

_____ 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 Hankyu Hanshin REIT, Inc.

Subject : Hankyu Hanshin REIT, Inc. 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

Hankyu Hanshin REIT, Inc. (HHR) was established in December 2004 and is a diversified J-REIT listed on the Tokyo Stock Exchange (Real Estate Investment Trust Market) in October 2005 that invests in Retail-use facility, Office-use facility, and Complex Facilities. HHR has 31 properties with an aggregate acquisition price of JPY169.5 billion. The asset management company is Hankyu Hanshin REIT Asset Management Inc. (HHRAM), and the sponsor of HHRAM is Hankyu Hanshin Properties Corp., which is wholly-owned by Hankyu Hanshin Holdings Inc. HHRAM's investment targets are nationwide, but it has a policy of investing emphasis on retail-use zones and the Kansai region.

Hankyu Hanshin Holdings Group, to which HHR and HHRAM belong, has set forth the Group's management philosophy of "By delivering "Safety and Comfort" and "Dreams and Excitement", we create satisfaction among our customers and contribute to society." In order to realize this philosophy, the Group is also actively engaged in ESG (Environment, Social and Corporate Governance). In May 2020, Hankyu Hanshin Holdings Inc. formulated the Hankyu Hanshin Holdings Group Sustainability Declaration and announced that it would further promote sustainable management.

The scope of evaluation is the green finance framework (the framework) established by HHR to limit proceeds by HHR by means of bonds or loans to use of proceeds with environmental improvement effects. JCR assesses whether the framework complies with the Green Bond Principles (2018 edition)¹, the Green Loan Principles², the Green Bond

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

2 LMA (Loan Market Association), APLMA (Asia Pacific Market Loan Association) Green Loan Principle 2018

Guidelines 2020 edition, and the Green Loan and the Sustainability Linked Loan Guidelines 2020 edition³. The Green Bond Principles, Green Loan Principles, Green Bond Guidelines 2020, Green Bond Guidelines and Sustainability Linked Loan Guidelines 2020 are not binding because they are the 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), which are not regulated, but will be evaluated by the JCR with reference to these principles and guidelines as currently unified standards worldwide.

HHR has two targets for the use of funds in the Framework: Green Eligible Assets and Renovation Work. For Green Eligible Assets, the definition of Eligible Criteria is defined as those properties for which at least three stars of DBJ Green Building certification, at least B+ rank of CASBEE certification, at least three stars of BELS rating, or at least LEED Silver certified have been or are to be renewed in the past 36 months or are to be acquired or are to be renewed in the future. HHR also stipulates criteria for Renovation Work that the number or rank of green building certification should be improved by one level or more, construction that can reduce either CO₂ emissions, energy consumption, or water consumption by 10% or more, and installation or acquisition of facilities related to construction and renewable energy that are expected to reduce consumption or emissions by 10% or more from the previous level. JCR evaluates that all the subjects for the use of proceeds have environmental improvement effects.

The Asset Manager has a Sustainability Promotion Committee, with the President and Representative Director as the Chief Executive Officer and the director in charge as the executive officer. The Committee actively exchanges opinions and discusses matters related to the sustainability of HHR, such as establishing a system and formulating policies related to sustainability. HHRAM also make efforts to advise on sustainability-related operations, promotion policies and GRESB real estate assessments, and to engage external experts in internal training.

The Sustainability Promotion Committee verifies the conformity of properties subject to green financing, and the Investment Management Committee, chaired by the president and CEO, approves the acquisition of properties subject to green financing. The person in charge appropriately approves for practices related to deposits and withdrawals. JCR evaluates that it is appropriate. Reporting is also considered to be appropriate regarding the status of appropriation of proceeds and disclosure of the effects of environmental impact. Accordingly, JCR confirmed a robust management and operation system and high transparency for the HHR.

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 "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1 (F)" for overall "JCR Green Finance Framework Evaluation." Detailed evaluation is discussed in the next chapter.

This framework meets the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan and the Sustainability Linked Loan Guidelines of the Ministry of the Environment.

