

Green Finance Evaluation by Japan Credit Rating Agency, Ltd.

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

JCR Assigned Green 1 (F) to the Green Finance Framework by ORIX JREIT Inc.

S u b j e c t : Green Finance Framework of ORIX JREIT Inc.

<Green Finance Framework Evaluation Results>

Overall evaluation	Green 1(F)
Evaluation of Greenness (use of proceeds)	g1(F)
Evaluation on Management, Operation and Transparency	m1(F)

Chapter 1: Evaluation Overview

ORIX JREIT Inc. (OJR) is Japan's first diversified Real Estate Investment Trust (J-REIT) established on September 10, 2001 and listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) on June 12, 2002. OJR invests in logistics facilities, commercial facilities, housing, and hotels, with office buildings in the Tokyo metropolitan area at its core. As of the end of March 2019, OJR's assets were worth JPY 663.5 billion on an acquisition price basis.

ORIX Asset Management Co., Ltd. (OAM), the asset management company of OJR, is a wholly-owned subsidiary of ORIX Corporation (ORIX). ORIX was founded in 1964 as Orient Leasing Co., Ltd., and has been working to capture revenue opportunities while expanding the scope of its operations. ORIX and its group companies (ORIX Group) currently consist of six business segments: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment, Retail and Overseas. In 1986, the company entered the single-person dormitory rental business. It now invests in office buildings, rental condominiums, commercial facilities, and logistics facilities. It also operates hotels, inns, aquariums, and residential properties for the elderly. It also manages the assets of Real Estate Investment Trust (REIT), and provides real estate investment advisory services.

Since OAM's main officers and employees are seconded from ORIX, ORIX Group's experience and know-how, including its real estate business, are passed on to OAM. In addition, OJR acquired approximately 90% (JPY 312.1 billion) of properties acquired during the past five and a half years from properties owned by the ORIX Group, and invests from a wealth of pipelines leveraging its strong relationship with the sponsor.

Utilizing the support from the ORIX Group, OJR is achieving both external and internal growth while leveraging its strengths as a diversified J-REIT.

The subject of the evaluation is the Green Finance Framework established by the OAM to limit proceeds by the Investment Corporation by means of bonds, loans, etc. to use of proceeds with environmental improvement effects. JCR evaluates whether the framework meets the Green Bond Principles (2018), Green Bond Guidelines (2017) and Green Loan Principles.¹

In order to achieve stable growth in unitholder value, which is the investment policy of OJR, OAM has established the "ESG Policy" in asset management and it is stated that it will implement asset management in consideration of E (Environment), S (Society) and G (Governance).

Under the Green Finance Framework established by OJR states as follows,

1. Proceeds to acquire or planning to acquire environmental certification that meets the "Eligibility Criteria" established by the OJR

2. Proceeds for Repair work, etc.

or proceeds will be used to repay the loan or to redeem investment corporation bonds that have already been issued.

JCR considers that the allocation of proceeds through green bonds or green loans to finance the new acquisition or refinancing of green eligible assets that meet the eligibility criteria will contribute to "1. Reduction of environmental load and formation of a recycle-based society", "2. Collaboration with stakeholders", "3. Enhancing health, comfort for tenants, executives and employees", "4. Risk management and compliance," and "6. Promotion of information disclosure and visualization of ESG" as stated in the "ESG Policy" of OJR.

In addition, among the classifications of the Green Bond Principles, these proceeds are classified as "Green buildings which meet regional, national or internationally recognised standards or certifications." and "Energy efficiency."

OJR defines green buildings as "Green Eligible Assets" that are eligible for green bonds' use of proceeds under the Green Finance Framework as properties that have acquired or are expected to acquire either three stars or higher in DBJ Green Building Certification, B+ or higher in CASBEE Certification, three stars or higher in BELS Certification, or LEED assessment Silver or higher. JCR evaluates that the definition of "Green Eligible Assets" established by OJR covers buildings with environmental improvement effects.

