

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name:

Kenedix Office Investment Corporation

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

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

January 9, 2019

Publication date of review publication:

January 9, 2019

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

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

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

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

The subject of the evaluation is the Green Bond Framework of the Investment Corporation and the 10th Unsecured Investment Corporation Bond to be issued by the Corporation. The proceeds will be allocated to refinance the funds for acquisition of the office building (Green Building).

The Asset Management Company has prepared a Green Bond Framework and defines "Green Qualified Assets" as properties that have acquired or are expected to acquire one of three stars or more of DBJ Green Building certification, B+ or more of CASBEE Real Estate Assessment Certification, and 3 stars or more of BELS assessment when acquiring a Green Bond Framework. JCR considers that the definition of Green Qualified Assets established by the Asset Management Company has an environmental improvement effect when viewed in light of the standards for obtaining the certification.

In addition, JCR confirmed that the assets subject to refinancing through investment corporation bonds that are scheduled to be issued are "Green Qualified Assets" as defined in the framework above. Based on the Environmental Performance Evaluation Report and interviews with the Asset Management Company, it has been confirmed that the environmental risk is fully considered when acquiring the assets to be refinanced this time and that there is no possibility of a serious negative impact on the environment that exceeds the environmental improvement effect. Based on the above, JCR evaluates the use of proceeds as green projects that are classified into "Green Buildings which obtain environmental certification" with the effects of reducing CO₂ emissions.

JCR has confirmed a robust management and operation system and high transparency, based on the following factors as part of the Group's sustainability efforts: it has established a system for ensuring its effective environmental measures such as a division which is in charge of acquiring and revising environmental certifications for the acquired properties; utilization of internal and external environmental experts and qualified personnel. Through these organizations, various environmental measures have been taken.

As a result, with regard to the Green Bond Framework and Investment Corporation Bonds subject to evaluation, JCR assigns "g1" for "Greenness Assessment (use of proceeds)" and "m1" for "Management/Management System and Transparency Assessment" based on the JCR Green Finance Evaluation Methodology. Consequently, JCR assigns "Green1" as an overall preliminary evaluation result to the bonds. Detailed evaluation results are discussed in detail in the next chapter.

The Framework and investment corporation bonds to be issued meet the standards for the Green Bond Principles and the items required by the Ministry of the Environment's Green Bond Guidelines.¹²

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

¹ ICMA(International Capital Market Association) Green Bond Principles 2018

² Ministry of the Environment Green Bond Guidelines 2017

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. 100% of proceeds will be for refinancing the loans for the acquisition of an asset that is classified as "Green Eligible Assets" which has environmental improvement effect.
- ii. The use of proceeds falls under the category of a green project defined in the Green Bond Principles or the Green Bond Guidelines of the Ministry of the Environment of Japan that are "energy efficient" or "green buildings which meet regional, national or internationally recognized standards or certifications".

b. Negative impact on Environment

JCR has confirmed that there are few possibilities of negative impact on the environment from the office buildings where the use of proceeds will be allocated.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Kenedix Office Investment Corporation have clear environmental goal, project selection criteria and process to determine the proceeds, which will be disseminated in the Amended Shelf Registration Statement and Shelf Registration Supplements for the issuance of the bonds and in the this Evaluation report composed by JCR to ensure transparency.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The proceeds of the bonds to be evaluated will be allocated for the refinancing of the two office buildings, KDX Kobayashi Doshomachi Building and the KDX Toranomom 1-chome Building, which has obtained highest grading in CASBEE Real Estate, a Japanese environment certification system, in full amount, and will not be used for any other purposes.

Tracking of proceeds:

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

Additional disclosure:

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

4. REPORTING

Overall comment on section (*if applicable*):

a. Reporting on proceeds allocation

The proceeds of the bond will be immediately allocated to refinance the loans for the acquisition of KDX Kobayashi Doshomachi Building and the KDX Toranomom 1-chome Building, so it is not currently assumed that the reports on unallocated proceeds will be made during the term.

b. Impact reporting for environmental benefits

The Number of Properties Eligible for Green Assets and Certification

Total floor area of green eligible assets

Energy consumption, water consumption, and CO₂ emissions of Green Qualified Assets (limited to assets for which the Asset Management Company has energy management authority)

Use of proceeds reporting:

☐ Project-by-project ☒ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported:

☐ Allocated amounts ☒ Green Bond financed share of total investment

☐ Other (please specify):

Frequency:

☒ Annual ☐ Semi-annual

☒ Other (please specify):

All the proceeds will be allocated to the projects promptly after issuing the bonds.

Impact reporting:

☐ Project-by-project ☒ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other (please specify):

Frequency:

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☐ GHG Emissions / Savings ☐ Energy Savings

☐ Decrease in water use ☒ Other ESG indicators (please specify):

Energy consumption, water consumption, and CO₂ emissions of Eligible Green Assets (limited to assets for which the Corporation has energy management authority)

Means of Disclosure

☐ Information published in financial report ☐ Information published in sustainability report

☐ Information published in ad hoc documents ☒ Other (please specify):
Information published in its website

☐ Reporting reviewed

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

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

Kenedix Office Investment Corporation's initiatives for sustainability

<https://www.kdo-reit.com/en/feature/environment.html>

JCR's website about green bond evaluation methodology

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Japan Credit Rating Agency, Ltd.

Date of publication:

January 9, 2019

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

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