

————— 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 Assigned Green 1(F) to the Green Finance Framework of Nippon Accommodations Fund Inc.

Subject : Green Finance Framework of Nippon Accommodations Fund Inc.

### <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

Nippon Accommodations Fund Inc. (NAF) is a J-REIT sponsored by Mitsui Fudosan Co., Ltd. and mainly invests in rental apartments. It was established in October 2005 and was listed on the Tokyo Stock Exchange (Real Estate Investment Trust securities market) in August of the following year. Mitsui Fudosan Accommodations Fund Management Co., Ltd. (the Asset Manager) is in charge of the asset management business of NAF, and Mitsui Fudosan is 100% owned by the Asset Manager. The current portfolio consists of 127 properties (of which 112 are rental apartments, 16 are hospitality facilities such as dormitories/corporate housing, serviced apartments, senior residences and hotels), with assets of JPY 312.1 billion (based on acquisition prices).<sup>1</sup>

NAF's basic policy is to secure stable earnings and steady growth in the Investment Assets from the medium- and long-term view, aiming to maximize the value of unit holders. Maximizing the value chain of the Mitsui Fudosan Group, NAF aims to realize a high-quality portfolio and management system. NAF recognizes that the promotion of sustainability, including the environment, is consistent with the NAF's basic policy. Based on this recognition, NAF understands that these initiatives are important management issues, and has developed policies and organizational structures to implement organizational initiatives.

The scope of evaluation is the Green Finance Framework (the "Framework") established by NAF to limit the use of proceeds of green bonds or green loans (the "Green Finance") to projects with environmental improvement effects. JCR evaluates whether the framework complies with the "Green Bond Principles", the "Green Loan Principles", the

<sup>1</sup> As of the end of May 2020

“Green Bond Guidelines” and the “Green Loan and Sustainability Linked Loan Guidelines”.<sup>2345</sup> These Principles and Guidelines are not binding as they are 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) and are not regulations, but JCR evaluates the Framework in reference to these principles and guidelines as currently globally unified standards.

NAF stipulates its "Eligibility Criteria of the use of proceeds" in the Green Finance Framework as follows: Buildings that have been or will be certified 3 star, 4 star, or 5 star DBJ Green Building certification, 3 star, 4 star, or 5 star BELS certification, B+ rank, A rank, or S rank in CASBEE certification (for Real Estate). In selecting assets under management, NAF identifies and manages negative impacts on the environment and takes appropriate measures as necessary. JCR evaluates that the eligibility criteria are expected to have an environmental improvement effect.

The project is planned and verified according to the process described in the Framework, and then evaluated and approved by the Investment Committee. Funds procured by the Green Finance are managed by portfolio management until the Green Finance is redeemed or repaid. The status of fund allocation and environmental improvement effects are also appropriate. From the above, JCR evaluates that the management and administration system of NAF has been established and that it is transparent.

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

JCR also evaluates that the Framework meets the “Green Bond Principles”, the “Green Loan Principles”, the “Green Bond Guidelines” and the “Green Loan and Sustainability Linked Loan Guidelines.”

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<sup>2</sup> ICMA (International Capital Market Association) Green Bond Principles 2018 Edition  
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2018  
<https://www.lma.eu.com/>

<sup>4</sup> Ministry of the Environment Green Bond Guidelines 2020  
[https://www.env.go.jp/policy/guidelines\\_set\\_version\\_with%20cover.pdf](https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf) (pp.10-35)

<sup>5</sup> Ministry of the Environment Green Loan and Sustainability Link Loan Guidelines 2020  
[https://www.env.go.jp/policy/guidelines\\_set\\_version\\_with%20cover.pdf](https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf) (pp.36-67)

## Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluation

### 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 was 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 proceeds will be allocated to green projects that have explicit improvement effects on environment. 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's Evaluation

<Green Finance Framework of NAF >

The proceeds will be used for expenditures that meet the following eligible criteria. Expenditures include repayment or redemption of fund meeting eligibility criteria.