In March 2018, OAM, the Asset Management Company of OJR, established the "Sustainability Committee" to discuss ESG-related issues under the leadership of management. In addition, active discussions were held at the working level below the general manager. OJR also conducts environmental assessments and acquires various certifications for acquired properties, and the number of properties that it acquires is on the rise. In addition, JCR confirmed a robust management and operation system and high transparency for OJR. For example, OJR has in-house experts on properties and the environment, and has established checkpoints on the environment when acquiring properties. In addition, OJR conducts internal and external audits on a regular basis.

As a result, JCR assigns "g1 (F)" for "Evaluation of Greenness (Use of Proceeds)" and "m1 (F)" for "Evaluation on Management, Operation and Transparency". Consequently, JCR assigns "Green1 (F)" as an overall evaluation results to the Framework. Detailed evaluation results are discussed in the next chapter. JCR has also evaluated that the framework meets the standards for the Green Bond Principles, the Green Bond Guidelines of the Ministry of the Environment of Japan, and the Green Loan Principles.

¹ The Green Bond Principles, the Green Bond Guidelines and the Green Loan Principles are not any restraining principles and are not voluntarily published by the International Capital Markets Association (ICMA), Ministry of Environment of Japan, the Loan Market Association (LMA) and the Asia-Pacific Loan Market Association (APLMA), respectively. However, JCR evaluates these principles and guidelines on a globally unified basis at this time.

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

Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1 (F)", the highest grade, to "Evaluation phase 1: Greenness Evaluation".

Rationale: 100% use of proceeds of the Framework will be allocated to a green project, considering the factors described below.

(1) JCR's key consideration in this factor

In this section, JCR first assesses whether the Green Eligible Criteria set out in the Framework are green projects with clear environmental improvement effects. Next, JCR assesses whether an internal department/division which is exclusively in charge of 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 has negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Assessment Framework and JCR Evaluation

<The Framework for Use of Proceeds>

OJR defines use of proceeds under the Green Finance Framework.

Proceed from Green Bond or Green Loan meet either of the following eligibility criteria:

- (1) Proceeds for new acquisition of Green Eligible Assets,
- (2) Proceeds for Repair work etc.

Or used to repay borrowings (including green loans) or redeem investment corporation bonds (including green bonds) that have already been issued.

(Eligibility Criteria)

(1) Green Eligible Assets

Any of the following certifications or recertification is an asset that has been acquired or is expected to be acquired in the future.

DBJ Green Building Certification: Three Stars or more (top to third)

BELS Certification: Three stars or more (top to third)

CASBEE Certification: B+ or higher (top to third)

LEED Certification: Silver or higher (top to third)

(2) Repair work, etc.

Either of the following must be met

Refurbishment work intended to improve at least one level of star or rank in any of the above (1) Green Eligible Asset Certifications

Renovation work that can reduce energy consumption, CO₂ emissions, or water consumption by 10% or more

Installation or acquire of equipment related to renewable energy

<Evaluation of JCR for this framework>

a. On the environmental improvement effects of the project

- i. The eligibility criteria set out in the Framework for funding are green buildings which meet regional, national or internationally recognised standards or certifications, renovations to reduce energy use, CO₂ emissions, or water use, and facilities related to renewable energy, which are highly effective in improving the environment.**

The tertiary industries, such as offices and commercial facilities, which OJR mainly invests in are the second highest energy consumption sector in Japan in terms of final energy consumption after manufacturing

in the enterprises and other sectors. The final energy consumption of the tertiary industry in Japan in 2016 is 2,135 Petajoules (peta is 10 to 15th power). JCR believes that improving the efficiency of energy consumption in this sector contributes to the reduction of final energy consumption in Japan and contributes to E (Environment) initiatives in ESG activities.²

The following is JCR's evaluation of the OJR's Green Eligible Criteria.

I. Evaluation of Green Eligible Assets

1. DBJ Green Building

A certification 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)". Evaluation 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 target property, but also on comprehensive evaluations that include 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.

