

—————JCR 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 of Advance Residence Investment Corporation

Subject : Advance Residence Investment Corporation's 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

Advance Residence Investment Corporation (“ADR”) was established on March 1, 2010 through a new merger between the former Advance Residence Investment Corporation and Nippon Residential Investment Corporation. It is listed on the Tokyo Stock Exchange Real Estate Investment Trust (J-REIT) Market on March 2, 2010. The Asset Manager of ADR is AD Investment Management Co., Ltd. (“ADIM”), and the shareholders of ADIM are ITOCHU Corporation (capital contribution ratio: 80.58%) and ITOCHU Property Development, Ltd. (capital contribution ratio: 19.42%).

The basic management policy of ADR is "Realize a Stable Long-Term Dividend". Aiming to secure stable earnings and grow assets under management over the medium to long term, ADR is investing in all types of rental housing located nationwide in Japan while diversifying its portfolio. Currently, ADR's portfolio comprises more than 70% of properties located in Tokyo's 23 special wards (based on acquisition prices) by area and less than 60% of single-person properties (based on the number of units) by type, taking into account of rental demand and other factors. Properties under the RESIDIA brand are the core of ADR's portfolio. As of January 2019, ADR has assets of JPY 448.1 billion (based on acquisition-price), 264 properties, and 21,286 rentable units. ADR has the largest asset size in Japan as a rental housing-specific J-REIT.

ADR established the Sustainability Policy in March 2015. Based on this policy, ADR is working to contribute to the realization of a sustainable society and further improve of unitholder value by promoting a variety of sustainability activities.

The scope of evaluation is the Green Finance Framework (the “Framework”) established by ADR in order to limit proceeds through investment corporation bonds or loans (Green Finance) to the use of proceeds that have an environmental improvement effect. JCR assesses whether the Framework conforms to the International Capital Markets Association (ICMA) Green Bond Principles 2018, the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) Green Loan Principles and the Green Bond Guidelines 2017.¹

In the Framework, eligibility criteria of the proceeds are defined as projects that meet "Eligible Criteria 1" (properties that have obtained third-party environmental certification at a certain level or higher) or "Eligible Criteria 2" (works to contribute to energy efficiency and environmental improvement, renovation of facilities, etc.). Projects covered by ADR are renovations of facilities (which have a 10% or more reduction in consumption compared to conventional projects) aimed at improving the environment, such as energy efficiency, water consumption efficiency, of properties or Building will be certified under DBJ Green Building certification for three stars or more, CASBEE certification for B+ rank or higher and BELS certification for three stars or more. JCR evaluates the definition of projects as having environmental improvement effects.

ADIM’s management established appropriate project approval structure for both selection criteria and actual selection of projects. ADIM’s each division will receive the report. In proceeds management, ADR uses portfolio management to manage the balance of Green Finance during the remaining period of Green Finance and to respond to the occurrence of unallocated funds. ADR defines the "Scale of Eligible Green Projects" as aggregate amount acquisition price of properties that meet “Eligible Criteria 1” and the total (planned) amount of construction and renovation expenditures that meet “Eligibility Criteria 2.”

In reporting, JCR evaluates the disclosure before and after the implementation of green finance is appropriate. From the above, JCR confirmed the management system and transparency of ADR as appropriate.

As a result, 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 described in detail in the next chapter. JCR also evaluated that the framework meets the criteria for the standards for Green Bond Principles, Green Loan Principles and Green Bond Guidelines.

¹The Green Bond Principles, the Green Bond Guidelines and the Green Loan Principles are principles voluntarily published by the International Capital Markets Association (ICMA), the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) and the Japanese Ministry of the Environment, respectively, and are not binding on them, but will be evaluated by JCR with reference to those principles and guidelines as globally unified standards 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 Eligibility 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 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

<The Framework for Use of Proceeds>

1. Use of proceeds

I. Eligible criteria for investment in green finance

Proceeds from Green Bonds or Green Loans (Green Bonds, etc.) will be used to finance the acquisition, renovation, and refinancing of Green Buildings that meet the following criteria.