##### Eligibility criteria

Assets ("Eligible Green Assets") for which one of the following third-party certification ("Green Building Certification") has been or will be certified.

- DBJ Green Building certification: 3 star, 4 star, or 5 star
- BELS certification: 3 star, 4 star, or 5 star
- CASBEE certification(for Real Estate): B+ rank, A rank, or S rank
- Other green building certification with the same level of evaluation

<JCR's Evaluation for the Framework>

##### a. The environmental improvement effects of the project

**i. The eligibility criteria set out in the Framework are buildings that have acquired or are planning to acquire environmental certification, limited to the top three categories of regional, national, or internationally recognized certification levels ("Green Buildings"). The Use of Proceeds for acquisition or refinancing is expected to have environmental improvement effect.**

JCR evaluates that the eligibility criteria for Green Building established by NAF are for buildings that are expected to achieve a certain level of environmental improvement, as described in detail below.

##### 1. Overview of DBJ Green Building Certification and environmental performance over DBJ Green Building 3 star

A certification system provided by Development Bank of Japan Inc. (DBJ) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of star, and the evaluation axis is "Buildings with consideration for the environment and society." DBJ Green Building evaluates three major categories: "Ecology (Environment)", "Amenity (Comfort) and Risk Management

(Crime Prevention and Disaster Prevention),” and “Community (Region and Landscape) and Partnership (Cooperation with Stakeholders).” Result is represented by 5 star (the best class in Japan), 4 star (exceptionally high), 3 star (excellent), 2 star (high), or 1 star (satisfactory). Although it is not an environmental performance-specific evaluation, it is highly recognized in Japan and has a certain evaluation item regarding environmental performance. Therefore, JCR evaluated this certification as equivalent to “Green buildings with regional, national or internationally recognized standards and certifications” in the category of green projects as defined in Green Bond Principle. However, since the certification is not limited to environmental performance, JCR considers 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. Designed for scoring while aggregating specific excellent efforts for the environment and society, thus, there are many properties that do not obtain “star” in the real estate market. For obtaining high evaluation, the building is required not only the environmental consciousness but also of appropriate consciousness for all stakeholders involved in buildings.

DBJ Green Building certification level is the top 20% of the total domestic income real estate for “environmental and social considerations”. Each evaluation which is higher than 3 star is considered to consist of the top 10% (5 star), the top 30% (4 star), and the top 60% (3 star). JCR considers that the eligibility criteria for NAF are limited to buildings with high environmental performance, even among buildings that are aiming to acquire certification.

## 2. Overview of BELS (Building-housing Energy-efficiency Labeling System) and environmental performance over BELS 3 Star

BELS is the Building-housing Energy-efficiency Labeling System, which evaluates and certifies the energy conservation performance of new and existing buildings by a third-party assessment organization. The exterior performance (performance standards and specifications standards) and primary energy consumption (performance standards and specifications standards) are subject to evaluation, and the evaluation results are expressed in the number of star according to the energy conservation standards achieved. High evaluation requires excellent energy-saving performance. In BELS, the number of star is ranked from 1 to 5 according to the BEI (Building Energy Index). BEI is a scale for achieving energy conservation performance in comparison with the standard value with the design primary energy consumption as a numerator and the standard primary energy consumption as a denominator. 1 star is the existing energy conservation standard, 2 star is the energy conservation standard, and 3 star is the guidance standard. BELS 3 star or more, which are designated as the Eligibility Criteria by NAF, considers energy conservation performance that exceeds the guideline (in the case of offices and commercial buildings, the BEI value is 0.8 or less) to be the standard. JCR evaluate these certifications as effective in improving the environment.

## 3. Overview of CASBEE (Comprehensive Assessment System for Built Environment Efficiency) and environmental performance over CASBEE B +

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 with the support of the Ministry of Land, Infrastructure, Transport and Tourism's Housing Bureau as a joint project between industry, government, and academia. Since then, the committee has been continuously developing

and maintaining buildings. Evaluation tools include CASBEE-buildings, CASBEE-districts, and CASBEE-properties developed for the real estate market to provide easy-to-understand environmental performance.