<https://www.lma.eu.com/>

3 Ministry of the Environment Green Bond Guidelines 2020 <https://www.env.go.jp/press/files/jp/113511.pdf>

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 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 are green projects 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>

Funds procured through Green Finance will be used to acquire assets that satisfy eligible criteria (the "Green Eligible Assets") or to implement renovation work, etc., or to repay and redeem the loans (including Green Loans) or Investment Corporation Bonds (including Green Bonds).

[Green Eligible Asset Eligible Criteria]

Assets for which certification by any of the following third party certification entities (hereinafter referred to as "Green Building Certification") have been acquired or renewed within the past 36 months from the date of Green Bond payments, Green Loan implementation date or reporting date under this framework, or assets to be acquired or renewed in the future

1. 3-star, 4-star or 5-star DBJ Green Building certification
2. B+ Rank, A Rank or S Rank in CASBEE Certification
3. 3-star, 4-star or 5-star BELS certification
4. Silver, Gold or Platinum in LEED certification

[Eligible criteria for renovation work]

Renovations that have been or will be completed within the past 36 months from the date of payment of the Green Bond or the date of disbursement of the Green Loan with the intention of satisfying any of the following criteria relating to the Investment Corporation's holdings

- Improvement in the number of stars or one level or more of the rank in any of the Green Building certifications
- Reduce CO₂ emissions, energy-consumption, or water usage by at least 10%
- Other projects aimed at beneficial improvements in the environmental aspect (those expected to reduce consumption or emissions by 10% or more from the previous level)
- Introduction or acquisition of equipment related to renewable energy

JCR's Evaluation of the Framework

a. On the environmental improvement effects of the project

i. The eligible criteria set out in this framework for the use of proceeds are funding or refinancing of green building which meet regional, national or internationally recognized standards and certification, renovation projects that contribute to reducing CO₂ emissions, energy consumption, or water consumption, or facilities related to renewable energy. High improvement effects are expected.

I. Green Eligible Assets

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 top 20% of all income-generating real estate in Japan in terms of environmental and social considerations⁴. In addition, each evaluation up to 3 stars covers the aggregate of top 10% (5 stars), top 30% (4 stars) and top 60% (3 stars) of the properties exceeding the certification level. Accordingly, JCR evaluates that HHR's eligible criteria are limited to properties with high environmental performance among the buildings that aim to acquire certification.

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

CASBEE is an acronym for the English name of 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

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

(Excellent), Rank A (Very Good), Rank B+ (Good), and Rank B (Satisfaction of mandatory items)). The evaluation method is a reconfiguration and quantification of the performance in the four fields of energy consumption, resource recycling, regional environment, and indoor environment in buildings from the viewpoints of environmental quality of buildings (Q = Quality) and environmental burden of buildings (L = Load). Evaluation is based on the value of BEE (Built Environment Efficiency) with L as the denominator and Q as the numerator. High evaluation requires Comprehensive high quality of building such as energy efficiency and the use of materials and equipment with low environmental impact, in addition to give consideration to indoor comfort and landscape. Accordingly, B+ or higher, as defined by HHR as eligible criteria, are buildings with a BEE of 1.0 or higher in CASBEE for New Construction are targeted at properties that are clearly superior in quality to environmental impact. In CASBEE for Real Estate, although the measurement criteria are not BEE, they are evaluated as having an environmental improvement effect because they cover properties equivalent to B+ in conventional CASBEE for New Constructions.]

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

BELS is English acronym for 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 expressed in stars according to the achievement values of the energy efficiency standards. High evaluation requires excellent energy-efficiency performance. In BELS, the numbers of stars are ranked from one to five, based on BEIs (Building Energy Index). 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 with BELS three stars or higher specified by HHR as eligible criteria are considered appropriate based on energy efficiency performance (non-residential: BEI value of 0.8 or less) that exceeds the guiding standard.

4. LEED (Leadership in Energy-and Environmental Design)

The Environmental Performance Assessment System for Construction and Urban Environments developed and operated by the U.S. Green Building Council (USGBC), a non-profit organization. As of 2019, there are buildings certified in more than 160 countries or regions.