[Eligibility Criteria 1]

Properties for which either third-party certification entities (i) to (iii) have been acquired or are scheduled to be acquired in the future

- (i) Three stars, four stars, or five stars in DBJ Green Building certification
- (ii) B+ Rank, A Rank, or S Rank in CASBEE certification
- (iii) Three stars, four stars, or five stars in BELS certification

[Eligibility Criteria 2]

Equipment repair work for the real estate which manages to improve the efficiency of energy consumption, water consumption performance, and other environmental benefits (a 10% reduction in usage to convention).

<Evaluation of JCR for the Framework>

a. On the environmental improvement effects of the project

- i. Eligible criteria set out in the Framework for the use of proceeds include the acquisition and construction of buildings ("Green Buildings") or refinancing of such buildings, which have already obtained or are planning to acquire environmental certification for up to the top three certification levels recognized by the region, country, or internationally, and are expected to contribute to environmental improvement.**

ADR targets properties that have been or will be certified under DBJ Green Building certification for three stars or more, CASBEE Certification for B+ or higher, or BELS Certification for three stars or more, as well as renovation works that are expected to have an energy saving effect or a reduction in water consumption of 10% or more compared with the convention. As of January 2019, ADR has seven properties with environmental certification that fall under the following Eligibility Criteria 1, accounting for 16.7% of the

portfolio (floor area basis). JCR's evaluation of Eligibility criteria 1 to be invested in Green Finance of ADR is described below.

Evaluation of the environmental certification described in Eligibility Criteria 1

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." 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 five stars (the best class in Japan), four stars (exceptionally high), three stars (excellent), two stars (high), or one 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.

By the end of November 2018, the number of DBJ Green building applications had increased to 1,166, of which only 635 had been certified for one star or more. From the above, it can be seen that although the number of applications is limited, eligible criteria are narrowed down to buildings with high environmental performance among those aiming to acquire certification. JCR evaluated that ADR regards three stars or more as eligible criteria appropriate since ADR defines eligible criteria properties with high environmental performance.

2. CASBEE (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. Some municipalities are obligated to submit environmental plans when constructing buildings of a certain size, using CASBEE.

The CASBEE's 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).

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 BEE (Built Environment Efficiency) value 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. ADR defines Buildings with B+ or higher as eligible criteria are properties with a BEE of 1.0 or higher. It indicates that the environmental quality of the building is greater than or equal to the environmental impact of the building. JCR considers this standard to be appropriate.

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

BELS is an 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, 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. JCR evaluates that the eligibility criteria set by ADR of buildings with BELS three stars or more is appropriate based on energy efficiency performance (residential: BEI value of 0.9 or less) that exceeds the guiding standard.

Repair work described in Eligibility Criteria 2

Renovation works are targeting at the works to improve energy efficiency, water consumption performance, and other environmental benefits. ADR defines eligible renovation work as to have an energy saving effect of 10% or more or a reduction in water consumption. JCR considers that target setting is not very high when it compared with the global level, but it is appropriate to set this target value in the current Japanese green building market.

From the above, JCR evaluates that the eligibility criteria of ADR have the environmental improving effect.

ii. The use of proceeds falls under the category of "Green Buildings which meet regional, national or international recognised Standards and Certification" and "Energy Efficiency" among the green projects defined in the Green Bond Principles, the Green Loan Principles, or the Ministry of Environment of Japan's Green Bond 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 ADR actively acquires buildings with high environmental certification levels.

b. Negative impact on the environment

ADIM conducts due diligence when considering the acquisition of properties, and avoids and mitigation risks by, for example, not acquiring properties or undertaking additional construction if there is a risk of a negative impact on the environment.

JCR confirmed that the implementation of due diligence by ADIM and measures to address risks provide a framework for appropriate risk avoidance and mitigation measures for target projects for use of proceeds.

c. Consistency with SDGs goals and Targets

The use of proceeds stated in the Green Finance Framework is classified into "Green Buildings which meet regional, national or internationally recognised standards and certifications" and "Energy efficiency." JCR evaluated these projects as contributing to the following SDGs objectives and targets, referring to the SDGs mapping of 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, 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 bond or green loan, 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's evaluation

a. Goal

<The Framework for Green Bond Issuance Objectives>

(Green Investment Policy Based on Long-Term Vision)