The assessment results are divided into 5 grades: S rank (excellent), A rank (excellent), B+ rank (good), B-rank (slightly inferior), and C-rank (inferior). CASBEE-real estate is classified into 4 grades: S rank (excellent), A rank (excellent), B+ rank (good), and B rank (satisfying essential items). The evaluation method is a reconfiguration and quantification of the performance in the 4 fields of energy efficiency, resource efficiency, outdoor 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 BEE (Built Environment Efficiency) value 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, it is necessary to give consideration to indoor comfort and landscape, and the high quality of comprehensive buildings is required for high evaluation. B+ or higher, which NAF has recently designated as an eligible criteria, is a building with a BEE of 1.0 or more, and is regarded as having the effect of improving the environment, since the quality is clearly superior to the environmental impact.

Based on the above, JCR evaluates that the eligible criteria of NAF are expected to have an environmental improvement effect.

**ii. The Use of Proceeds falls under the category of green projects that are “energy efficiency” or “green buildings which meet regional, national or internationally recognized standards or certifications.” They are defined in the “Green Bond Principles”, the “Green Loan Principles”, the “Green Bond Guidelines” and the “Green Loan and Sustainability 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 CO<sub>2</sub> 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. It is consistent with Japan's energy conservation policy that the Investment Corporation actively acquires buildings with high environmental certification levels.

**b. Negative impact on the environment**

The Asset Manager conducts due diligence on the acquisition of assets under management based on the opinion of experts, who are third parties. Risks from economic, physical, and legal viewpoints based on the due diligence are confirmed using a check sheet to prevent omissions, and environmental risks are also confirmed in the same process. When there is a risk of a negative impact on the environment, NAF avoids or mitigates the risk by such means as acquiring assets after correction by the seller or postponing the acquisition of assets.

JCR confirmed that NAF is taking appropriate risk avoidance and mitigation measures for negative impact on the environment.

### c. Consistency with SDGs goals and targets

The project is categorized into energy conservation and regional/national or internationally recognized standards and certification green buildings. With reference to ICMA's SDGs mappings, JCR assessed that the project contributions to the following SDGs goals and targets:



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

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**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**

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**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**

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**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: Management, Operation and Transparency Evaluation

Based on JCR's assessment of the current situation described below and the JCR's evaluation of the situation, which is described in more detail below, JCR assessed that the management and operation system was well established, that transparency was extremely high, and that the implementation of projects as planned and the appropriation of funds for procurement were sufficiently expected. Evaluation Phase 2: Management, Operation, and Transparency Evaluation were given the highest level of "m1(F)."

### 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 objectives to be achieved through green finance, the standards for selecting green projects and the appropriateness of the process, and whether a series of processes are appropriately disclosed to investors.

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

##### a. Goal

<Framework about the Goal>

##### **Investment policy based on long-term vision**

NAF aims to strengthen its fundraising base by further promoting sustainability initiatives through Green Finance and by expanding the number of investors and lenders interested in ESG investment and financing.

NAF believes that implementing a Green Finance contributes to the promotion of energy conservation and CO<sub>2</sub> emission reductions, which is one of the most important sustainability issues (materiality) to be addressed.

<JCR's Evaluation for the Framework>

Green Finance implemented under the Framework aims at acquiring green buildings that are expected to have environmental improvement effects. Continuing to implement Green Finance in the future by NAF will promote CO<sub>2</sub> emissions reductions in the entire investment portfolio. JCR confirmed that the Framework contributes to NAF's commitment to materiality in the Sustainability Policy.

##### b. Selection Criteria

The eligibility criteria of the Framework are set out in Evaluation Phase 1 of this report. JCR evaluates the selection criteria for green projects as appropriate.

### c. Processes

#### <Framework about the Processes>

##### **Selection Process**

The decision-making process from planning to implementation of Green Finance is as follows.