The LEED is an acronym for Leadership in Energy and Environment Design. The draft was published in 1996 and is updated once every few years.

There are five types of certification: BD+C (Building Design and Construction), ID+C (Interior Design and Construction), O+M (Operation and Maintenance), ND (Neighborhood Development), and HOMES (Home).

The authentication level is represented by the sum of the points earned for each item and is from above Platinum (80 points or more), Gold (60-79 points), Silver (50-59 points), and Certified (40-49 points). As for items related to energy efficiency, it is often a prerequisite for the evaluation that points are high or already achieved, and energy efficiency is high, which is considered necessary in order to obtain a high certification level. Therefore, it is considered appropriate for HHR to set the standard

II. Renovation

For renovation work, HHR stipulates that construction work that can improve the number of stars or rank by at least one level in any of the aforementioned Green Building Certifications, construction work that can

reduce CO₂ emissions, energy consumption, or water consumption by at least 10%, or other construction that aims at beneficial improvements in environmental aspects (such as those that are expected to reduce consumption by 10% or more from the previous level) or equipment that is related to renewable energy is eligible criteria.

Construction that improves the number of stars or rank by one level or more in any of the green building certifications is evaluated from the evaluation on each of the above environmental certifications as being expected to have environmental improvement effects.

For projects that can reduce CO₂ emissions, energy consumption, or water consumption by 10% or more, and for other environmentally beneficial improvements, the target of a 10% or more reduction is not an extremely ambitious target, but is evaluated as an effort with a certain environmental improvement effect.

JCR also evaluates that the introduction or acquisition of equipment related to renewable energy can be expected to have environmental improvement effects.

Based on the above, JCR evaluates that the eligible criteria indicated in this framework are appropriate and have the effect of improving the environment.

ii. The use of proceeds fall under the green category of "Green Buildings Which Meet Regional, National or Internationally Recognised Standards or Certifications", "Energy Efficiency" and "Renewable Energy" in the Green Bond Principle and the Green Loan Principle and "Green Building Projects", "Energy Efficiency Projects" and "Renewable Energy Projects" in the Green Bond Guidelines and the Green Loan and the Sustainable Linked Loan Guidelines

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 HHR actively acquires buildings with high environmental certification levels.

HHR is also subject to funding for the introduction or acquisition of equipment related to renewable energy. Solar, wind, and other renewable energies are clean energies that reduce CO₂ by substituting fossil fuels. The Paris Agreement, which came into effect in November 2016, states that it is necessary to reduce the amount of anthropogenic greenhouse gas emissions to virtually zero in the latter half of the century. In order to achieve "decarbonization," it is essential to promote renewable energy such as solar and wind power generation. The introduction of renewable energy such as solar and wind power generation contributes to the construction of a decarbonizing society aimed at by the Paris Agreement, and JCR has evaluated it as having a high environmental improvement effect.

b. Negative impact on the environment

As an environmental analysis at the time of property acquisition, HHRAM surveys harmful substances and investigates land histories. At the time of the Due Diligence, HHRAM obtains engineering reports and soil contamination reports on the properties for confirmation. When problems are discovered, the Investment Management Committee asks the seller to resolve the problems. It also confirms that the process is to forgo the acquisition of properties if they cannot be resolved.

c. Consistency with SDGs goals and Targets

This project is a project classified as "Energy Efficiency" "Green Building which meet regional/national or internationally recognized standards or certifications" and "Renewable Energy" among the green projects defined in the Green Bond Principles, Green loan Principle, Green Bond Guidelines and Green Loan and Sustainability Linked Loan Guidelines. While referring to ICMA's SDGs mapping, JCR evaluated that it would contribute to the following SDGs goals and targets.



Goal 3: Ensure healthy lives and promote well-being for all at all ages

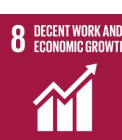
Target 3.9. By 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil contamination.



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

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.