By the end of November 2018, the number of DBJ Green building applications had climbed to 1,166, of which only 635 had acquired one star or more certification. From the above, it can be seen that, although the number of applications is limited, the eligible criteria are narrowed down to properties with high environmental performance among buildings aiming to acquire certification. JCR considers that it is appropriate to use three stars or more as an Eligible Criteria because it targets properties with high environmental performance.

2. BELS (Building Energy Conservation Performance Indication 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

² Source: Agency for Natural Resources and Energy, 2017 Annual Report on Energy. Excluding transportation and energy conversion businesses.

energy-efficiency performance. In BELS, this ranking is based on BEI (Building Energy Index). The number of stars is divided from one to five by BEI. BEI is a measure of energy efficiency performance that uses the designed primary energy consumption as the molecular weight and the standard primary energy consumption as the denominator, and is compared with the standard value. One star is the existing energy saving standard, two stars is the energy saving standard, and three stars are the guiding standard. Buildings with BELS three star or higher specified by OJR 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.

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

CASBEE is English acronym for 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, CASBEE for Urban Development, assessment tools include CASBEE for Real Estate developed for the real estate market with the purpose of showing environmental performance in an easy-to-understand manner.

The assessment results are divided into five grades: S rank (excellent), A rank (very good), B+ rank (good), B-rank (slightly poor), and C-rank (poor) (CASBEE for Real Estate is classified into four grades: S rank (excellent), A rank (very good), B+ rank (good), and B rank (satisfying essential items)). Assessment methodologies use performance in the four areas of energy consumption, resource circulation, local environment, and indoor environment in buildings that are reconstructed and quantified from the viewpoints of environmental quality of buildings (Q = Quality) and environmental impact 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. In addition to environmental considerations, such as energy conservation and the use of materials and equipment with low environmental impact, consideration for indoor comfort and landscape is also necessary in order to obtain a high evaluation. Therefore, the overall quality of the building is required. Buildings of B+ or higher specified by OJR as eligible criteria have a BEE of 1.0 or higher, indicating that the environmental quality of the building is greater than the environmental impact of the building, and JCR considers that this standard is appropriate.

4. LEED

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 the year 2018, 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 OJR to set the standard as the certification level for buildings that have achieved high energy efficiency is higher than the Silver that OJR considers eligible.

Based on the above, JCR considers the eligibility criteria set forth in OJR's Green Finance Framework.

(1) Green Eligible Assets are properties that meet certain evaluation standards under various certifications, and JCR considers it appropriate to set standards by OJR as described above. As of the end of August 2018, OJR had 25 green eligible assets (of which 13 were DBJ Green Building certification, 9 were CASBEE certified, 9 were BELS certified, and multiple certified are counted as 1). The number of such cases has increased with including 4 CASBEE accreditation certifications and 5 BELS accreditation certifications since the announcement of the previous fiscal year's financial results. JCR considers these cases to be one example of OJR's environmental efforts.

II. Evaluation of Repair work, etc.

Repair work is defined as renovation work to improve the environmental performance of the subject property or installation or acquire of equipment related to renewable energy. JCR assesses that specific environmental improvement effects can be expected by setting a clear goal of raising the level of certification for renovation work, which is a eligible criteria. In addition, the goal of reducing energy consumption, CO2 emissions, or water consumption by at least 10% is not very high when compared to global levels, but it is considered reasonable to set a target value in the current Japanese green building market.

Based on the above, JCR considers the eligibility criteria presented in the Framework to be appropriate and effective in improving the environment.

ii. Uses of proceeds fall under the categories of "Green buildings which meet regional, national or internationally recognised standards or certifications." and "Energy Efficiency" among the green projects defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on the environment

OAM, the asset management company of the OJR, conducts due diligence when acquiring properties. In conducting due diligence, the Company receives due diligence reports from real estate evaluation companies in the registration lists selected independently by OAM in advance, and also conducts checks by setting up items related to the environment in the checklists by OAM. In the due diligence, JCR confirmed that if there is a concern that the subject property may have a negative impact on the environment, the term of acquisition is to be corrected by the seller.

c. Consistency with SDGs goals and targets

This project is classified as energy efficiency and green buildings which meet regional, national or internationally recognised standards or certifications. JCR evaluated the project as contributing to the following SDGs objectives and targets, referring to the SDGs mapping of the ICMA.



