmental improvement effect. In principle, JCR does not directly measure the environmental improvement effects of funds procured under the Green Finance Framework, although JCR confirms the quantitative and qualitative measures by the issuer or 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 and ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

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

5. Independence in JCR Green Finance Framework Evaluation

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

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■Glossary

JCR Green Finance Framework Evaluation is an assessment of the extent to which funds procured through Green Finance are appropriated for Green Projects as defined by JCR and the extent to which such funds are used for management, operation, and transparency of the Green Finance. Evaluations are performed on a five-point scale, from the top to the bottom using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) signs.

■Status of registration as an external assessor of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles

■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/>).

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