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



Goal 8: Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.2. Achieve high levels of economic productivity through diversification, technology improvement and innovation, including through a focus on high-value added and labor-intensive sectors.



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

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transboundary infrastructure, to support economic development and human welfare with a focus on affordable and equitable access for all.

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 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

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.



Goal 12: Ensure sustainable consumption and production patterns

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil in order to minimize their adverse impacts on human health and the environment



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1. Strengthen resilience and adaptation capability to climate-related and natural disasters in all countries.

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. Goal

<Green Investment Policy Based on Long-Term Vision >

(Sustainability Policy)

Hankyu Hanshin REIT, Inc. and Hankyu Hanshin REIT Asset Management, Inc. recognize that it is essential for their medium and long term competitiveness and the continued growth of the investor value of the REIT to act with consideration of environmental, social and governance (hereafter "ESG") issues, and aim to practice them through real estate investment management by establishing the "Sustainability Policy" that conforms to the management philosophy and the concept of social contribution and environmental conservation of the Hankyu Hanshin Holdings Group.

1. Realization of "a city in which we want to live now and in the future" that can contribute to the sustainable development

We aim to contribute to the sustainable development of society and towns through business activities that take environmental and social issues into consideration through dialogue and collaboration with tenants and local communities.

2. Conservation of the global environment

We aim to conserve the global environment such as a shift to a decarbonized society by initiatives for energy-conservation and renewable energy, and realization of a recycling-based society by initiatives for water saving, waste reduction and such through our real estate investment management business.

3. Environmental and social considerations in collaboration with stakeholders

We seek the cooperation of with suppliers involved in the management and renovation of real estate, and collaborate and strengthen engagement with tenants to reduce the environmental burden of our properties and promote social considerations.

4. Respect and development of human resources

Each and every executive and employee involved in our business is our irreplaceable asset. We strive to create a healthy working environment that can maximize the diversity of personality and ability of our employees, and aim to improve our business competitiveness through proactive talent development.

(Continued to the next page)

(Continued from previous page)

5. Enlightenment on ESG

Our executives and employees deepen their understanding and ability to practice ESG consideration through our continuous implementation of education and enlightenment activities.

6. Compliance with integrity

We promote compliance not only to observe the minimum required legal compliance but also to maintain our integrity with the aim to meet the expectations of all our stakeholders such as investors, tenants, local communities, suppliers, executives and employees.

7. Ensure ESG information disclosure and transparency

We strive to disclose information on ESG to our stakeholders in a timely and appropriate manner, and to ensure transparency through acquiring external evaluations such as environmental certifications.

<JCR's Evaluation of the Framework>

Hankyu-Hanshin Holdings Group, to which HHR and HHRAM belong, has set forth the Group's management philosophy of "By delivering "Safety and Comfort" and "Dreams and Excitement," we create satisfaction among our customers and contribute to society." In order to realize this philosophy, the Group is also actively engaged in ESG (Environment, Social and Corporate Governance). In May 2020, Hankyu Hanshin Holdings, Inc. formulated the Hankyu Hanshin Holdings Group Sustainability Declaration and announced that it would further promote sustainable management.

HHR and HHRAM also believe that consideration for ESG is essential for medium-to long-term competitiveness and continuous growth of unitholder value, and the HHRAM has established the "Sustainability Policy" and endeavored to put it into practice in the management of the Investment Corporation. JCR evaluates that the use of proceeds in this Green Finance contributes the implementation of "2. Conservation of the global environment", "3. Environmental and social considerations in collaboration with stakeholders" and "7. Ensure ESG information disclosure and transparency" in the Sustainability Policy.

b. Selection Standard

The criteria for selecting "Eligible Criteria" for HHR in this framework are as follows: DBJ Green Building certification 3 stars or more, CASBEE certification B+ rank or more, BELS Certification 3 stars or more, and assets that have acquired or plan to acquire LEED certified Silver or more in the future. For renovations, construction that can improve the number or rank of stars by at least one level in any of the above green building certifications, construction that can reduce either CO₂ emissions, energy consumption, or water consumption by at least 10%; or other environmentally beneficial improvements (expected to reduce use or emissions by 10% or more from the previous level) or the introduction or acquisition of equipment related to renewable energy. As mentioned above in Phase 1 of the evaluation report, JCR evaluated these selection criteria as a project with environmental improvement effect.