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

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



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

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



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

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

Evaluation Phase 2: Evaluation on Management, Operation and Transparency

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

Rationale: These projects will be allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

(1) JCR's key consideration in this factor

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

(2) Current status of evaluation targets and JCR evaluation

a. Goal

<The Framework for Green Finance Issuance Objectives>

OAM, OJR's asset management company, aims to achieve stable growth in unitholder value, which is the investment philosophy of OJR, and has established an ESG policy for the implementation of asset management with consideration for the environment, society and governance, which is publicly available on the website.

[ESG Policy]

- "1. Reduction of environmental load and formation of a recycle-based society"
- "2. Collaboration with stakeholders"
- "3. Enhancing health, comfort for tenants, executives and employees"
- "4. Risk management and compliance"
- "5. ESG education/enlightenment activities "
- "6. Promotion of information disclosure and visualization of ESG"

In accordance with the above ESG policy, numerical targets, specific initiatives, and organizational structure are established in the "Energy Usage/Greenhouse Gas Emission Reduction Policy", "Water Conservation Policy" and "Waste Weight Management Policy" and various policies are implemented. As an example of specific initiatives, OAM has concluded a PM contract with a property management (PM) company that manages properties to implement environmentally conscious management, and every year it receives reports on energy data from PM Service contractors. In these ways, OAM is taking measures that take the environment into consideration.

We believe that green finance (green bonds and green loans) contributes to the realization of the above ESG policy.

<Evaluation of JCR for the Framework>

The ESG policies are properly disclosed on the OJR's website. JCR considers the ESG Policy, numerical targets, specific initiatives, and organizational structure to be consistent with the Green Finance Implementation Policy and appropriate.

b. Selection Criteria

<The Framework for Selection Criteria>

The Evaluation and Selection of Eligibility Criteria and the Appropriation of Proceeds to Meet the Eligibility Criteria shall be reviewed and discussed by the Sustainability Committee, which shall consist of the management team including the President and CEO, and finally determined by the Investment Committee.

<Evaluation of JCR for the Framework>

The criteria for selecting the use of proceeds in OJR's green finance are as described in "Evaluation Phase 1: Evaluation of Greenness." JCR evaluates the selection criteria for buildings with environmental improvement effects.

The selection criteria are first reviewed and discussed by the Sustainability Committee of OAM. The Sustainability Committee is an advisory body chaired by the President and CEO and composed of executive officers in charge, but has no decision-making authority. The Sustainability Committee meets at least four times a year to share important information and progress.

The sustainability committee considers and deliberations selection criteria by management. In addition to the involvement of management in selection criteria, the management of the representative director and president, executive officers, and outside committee members are involved in decision-making by the OAM Investment Committee. Therefore, JCR evaluates that it is highly likely that the evaluation, selection, and funding of "Eligible Criteria" will be applied in accordance with the OJR's ESG policy.

c. Processes

<The Framework for Processes>

The selection of the use of proceeds is proposed by OAM's Finance and IR Department and decided by the OAM Investment Committee, which is attended by the President and CEO and OAM Executive Officers.

<Evaluation of JCR for the Framework>

The purpose of use of proceeds selected in accordance with "b. Selection Standard" above is ultimately determined by a resolution of the Investment Committee, which is attended by management. JCR evaluates that decisions have been made by management through an appropriate selection process.