1. AD Investment Management Co., Ltd., the asset management company for ADR, established the Sustainability Policy in March 2015. Subsequently, ADR has conducted operations in accordance with this policy as it strives to contribute to creating a sustainable society and to further raise unitholders' value through such measures that promote sustainability as listed below.
2. Establishing organization-wide structure for compliance and risk management
Organization-wide structure is established to comply with laws and regulation pertaining to ESG and to manage risks.
3. Reduction of energy consumption and CO₂ emissions
Reducing carbon footprint of property holdings by measures such as promoting energy conservation awareness among tenants and installing equipment that are energy efficient.
4. Resource conservation and reduction of waste
Water conservation waste recycle promote tenants resource conservation recycling oriented sustainable society help realize
5. Employee education
Fostering employee awareness on environmental consideration and promoting environmentally conscious practices through education.
6. Stakeholder engagement
Employee cooperation between property manager to provide high quality housing society contribute tenants
7. Transparent disclosures
Reporting ESG policies and measures to unitholders through transparent disclosures

<Evaluation of JCR for the Framework>

The president of ADR is the chief executive officer for sustainability. In March 2015, the president established the Sustainability Policy to contribute to the realization of a sustainable society and to further improve the value of unitholders.

The above "Sustainability Policy" is appropriately disclosed on ADR's website. JCR confirmed that the financing by ADR through Green Finance is consistent with "3. Reduction of energy consumption and CO₂ emissions" and "4. Resource conservation and reduction of waste" in this policy.

b. Selection standard

Following interviews with the ADIM, ADR shall determine the projects that satisfy the "Eligibility Criteria 1" or "Eligibility Criteria 2" as the subject of the use of proceeds by the approval of the Board of Directors after confirmation by the general manager of the Finance and Accounting Division and the general manager of the Human Resources and General Affairs Division, who is mainly engaged in operations related to the sustainability of ADIM. Eligibility criteria are as described in Phase 1 of this report.

The use of proceeds from Green Finance is selected by the general manager of the Finance and Accounting Division and then examined by the Human Resources and General Affairs Division for compliance with the eligibility criteria. The board of directors then decides to issue or borrow with eligible green projects. JCR evaluated that selection criteria and project selection are appropriate.

c. Processes

<The Framework for Processes>

ADIM selects projects that will be used for the procurement funds by the Finance and Accounting Division and verification and evaluates compliance with the eligibility criteria by the Human Resources and General Affairs Division, which is responsible for matters related to sustainability.

<Evaluation of JCR for processes>

ADIM selects projects for the use of the proceeds as described in "b. Selection Standard" by the Finance and Accounting Division and determines whether or not they conform to the eligibility criteria by the Human Resources and General Affairs Division.

In addition, the Sustainability Committee has been established as a forum for establishing sustainability goals, implementing measures, and reporting on these results. The committee is chaired by general manager of the Human Resources and the General Affairs Division, who has decision-making authority over eligibility criteria. The committee meets regularly once a quarter, with managers in each department.

After the board of directors has made a decision of conducting Green Finance, a report will be submitted to the Sustainability Committee.

In addition, ADR's green finance goal, selection standard and processes will be disclosed in the issuance registration supplementary documents and this evaluation report at the time of issuance of bonds or borrowing. JCR evaluated that transparency to investors is ensured.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in This Factor

The management method of the proceeds is usually assumed to be diverse by the issuer or borrower. JCR assesses whether the proceeds under this framework firmly allocated to the green project and the project have internal systems to easily track the allocation of the proceeds and the money funded under this framework will be allocated to the green project at once.

JCR also considers the evaluation of asset management of unallocated funds. JCR also attaches importance to evaluating the management and operation of the unallocated funds, as well as to confirming that the proceeds procured under the framework will be allocated to the green projects at an early stage.

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

<The Framework for proceeds management>

I. Allocation Plan and Methodology of Allocation of Proceeds

After the proceeds have been deposited into the account, the Finance and Accounting Division will promptly instruct the Custodian to remit the funds, and the Custodian will remit the funds.

Remittance instructions must be approved in advance by General Manager of Finance and Accounting division.

II. Method of Tracking and Management of Proceeds

The Finance and Accounting Division conducts tracking management through the company system to ensure that the proceeds are allocated to the target project. ADIM will also periodically confirm that the difference between the amount of the proceeds and the amount allocated for the project or the full amount has been allocated until the repayment of the Green Loan (or the redemption of the Green Bond).