The above-mentioned eligible criteria are reviewed by the Financial and IR Department of HHRAM, and are discussed by the general managers of each department within the Company, and then determined by the President and Representative Director.

c. Processes

<The Framework for Processes>

(Selection Process for Projects)

At the Asset Management Company, the Financial and IR Department proposes the selection of a green eligible asset to be used as a procurement fund for green finance or a project to be refurbished. The President and Representative Director serves as the Chief Executive Officer and the director in charge is the Chief Operating Officer and the Sustainability Promotion Committee, which is composed of a full-time director and general managers of departments, verifies its conformity to the eligible criteria, and is approved by the Investment Management Committee, which is chaired by the President and Representative Director.

<JCR's Evaluation of the Framework>

In the Asset Manager, the Financial and IR Department drafts the selection of Green Eligible Assets to be used for funds. The President and Representative Director serves as the Chief Executive Officer and the director in charge is the Chief Operating Officer. The Sustainability Promotion Committee, which is composed of a full-time director and general managers of departments, verify compliance with the eligibility criteria described in the "b. Selection Criteria." Subsequently, HHRAM adopted a process of approval by the Investment Management Committee, which is headed by the President and Representative Director.

The Sustainability Promotion Committee of HHRAM is composed of the President and Representative Director as the Chief Executive Officer, the director in charge as the Executive Officer, and full-time directors and general managers as members. In principle, once every three months, the Sustainability Promotion Committee discusses the establishment of a sustainability system, policy formulation, etc. Although the Sustainability Promotion Committee does not have decision-making authority, it is attended by the President and Representative Director, and the contents that need to be discussed and resolved are determined separately by the Investment Corporation's Board of Directors and the Asset Management Company's Board of Directors.

The goals, selection criteria, and processes set out in this framework are described in this evaluation report. In addition to press releases by HHR when green financing is implemented, supplementary documents for issuance registration and, in the case of green bond procurement, will be disclosed to lenders in the case of green loan. 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 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 Procured Funds)

The Investment Corporation plans to promptly use the funds procured through green financing to fund expenditures that meet eligible criteria.

In addition, the maximum amount of Green Finance (the "Green Eligible Debt Amount") is the sum of the aggregate purchase price of Green Eligible Assets held by the Investment Corporation and the amount of expenditures for renovation work that meets the eligible criteria multiplied by the ratio of interest-bearing debt to total assets, and the balance of funds procured through Green Finance is managed so that the amount of Green Eligible Debt does not exceed the amount of Green Eligible Debt.

(Method of Tracking and Management of Procured Funds)

Funds procured through Green Finance will be used to pay Green Eligible Assets and will be tracked and managed by the Financial and IR Department on an electronic file. In addition, until the redemption of Green Bonds or the repayment of Green Loans, the Company will confirm annually that the sum of the appropriated amount and the unappropriated amount matches the procured amount, or that the total amount has been appropriated, until the appropriation is completed, and obtain approval from the head of the Financial and IR Department.

<JCR's Evaluation of the Framework>

Green Finance's use of funds is to finance or refinance the Green Eligible Assets and renovation work described within this evaluation report and is not expected to be used for any other purposes.

After procurement, the financial and IR Department of HHRAM verifies that the funds to be procured will be managed in electronic files. In addition, over a period of several months from procurement to complete of appropriation, the unallocated funds are managed in cash or cash equivalents. With regard to the practice of deposits and withdrawals, Corporate Administration and Supervision Department of HHRAM, under the approval of the executive officers of HHR, provides instructions to the Asset Custody Bank.