##### [Planning of Green Finance]

The Financial Team of the Financial Division of the Asset Manager, which is responsible for NAF's overall fund procurement, plans and examines Green Finance.

##### [Verification of eligibility and drafting for Green Finance]

Green finance, planned by the Financial Team, is reviewed at the Promotion Office \* for eligibility for the project and drafted for deliberation at the Investment Committee.

##### [Evaluation and approval of eligibility for Green Finance]

Green Finance, formulated by the Promotion Office, is evaluated and approved by the Investment Committee regarding the eligibility of the project.

##### [Implementation of Green Finance]

After approval by the Investment Committee, green loans are approved by the CFO. Green bonds are approved by the Investment Committee and the Board of NAF (or, if authorized by a comprehensive resolution, by the Executive Director of NAF).

\* Refers to the Sustainability Promotion Office. The same applies hereafter. (JCR Note)

#### <JCR's Evaluation for the Framework>

The project selection of the Green Finance are evaluated and approved by the Investment Committee after planning and verification according to the process described in the Framework. In implementing approved Green Finance, organization decisions are made in accordance with the form of finance. JCR evaluates that the selection process is highly transparent and that each organization is clearly in charge of its operations.

Goal, selection criteria and processes related to Green Finance of NAF are disclosed in this evaluation report. In addition, NAF is scheduled to disclose the relevant projects in press releases, revised issuance registration documents, supplementary documents, etc. at the implementation of issuance of bonds or at the time of borrowing through Green Finance. Therefore, transparency to investors is considered to be assured.



## 2. Appropriateness and Transparency of Management of the Proceeds

### (1) JCR's Key Consideration in This Factor

Although it is generally assumed that cash management methods vary widely among issuers, JCR confirms whether funds procured under the framework are securely allocated to green projects and whether mechanisms and internal systems are in place to enable easy tracking and management of the allocation of funds.

In addition, JCR also emphasizes evaluating whether proceeds are scheduled to be used for green projects at an early stage, and the management and operation methods of unallocated funds.

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

<Framework for management of proceeds>

The Asset Manager manages the status of fund procurement under Green Finance on a portfolio basis as follows.

[Portfolio Management Approach]

The amount of Eligible Green Liabilities calculated by multiplying the total acquisition price of Eligible Green Assets held by NAF by the ratio of interest-bearing liabilities to total assets (the LTV value at the end of the fiscal year that can be calculated at the time of confirmation) is set as the maximum amount of Green Finance, and is managed so that the balance of Green Finance does not exceed the amount of Eligible Green Liabilities.

<JCR's Evaluation for the Framework>

NAF will manage the balance of Green Finance by portfolio management until the redemption/repayment of all the Green Finance. In the event of a sale of Eligible Green Assets, a change in the evaluation of Green Building Certification, or a loss due to a disaster, and a decrease in Eligible Green Assets are expected, NAF shall confirm the greenness of Green Finance by confirming that the balance of Green Finance does not exceed the amount of Eligible Green Liabilities. If unallocated funds are generated, NAF will increase the Eligible Green Assets or postpone the sale of such assets. JCR evaluates that there are no particular problems with the treatment of portfolios by NAF, as the management of portfolios is in line with common practice in the marketplace.

The proceeds are managed by the general manager of the financial team. Green Finance will be allocated to the Use of Proceeds within six months, and unallocated funds will be managed in cash or cash equivalents. Allocation plans for green projects are approved by the Investment Committee. Remittance instructions are drawn up by the general manager of the financial team, and mutual checks are attempted by the person responsible for other teams approving them. The status of fund allocations is reported to the Investment Committee once a year.

Internal Control systems are ensured through internal audits, which are headed by the Chief Compliance Officer, and external audits by the accounting auditor.

A system has been put in place for the redemption or repayment of Green Finance, and for a sufficient period of time thereafter, of electronic files of forms related to Green Finance fund management.

JCR evaluates that the management of proceeds by NAF is appropriate and that the management method is highly transparent.