ADR intends to disclose on its website that the aggregate amount of Green Loans and Green Bonds issued does not exceed the size of the Eligible Green Projects (the total amount of acquisition price of properties that meet Eligibility Criteria 1 and the total amount of construction and renovation projects that meet Eligibility Criteria 2) until the full amount of the proceeds is allocated for a project that meets Eligibility Criteria or until the repayment date of the Green Loans (or the redemption date of the Green Bonds).

III. Internal and External Audits for Tracking Management

The Finance and Accounting Division will report to the President and other management member on the status of the allocation of the proceeds. ADIM will be able to submit them separately to the auditing entities, if necessary.

IV. Method of Management of Unallocated proceeds

Until the proceeds are allocated for the project, the proceeds are managed in cash or cash equivalents, such as certificates of deposit. Even if ADR sold the project which is already nominated as allocation of green finance or excluded the project which is already financed by green finance from the eligible criteria, the Green Finance shall remain as it is if the proceeds procured through the Green Bond or Green Loan remain within the upper limit for Green Finance in the Capital Management.

<Evaluation of JCR for proceeds management>

ADR plans to conduct so-called portfolio management in which the amount of green-eligible liabilities is calculated from the total amount of acquisition of green-eligible assets and make it maximum amount of Green Finance in the Framework. Other investment corporation operates portfolio management using the amount of green debt and it is taken as market practice in Japan. JCR considered that it is desirable to link the properties to which proceeds are allocated at the time of each financing by Green Finance.

Under the Framework, the Finance and Accounting Division promptly orders the custodian bank to remit the proceeds from Green Finance to the seller or the refinance recipient.

ADR intends to apply portfolio management to the management of outstanding balance of Green Finance. Portfolio management is a method of comparing the total balance of Green Financing implemented by ADR and the size of eligible green projects (the value of green financing projects owned by ADR). During the remaining period of Green Finance, if the target project of green finance is no longer the subject of the use of Green Finance due to sale, etc., ADR shall confirm that the aggregate amount of Green Finance outstanding does not exceed the "size of eligible green project" (the total amount of acquisition price of property that satisfies eligibility criteria 1 and the total amount of expenditure (planned) of construction and renovation that satisfies eligibility criteria 2).

JCR considers that it is desirable to manage the balance by multiplying the "size of eligible green projects" by the interest-bearing debt ratio. ADR manages proceeds from Green Finance in an internal system. Inflow and outflow of Cash are approved by the general manager of the Finance and Accounting Division after the board of directors approves the implementation of Green Finance. Trust bank, the asset custodian bank operates actual cash receipts and disbursements, and ADIM checks whether the cash receipts and disbursements practices have been properly implemented.

In addition, through interviews with the ADIM and the Framework, JCR confirm that the allocation status of the project is reported by the Finance and Accounting Division to the president and other management members.

Based on the above, JCR evaluates the appropriateness and transparency of the proceeds management of ADR as suitable.

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 a planned in a detailed and effective manner at the time of the issuance of green finance.

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

<The Framework for Reporting System>

I. Disclosure method and frequency of allocation of proceeds

ADR plans to disclose status of allocation of proceeds to lenders (or investors) once a year after approval by the General Manager of the Finance and Accounting Division and the General Manager of the Public Relations and Investor Relations Division.

II. Methodology and Frequency of Disclosure of Impact Reporting

Impact reporting will be disclosed annually to lenders (or investors) after approval by the General Manager of the Finance and Accounting Division, the General Manager of the Public Relations and Investor Relations Division, and the General Manager of the Human Resources and General Affairs Division.

III. Reporting KPIs

1. Projects that conform to Eligibility Criteria 1

As long as the balance of Green Finance remains, ADR plan to disclose the following indicators for each Green Eligible Asset for which the proceeds have been allocated.

- Energy-consumption
- Greenhouse gas (CO₂) emissions
- Water consumption
- Weight of waste
- Status of Environmental Certification Acquisition (Number of Properties, Total Floor Space, Date of Certification, Type of Certification)

2. Projects that conform to Eligibility Criteria 2

As long as the balance of Green Finance remains, we plan to disclose one of the following indicators before and after the renovation work.