Through interviews with HHRAM, JCR confirmed that the proceeds from Green Finance will be managed in cash or cash equivalents, as described above, from the short-term to at least several months after the procurement, to be used for green eligible assets and renovation work or to be used for the refinancing of such assets and until the proceeds are appropriated. If unused funds left behind, such as by the sale of assets subject to the use of funds prior to repayment or redemption of green finance, HHR manages such that the outstanding balance of green finance does not exceed the "green eligible debt amount" (the sum of the acquisition cost of green-eligible assets and the expenditure for renovation work that meets the eligible criteria) multiplied by (the ratio of interest-bearing debt to total assets). From the above, JCR evaluates fund management as reasonable and 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>

1. Reporting on the Status of Capital Appropriation

The Investment Corporation will publish the following status annually on its website as long as the balance of Green Finance exists.

- The balance of Green Finance
- Amount of green eligible debt

We also plan to disclose any material changes in appropriations after completion of appropriations.

2. Reporting on environmental improvement effects

As long as the balance of Green Finance exists, the Investment Corporation discloses the following indicators on its website and updates them once a year.

(To the extent practicable)

Green Eligible Assets

- Property Name
- Status of environmental certification (type of certification, level of certification)
- Energy Consumption
- GHG (CO₂) emissions
- Water Consumption

Renovation

In addition to the target property name in accordance with the purpose of the renovation work, any of the following quantitative indicators after the renovation work

- Status of environmental certification (type of certification, level of certification)
- Estimated Greenhouse Gas (CO₂) Reductions from Renewable Energy Generation and Power Generation
- Estimated reductions in energy consumption, greenhouse gas (CO₂) emissions, or water consumption

<JCR's Evaluation of the Framework>

a. Reporting on the proceeds allocation

The use of funds procured through Green Finance will be announced in press releases on the Investment Corporation's website. In addition, for Green Bonds, statutory documents, such as shelf registration supplements, will be announced. As confirmed in the preceding paragraph, funds procured through green financing will be used to fund or refinance green eligible assets and renovation work as soon as possible after procurement, and therefore, reporting during the period related to unused funds is not currently anticipated. However, JCR has confirmed that HHR plans to disclose any major changes in circumstances, such as the occurrence of unused funds due to the sale of properties acquired through green finance, through the press release of HHR.

b. Reporting on environmental improvement effects

In accordance with the Green Finance Framework, HHR intends to publish the following reports for environmental improvement effects: for eligible assets 1 the name of the subject property; 2 the status of acquisition of environmental certification (type of certification, certification level); 3 energy consumption; 4 greenhouse gas (CO₂) emissions; 5 water consumption; for renovation work 1 status of acquisition of environmental certification (type of certification, certification level); 2 estimated greenhouse gas (CO₂) reductions from renewable energy generation and power generation; 3 estimated reductions in energy consumption, greenhouse gas (CO₂) emissions, or water consumption.

JCR evaluates the appropriation of funds and the reporting of environmental improvement effects to be properly disclosed to investors and others.

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

The Hankyu Hanshin Holdings Group, to which HHR and HHRAM belong, has a Group management philosophy of "By delivering "Safety and Comfort" and "Dreams and Excitement," we create satisfaction among our customers and contribute to society." In May 2020, the Group formulated the "Sustainability Declaration," which embodies the Group's management philosophy, with the aim of realizing a sustainable society. The "Sustainability Declaration" sets six important themes for sustainable management. In setting them, JCR has adopted a comprehensive approach of identifying social issues, narrowing down issues, prioritizing them, and consolidating them into important themes. The Hankyu Hanshin Holdings Group recognizes that they cover social issues and countermeasures.

Hankyu Hanshin Holdings Sustainability Declaration

1. Basic policy

Bringing "peace of mind and comfort" that support our lives and "dreams and inspiration" that color our lives to the future

We have been bridging our 100-plus years of "Designing Town" and "Human resource development" into the future.

While taking the initiative in solving social issues such as the global environment,

We will contribute to the realization of a society in which the next generation can grow with dreams and everyone can truly experience affluence and joy.

