

Green Bond / Green Bond Programme Independent External Review Form

Section 1. Basic Information

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|---|----------------------------------|
| Issuer name: | Japan Logistics Fund, Inc. |
| Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: | Green Finance Framework |
| Independent External Review provider's name: | Japan Credit Rating Agency, Ltd. |
| Completion date of this form: | February 18, 2021 |
| Publication date of review publication: | February 18, 2021 |

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:

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|--|--|
| <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 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.

Japan Logistics Fund, Inc. (the "Investment Corporation") is the first J-REIT in Japan to invest mainly in logistics facilities. It was established in February 2005 and was listed on the Tokyo Stock Exchange (real estate investment trusts market) in May of the same year. Mitsui & Co., Logistics Partners Ltd. (the "Asset Manager") is in charge of the Investment Corporation's asset management business. The Investment Corporation is sponsored by Mitsui & Co. Asset Management Holdings Ltd., a wholly-owned subsidiary of MITSUI & CO., LTD. (stake: 70%), Sumitomo Mitsui Trust Bank, Limited (20%) and Kenedix, Inc. (10%). The current portfolio consists of 49 properties and has an asset size of 269.5 billion yen (on an acquisition price basis).

The Investment Corporation and the Asset Manager recognize that ESG (Environment: Environmental, Social: Social, Governance: Governance) initiatives are important issues in the real estate investment management business. Accordingly, with regard to environmental and social initiatives, the Investment Corporation and the Asset Manager strive to reduce environmental impact and build reliable relationships with various entities inside and outside of the companies, aiming to realize a sustainable society and contribute to society through asset management operations. The Asset Manager has formulated a sustainability policy and publicizes its stance widely, as well as establishing sustainability targets and implementing various measures. The subject of this evaluation is the Green Finance Framework (the "Framework") established by the Investment Corporation to limit the funds procured through Green Bonds or Green Loan (the "Green Finance") to the use of proceeds with environmental improvement effects. JCR will assess whether the Framework complies with the Green Bond Principles (2018 edition), the Green Loan Principles (2020 edition), the Green Bond Guidelines (2020 edition) and the Green Loan Guidelines and the Sustainability Linked Loan Guidelines (2020 edition). These principles and others are voluntarily published principles or guidelines by the International Capital Markets Association (ICMA), the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), Loan Syndications and Trading Association (LSTA), and the Ministry of the Environment, respectively, and they are not regulations. They are therefore not binding, but refer to these principles and guidelines as uniform standards both domestically and internationally at this time.

The Investment Corporation considers eligibility criteria for the use of funds to be: (1) assets that have acquired or will acquire in the future of at least three stars of DBJ Green Building certification, CASBEE buildings (new buildings) or real estate certification B+ ratings, at least three stars of BELS certification, at least one star of LEED certification Silver, or a third-party certification at the same level as these; (2) assets with high energy-saving performance with an ERR value of at least 30%; and (3) renovations aimed at achieving a high environmental improvement effect. The Investment Corporation plans to identify negative environmental impacts and take appropriate action as necessary with respect to projects to be used for funding in the Framework. Accordingly, JCR has evaluated the above-mentioned eligibility criteria as having expected environmental improvement effects.

The selection of the target project is made by the management team with the President and Representative Director of the Asset Manager as the final decision-maker, and the management team is appropriately involved. Proceeds from green financing are used to finance the acquisition of assets that meet eligibility criteria or to pay for construction, or to refinance the funds. After appropriation of the proceeds, the balance is managed by portfolio management in the event of a sale, etc. of green-eligible assets. The status of appropriation of funds and the content of reports on the effects of environmental improvement are also appropriate. Based on the above, JCR has evaluated that the management and operation system of the Investment Corporation has been established and that it is transparent.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Green1 (F)" for overall "JCR Green Finance Framework Evaluation" to the Framework.

The Framework is considered to meet the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan and Sustainability Linked Loan Guidelines.