- Energy-consumption
- Greenhouse gas (CO₂) emissions
- Water consumption
- Weight of waste

<Evaluation of JCR for the reporting system>

a. Reporting on the proceeds allocation

The purpose of the use of proceeds under the Framework is to obtain or refinance the funds for the acquisition of Green Buildings. JCR assumes that the period until the proceeds procured are fully allocated will be short. ADR will disclose to lenders and investors the status of allocation of the proceeds once a year until the full amount of the proceeds is allocated.

b. Reporting on environmental improvement effects

ADR intends to disclose to lenders or investors once a year the impact reporting on the environmental improvement effects of projects for which proceeds have been allocated, after approval by the general

Manager of the Finance and Accounting Division, the general manager of the Public Relations and Investor Relations Division and the general manager of the Human Resources and General Affairs Division.

JCR evaluates that items and the frequency of disclosures are appropriate on the Impact Reporting Metrics for Green Building Projects established by the ICMA.

4. Organization's Environmental Activities

(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's Evaluation

ADR established the Sustainability Policy in March 2015. Based on this policy, ADR is working to contribute to the realization of a sustainable society and further improve its unitholder value by promoting a variety of sustainability activities.

In accordance with the above policy, ADR implements the following "Sustainability Initiatives."

First, as part of the Sustainability Initiatives, ADR identifies materiality (an important issue related to sustainability). Among these, the "Obtaining environmental, energy conservation and other certification on properties" and "Management and reduction of energy consumption, CO₂ emissions, water usage and waste volume" are cited as part of the Framework.

As of January 2019, ADR has seven properties with environmental certification that fall under "Eligibility Criteria 1" in relation to "Obtaining environmental, energy conservation and other certification on properties," which accounted for 16.7% (floor area basis) of the portfolio. In general, it is considered that acquiring environmental certification at a certain level or higher for residential properties such as houses and hotels is highly difficult due to its characteristics. JCR evaluates this initiative as a result of ADIM's ongoing acquisition of properties with environmental improvement effects.

ADIM has also formulated the "energy conservation policy," "greenhouse gas emission reduction policy," "water conservation policy" and "waste management policy" in order to achieve numerical targets for "Management and reduction of energy consumption, CO₂ emissions, water usage and waste volume."

Based on these findings, JCR evaluates the formulation of the Framework as contributing to the resolution of the above-mentioned materiality of ADR.

In addition, ADR has been implementing a wide range of environmentally conscious businesses beyond energy saving and water saving, including the introduction of LED lighting, the introduction of water-saving toilets, and the call for energy saving to tenants, as well as incorporating the status of environmental initiatives into one of the evaluation standards when evaluating property management companies.

In addition, since 2014, ADR has been the first housing J-REIT to receive GRESB Real Estate Assessment. In the GRESB Real Estate Assessment, ADR has received the "Green Star" for three consecutive years to companies with superior "Management and Policies" and "Implementation and Measurement," which are the two evaluation axes in the sustainability evaluation. In the most recent GRESB Real Estate Assessment for fiscal 2018, ADR was selected as a "Sector Leader" to indicate that ADR has received the top evaluation in the Asian, listed, and housing sectors. This indicates that the sustainability initiatives of ADR are highly appreciated by third parties.

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

(Reference) GRESB Real Estate Assessment

GRESB is an acronym for Global Real Estate Sustainability Benchmark. 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. 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. As of 2018, 38 investment corporations have participated in the evaluation from J-REIT.

■Evaluation result

Based on the 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." JCR also evaluated that the Framework meets the criteria for the standards for Green Bond Principles, Green Loan Principles and Green Bond 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 Evaluation

Issuer/Borrower: Advance Residence Investment Corporation (Securities Code: 3269)

[Assignment]

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

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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. Therefore, it is not intended to conduct a specific environmental improvement effect, management and operation system, and transparency assessment of the use of individual bonds and borrowings, etc. based on the said policy. If an individual bond or individual borrowing based on this framework is subject to a Green Bond Evaluation or a Green Loan Evaluation, it is necessary to conduct a separate evaluation. In addition, 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. 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 Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-Party Evaluation of JCR's Green Finance Framework

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

■Disclaimers

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The JCR Green Finance Framework Evaluation evaluates the extent to which the funds procured under the Green Finance Framework are allocated to Green Projects as defined by the JCR, as well as the degree of management, operation, and transparency of the Green Finance Framework's fund usage. 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 bond

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)

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