The target setting and selection standard for the issuance of Green Bonds, etc. by OJR are to be disclosed in the Shelf Registration Supplements, etc. and the outline in this Evaluation Report at the time of the issuance of bonds, thereby ensuring transparency to investors.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

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

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

(2) Current status of evaluation targets and JCR evaluation

<The Framework for proceeds management>

- a Proceeds from green bonds or green loans will be allocated for projects that meet either the eligibility criteria set out in the Green Finance Framework.
- b The maximum amount of debt (hereinafter referred to as "Green Eligible Debt") calculated by multiplying the total acquisition price of Green Eligible Assets by the actual ratio of interest-bearing debt to total assets shall be the procurement limit of Green Finance. Even if the Green Eligible Assets of the above-mentioned project funded by the proceeds are sold or excluded from the eligibility criteria as Green Assets, the proceeds management shall continue as Green Finance provided that the proceeds through such Green Bond or Green Loan remain within the Green Finance procurement ceiling.
- c The total amount of proceeds through Green Bonds or Green Loans is early,
 - (1) Funds for new acquisition of Green Eligible Assets,
 - (2) Funds for Repair work,or funds for repayment of borrowings (including green loans) or redemption of investment corporation bonds (including green bonds) that have already been issued. If not appropriated temporarily, managed as cash or cash equivalents.

<Evaluation of JCR for the Framework>

The OJR's Green Finance Framework intends to manage the portfolio by calculating the amount of Green Eligible Debt from the total amount of Green Eligible Assets and setting the procurement limit for Green Finance. JCR believes that it is not a problem because it is taken as a market practice that other investment corporations also manage their portfolios as Green Eligible Debt. However, JCR believes that it is desirable to link properties where funds will be appropriated at the time of individual fund procurement through green bonds or green loans in green finance.

In addition, the proceeds by Green Bonds or Green Loans are allocated to the new acquisition of assets classified as eligible assets, repayment of borrowings of properties meeting existing eligibility criteria, or redemption of bonds by the General Affairs and Accounting Manager who prepares instructions for disbursement in advance at the Finance and IR Department and manages the receipts and disbursements. Deposit management is conducted through the main account of the trust bank, which is the asset custody bank. A copy of the passbook is collected from the trust bank, which is the asset custody company, and after checking it, it is registered in the internal financial system by the Finance and Investor Relations Department.

It is also envisaged that OAM's Audit Office will conduct an audit at least once a year to determine whether proceeds through green finance were appropriated to the target assets. In addition, JCR confirmed that these books are subject to external audits at the end of each fiscal year, and that they are properly maintained.

As a result of the above confirmation, JCR evaluates that the adequacy and transparency of fund management by OJR is high.

3. Reporting

(1) JCR's key consideration in this factor

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

(2) Current status of evaluation targets and JCR evaluation

<The Framework for Reporting System>

(Reporting on the proceeds allocation)

- a Once a year, the allocation status (including allocated and unallocated amounts by category meeting the eligibility criteria) is disseminated on the website until all proceeds from Green Bond or Green Loan are allocated.
- b Annually disclosing on the website that green finance balances do not exceed Green Eligible Debt as long as there are outstanding green finance balances.

(Impact reporting for environmental benefits)

- a As long as Green Bonds or Green Loans exist, the status of certification of each Green Eligible Asset allocated to the proceeds, the evaluation of certification, and the whole indicators of Green Eligible Assets are disclosed on the website once a year.
Energy consumption/CO₂ emissions/water consumption
- b For renovation work, as long as there are Green Bonds or Green Loans, the following indicators are disclosed on the website once a year after completion of construction.
Energy consumption, CO₂ emissions, or water consumption (before renovation/after renovation)

<Evaluation of JCR for the Framework>

(Reporting on proceeds allocation)

The purpose of proceeds under this framework includes "Repair work, etc." and it is assumed that the period until the proceeds are fully allocated will extend for a long period of time. OJR discloses the allocation status on its website once a year until the proceeds are fully allocated. It is also assumed that the OJR will disclose any undistributed proceeds.