2. Important theme of sustainable management

- 1 Pursuit of safety and security
- 2 Affluent town development
- 3 Proposes for Life that Leads to the Future
- 4 Active role of each and every employee
- 5 Protecting and enhancing the environment
- 6 Robust governance

3. Major Goals (Non-Financial Targets)

- Zero liability accidents in the railway business
- Employee Satisfaction: Continuously exceeding the previous study
- Ratio of female managers: Increased to around 10% by fiscal 2030
- Percentage of women among new hires: Continue to be 30% or more
- Rate of reduction in CO₂ emissions (fiscal 2030 goal compared to fiscal 2013):

- Reduce emissions at domestic sites of the Company and its subsidiaries by 26%
- 40% reduction in emissions associated with the use of electricity in the railway operations of Hankyu Corporation and Hanshin Electric Railway

HHR and HHRAM have also established Sustainability Policies in line with the Hankyu Hanshin Holdings Group's management philosophy and the concept of social contribution and environmental conservation. In order to implement the "Sustainability Policy," the "Sustainability Promotion System Regulations" have been established, which set up an in-house system for sustainability, and the "Sustainability Promotion Committee" has been established as a decision-making process for sustainability. In principle, the Committee for Sustainability Promotion meets once every three months and it has convened around eight times a year already. A wide range of discussions are held, including the establishment of a system for sustainability, the formulation of sustainability policies, educational activities, and the report on GRESB real estate evaluations, which will be described later.

At the Sustainability Promotion Committee meeting held in March 2019, HHRAM decided on reduction targets for energy consumption, greenhouse gas reduction, and water consumption over the next five years, and at the same time established policies on energy conservation and water conservation, and is working to achieve these targets. Concrete efforts include the use of LEDs for lighting, automatic dimming, thermal barrier painting on rooftops, and the reuse of rainwater.

With regard to the above property acquisitions, Investment Management Department 1 of HHRAM verifies the negative impact on the environment when selecting and acquiring properties. In addition, the Investment Planning Department manages the specific management of the sustainability promotion system, and utilizing the expert knowledge of the company, it manages the acquisition of green buildings and the system for promoting the sustainability policy.

External consultants also participate in the implementation of sustainability policies and the development of systems for obtaining GRESB real estate assessments. In addition, HHRAM regularly exchanged opinions with the persons in charge of the environmental division of Hankyu Hanshin Properties Corp, which is the sponsor of HHRAM, on matters related to sustainability, and also confirmed that personnel exchanges are conducted on real estate business matters, and that the Group is promoting sustainability.

In the 2019 GRESB Real Estate Assessment, HHR has obtained the "Green Star" granted to companies that excel in both the two assessment axes of "management and policy" and "implementation and measurement" in 3 Stars and sustainability assessment, and has also received a certain reputation from external certification bodies.

JCR considers environmental issues of these organizations to be of high priority. In addition, JCR evaluates that HHRAM is involved in the selection of Green Finance Implementation Policies and Processes and Green Projects by utilizing the know-how of internal departments and external experts with expertise in sustainability.

(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 Finance Evaluation Methodology, JCR assigns "g1 (F)" for the "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." The Framework is considered to meet the criteria for items in Green Bond Principle, Green Loan Principle and MOE's Green Bond Guidelines and 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: Hankyu Hanshin REIT, Inc. (Security code: 8977)

[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 analysts for this evaluation) Rieko Kikuchi and Kosuke Kajiwara

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.

■ 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. The JCR Green Finance Evaluation does not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to green finance, which is subject to the Evaluation. Furthermore, the JCR Green Finance Evaluation represents JCR's comprehensive opinion as of the date of this report and is not a representation of the facts. It does not constitute a recommendation in any way as to the decision of risk or the purchase, sale or holding of individual bonds, commercial paper, etc. The JCR Green Finance Evaluation may be changed, interrupted, or withdrawn due to changes in information, a lack of information, or other reasons. All rights to this document, including data from JCR Green Finance Evaluation, are reserved by JCR. Any reproduction, translation, modification, etc. without the permission of JCR is prohibited, regardless of the part or all of this document, including data from JCR Green Finance Assessment.

■ 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)

■ 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

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.