### 3. Reporting

#### (1) JCR's Key Consideration in This Factor

In this section JCR assesses whether a detailed and effective system for disclosing information to investors before and after the implementation of green finance, which will be implemented with reference to framework, has been planned.

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

<Framework for reporting>

[Reporting of fund allocation status]

As long as there are outstanding Green Finance balances, the following items as of the end of February of each year are disclosed on NAF's website.

- Total acquisition price of Eligible Green Assets
- Ratio of interest-bearing debt to total assets
- Amount of Eligible Green Liabilities
- Amount of balance of Green Finance

[Reporting of environmental improvement effect]

As long as there are outstanding Green Finance balances, the following items for each year will be disclosed on NAF's website:

- Acquisition status of Green Building Certification (number of building, total floor area, and acquisition rate (based on total floor area))
- Property name of each Eligible Green Assets, type of Green Building Certification, evaluation, and acquisition (update) date of certification
- Energy (electricity) consumption and basic unit
- Energy-Originated CO<sub>2</sub> Emissions and Units
- Water Consumption and Unit

<JCR's Evaluation for the Framework>

##### a. Reporting on the fund allocation

NAF will disclose the allocation status of procurement funds by the Green Finance on its website once a year. In addition, if there is a change in Eligible Green Assets and unallocated funds are generated, the status and the management method of the funds will be disclosed as well. JCR evaluates that reporting on the fund allocation is appropriate.

##### b. Reporting on environmental improvement effects

In addition to the status of Green Building Certification and the details of them, NAF will disclose the electricity consumption, CO<sub>2</sub> emissions, and water consumption of all properties held by NAF on its website once a year. JCR evaluates these reporting as appropriate in light of ICMA's Green Building Impact Reporting Standards.

## 4. Environmental Initiatives of the Organization

### (1) JCR's Key consideration in This Factor

In this section JCR assesses whether the issuer's management considers environmental issues to be of high priority to management, and whether green finance procurement policies and processes and criteria for selecting green projects are clearly positioned through the establishment of a department that specializes in environmental fields or collaboration with external organizations.

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

In addition to the "Group Environmental Policy" established by the Mitsui Fudosan Group, NAF engages in environmental activities in accordance with the "Sustainability Policy" established by the Asset Manager in April 2016. In the following, JCR examines the Mitsui Fudosan Group's and NAF's environmental initiatives.

#### a. Mitsui Fudosan Group's Environmental Initiatives

The Mitsui Fudosan Group's vision is to commit to social and economic development as well as global environmental preservation under the principles of coexisting in harmony with society, linking diverse values, and achieving a sustainable society. In addition, the Group's long-term vision "VISION 2025" established in fiscal 2018 has formulated various measures to further accelerate ESG management. Regarding the environment, Guided by its Group Environmental Policy, the Group engages in the three core environmental activities of load reduction (reducing the impact of its products and services on the environment), quality improvement (enhancing safety, security, and comfort while ensuring sustainability), and cooperation (collaborating and cooperating with various stakeholders) in an integrated manner.

The Mitsui Fudosan Group companies, especially investment corporations sponsored by Mitsui Fudosan, are taking into account the characteristics of the assets based on the Mitsui Fudosan Group's approach to the environment.

#### b. Nippon Accommodations Fund's Environmental Initiatives

Mitsui Fudosan Accommodations Fund Management, the Asset Managing Company of NAF has formulated a "sustainability policy" based on the "Group Environmental Policy" established by the Mitsui Fudosan Group, considering the characteristics that NAF mainly invests in rental apartments

The basic stance of the policy is to strive for the execution of asset management business considering the reduction of the environmental load and various partnerships with various entities inside and outside the company. In February 2020, materiality was identified with the aim of establishing a PDCA cycle for strategic resource allocation and sustainability promotion to ensure the effectiveness of the policy. In the Asset Managing Company, the President and CEO is responsible for actively promoting sustainability, and goals and implementation plans are formulated under the Sustainability Promotion Office, which is comprised of cross-organizational members. In addition, in-house architects are involved with the overall technology of investment assets, including the environment, as technical experts. Moreover, Systems have been put in place to engage with the environment from an objective and professional perspective, for example by utilizing consulting from outside experts on the promotion of sustainability. In this way, systems have been established in which the environmental and other sustainability perspectives are emphasized in the management decisions of NAF.