(Impact reporting for environmental benefits)

OJR plans to report on the environmental improvement effects of individual Green Eligible Assets, assessment of certification, and the whole of Green Eligible Assets. The company also plans to report on the environmental improvement effects of renovated properties before and after renovation. JCR evaluates the frequency of disclosures and disclosures to be appropriate in light of the Green Bond Principles and the Green Loan Principles. Disclosure items have already been published on the OJR website. In the future, they will be created and disclosed on the special website featured in Green Finance. In addition, ESG reports will be produced and the effects of environmental improvement will be disclosed in the ESG reports.

4. Organization's environmental efforts

(1) JCR's key consideration in this factor

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

(2) Current status of evaluation targets and JCR evaluation

In order to achieve stable growth in unitholder value, OAM has formulated the ESG Policy in order to implement the ESG-conscious asset management policy.

In response to increasing awareness of ESG among overseas investors, the company has adopted a management stance that considers ESG. As noted above, the "Sustainability Committee" has been held since March 2018, chaired by the president and CEO and comprised of executive officers in charge, and has already held five meetings. Before the Sustainability Committee was held, various issues related to ESG were discussed at a meeting where department heads and lower levels of relevant departments met and discussed.

In addition, as part of its efforts, OJR has obtained GRESB real estate appraisals and acquiring various certifications, such as DBJ Green Building, CASBEE, and BELS, for the acquired properties, both of which are published on its own website. In the GRESB Real Estate Assessment, OJR has been awarded the Green Star for the fourth consecutive year to businesses that have excellent "Management and Policy" and "Implementation and measurement", both of which are the two evaluation criteria in the sustainability assessment. JCR considers this as indicating that OJR's sustainability initiatives are highly evaluated by third parties. JCR also assesses that the number of properties certified is increasing indicate OJR's stance on the environment.

In addition, OJR has been a corporate member of Green Building Japan, a LEED public organization in Japan, since August 2018. OJR aims to collaborate with people who aim to create a sustainable society through its activities.

OAM has two first-class architects in the Business Promotion Department, one CASBEE Assessor, and one first class architect in the Investment Management Department. In addition, OAM has departments and human resources with specialized knowledge of properties and the environment. For example, employees with qualifications related to the environment are qualified as Energy Management Personnel, and the Supervisor of the Risk Management & Compliance Department has been active as an expert on environmental issues in Japan for many years. In addition, environmental consulting is carried out in cooperation with internal and external specialists, such as by requesting external specialists.

JCR considers environmental issues to be a high priority for the management of these organizations, and that departments with expert knowledge are clearly involved as organizations in the selection of green finance procurement policies and processes and green projects.

(Reference) GRESB Real Estate Assessment

GRESB is a benchmark established in 2009 that measures and evaluates the degree of consideration given to ESG by companies that holding and manages real estate and infrastructure. GRESB is an acronym for Global Real Estate Sustainability Benchmark. 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 initiatives are given "Green Star" separately from the five-point rating. From J-REIT, 38 investment corporations have participated in the evaluation as of 2018.

■ Evaluation result

Based on JCR Green Finance Evaluation Method, JCR assigns "g1 (F)" for "Evaluation of Greenness (Use of Proceeds)" and "m1 (F)" for "Evaluation on Management, Operation and Transparency ". Consequently, JCR assigns "Green1 (F)" as an overall evaluation. The Framework is considered to meet the standards for the items required by the Green Bond Principles, Green Loan Principle and the Green Bond Guideline of the Ministry of the Environment of Japan.

[JCR Green Finance Framework Evaluation matrix]

		Management, Operation and Transparency				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness	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

■ Evaluation Subject

Issuer/Borrower: ORIX JREIT Inc. (Security Code: 8954)

[Assignment]

Target	Evaluation
Green Finance Framework	JCR Green Finance Framework Evaluation :Green 1(F) Evaluation of Greenness :g1(F) Management, Operation and Transparency :m1(F)

Analysts in charge of this evaluation: Atsuko Kajiwarra and Kosuke Kajiwarra

Important explanation on the evaluation of the Green Finance Framework

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

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

2. Methods used in the conduct of this evaluation

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

3. Relationship with Acts Related to Credit Rating Business

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

4. Relationship with Credit Ratings

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