NAF is working on environmental issues under these systems in which specialist staffs are assigned both at inside and outside. Specifically, this includes raising awareness of environmental considerations among tenants by describing in the building lease agreement that efforts should be made to reduce excessive use of

electricity and water, raising awareness of the separation of garbage management in the explanations at the time of contract, and distributing a guide book when moving in. In addition, environmental-performance targets have been set for energy consumption and CO<sub>2</sub> emissions, and measures have been taken to achieve these targets through such measures as converting shared-use lighting to LEDs. NAF raise tenant's awareness of environmental problems based on the characteristics that the tenant proprietary department takes up the majority of the total floor space of the housing complex, and at the same time, NAF is actively tackling environmental problems in areas where it can be implemented as property owners.

From the above, JCR evaluates that the Mitsui Fudosan Group and the management of the NAF regard environmental issues as high priority issues for management, and that green bond procurement policies and processes, green project selection standards, etc. are clearly positioned through cooperation with departments with specialized knowledge.

#### ■ Evaluation Results

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

**[JCR Green Finance Framework Evaluation Matrix]**

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness Evaluation	g1(F)	Green 1(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g2(F)	Green 2(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g3(F)	Green 3(F)	Green 3(F)	Green 4(F)	Green 5(F)	Not qualified
	g4(F)	Green 4(F)	Green 4(F)	Green 5(F)	Not qualified	Not qualified
	g5(F)	Green 5(F)	Green 5(F)	Not qualified	Not qualified	Not qualified

#### ■ Scope of Subject

Issuer/Borrower: Nippon Accommodations Fund Inc. (Securities code: 3226)

[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) Atsuko Kajiwara and Hiroya Kakiuchi

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## Important Explanation of the Green Finance Framework Evaluation

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### 1. Assumptions, significance, and limitations of JCR Green Finance Framework Evaluation

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 extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, it is not intended to evaluate the effects of specific environmental improvements, management and operation systems, and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event that an individual bond or individual borrowing based on this framework is subject to a green finance evaluation, it is necessary to conduct a separate evaluation. In addition, the JCR Green Finance Framework evaluation does not demonstrate the environmental improvement effects of individual bonds or borrows implemented under this framework, and does not assume responsibility for 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 the quantitative and qualitative measures by the issuer or a third party requested by the issuer.

### 2. Methodology used to carry out this assessment

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en/>).

### 3. Relationship with Credit Rating Business

The act of granting and providing an evaluation of JCR Green Finance Framework is conducted by JCR as a related business and differs from the act related to the credit rating business.

### 4. Relationship with Credit Ratings

This evaluation differs from credit ratings and is not intended to provide or guarantee that a predetermined credit rating will be provided or made available for inspection.

### 5. Third-Party Evaluation of JCR Green Finance Framework Evaluation

There are no capital relationships or personnel relationships that could cause conflicts of interest between the subject party and JCR.

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#### ■ Glossary

JCR Green Finance Framework Evaluation: The extent to which the funds procured through green finance are appropriated for green projects as defined by JCR, and the degree to which the management, operation, and transparency of the green finance are managed. Evaluations are performed on a 5-point scale, from the top to the top using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) symbols.

#### ■Status of Registration as an External Evaluator of Green Finance

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

#### ■Other status of registration as a credit rating agency, etc.

- Credit Rating Agency Commissioner (Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR is registered in the following 4 classes of 5 credit rating classes (as defined by the NRSRO(Nationally Recognized Statistical Rating Organization of the U.S. Securities and Exchange Commission): (1) Financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations, and (4) governments and municipalities. If we are subject to disclosures under Rule 17g-7(a) of the U.S. Securities and Exchange Commission, such disclosures are attached to news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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