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

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. The eligibility criteria listed in the Framework are the following, and environmental improvement effects are expected from them: 1. acquisition of standards and certified green buildings that are narrowed down to the top three categories of certification levels recognized in the region, country, or internationally; 2. acquisition of properties with high energy conservation performance; and 3. new investment and refinancing for renovation work aimed at high environmental improvement effects.
- ii. The use of proceeds fall under the following categories: "Green Buildings which meet regionally, nationally or internationally recognized standards or certifications" and "Energy efficiency" in the Green Bond Principles and the Green Loan Principles; "Green Building Projects" and "Energy Efficiency Projects" among the uses of proceeds exemplified in Green Bond Guidelines and Green Loan and the Sustainable Linked Loan Guidelines.

b. Negative impact on Environment

The Asset Manager identifies and manages environmental risks, such as environmental pollutants and soil pollutants, associated with the target assets by using environmental risk assessments, property examination, checklists, etc. by experts inside and outside the Investment Corporation for the implementation of OBR (Own Book Redevelopment), in which property acquisitions and owned assets are redeveloped by themselves. When there is a risk of negative impact on the environment, the Investment Corporation has a policy to avoid and mitigate risks by forgoing property acquisitions and implementing pollution improvement projects, among others. In addition, when ordering renovation work, the risks are reduced through selection in accordance with the objective criteria established in advance.

Accordingly, JCR has confirmed that the Corporation has appropriately identified, avoided and mitigated environmental risks with respect to the investments of funds set forth in the Framework.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" 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 | <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):

The Investment Corporation has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

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 (please specify) : |

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 (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

Fund management of procurement funds is performed by the Financial Planning Department of the Asset Manager using the in-house system. When managing and operating funds, prior or ex-post approvals are made by persons in charge, such as the General Manager of the Accounting Department and the General Manager of the Financial Planning Department, depending on the nature of the procedure. Proceeds from green financing are managed in cash or cash equivalents until appropriated. Proceeds from green financing will be used for new investment or refinancing in projects that meet eligibility criteria. When unused funds arise due to the sale or impairment of the property subject to the use of funds after appropriation of the proceeds, the Investment Corporation confirms the greenness of the green finance by checking that the balance of the green finance does not exceed the amount of Green Eligible Liabilities. If the balance of Green Finance exceeds the amount of Green Eligible Liabilities, the Investment Corporation will take measures such as increasing the amount of Green Eligible Assets. JCR believes that there are no particular issues to be addressed by the Investment Corporation, as this portfolio management is consistent with the manner commonly used in the marketplace.

The Internal Audit Office and Accounting Auditors audit and control the management of funds procured through green finance. A system has been put in place to ensure that electronic files related to the management of funds for green finance are stored for the redemption and repayment of green finance and for a sufficient period of time thereafter.

Tracking of proceeds:

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

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" 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 (please specify) : |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The Investment Corporation plans to disclose the subject properties and the funding date in the press release on the appropriation of the proceeds from green financing. In addition, if there are any unappropriated funds in the semi-annual accounting period, the Investment Corporation plans to disclose the latest information on the content of appropriation plans or portfolio management on its website. After appropriation of the proceeds, if the property subject to the use of the funds will not be subject to the use of the funds due to sells, impairment, etc. and the unused funds arise, the content of the funds and the method of management of the unused funds will be disclosed in the same way.

b. Impact reporting for environmental benefits

In addition to the names of the assets subject to the Green Building, the types of environmentally certified, and the certification levels, the Investment Corporation plans to disclose annually on its website the energy consumption, greenhouse gas (CO₂) emissions, water consumption, and total waste volume of its entire holding assets. If the proceeds from green financing are used for projects related to renovation work, the indices necessary to calculate the environmental improvement effect after construction will be fully disclosed.

Use of proceeds reporting:

☒ Project-by-project

☐ Linkage to individual bond(s)

☒ On a project portfolio basis

☐ Other (*please specify*):

Information reported:

☒ Allocated amounts

☐ Other (*please specify*):

☐ Green Bond financed share of total investment

frequency:

☐ Annual

☐ Other (*please specify*):

☒ Semi-annual

Impact reporting:

☒ Project-by-project

☐ Linkage to individual bond(s)

☒ On a project portfolio basis

☐ Other (*please specify*):

frequency:

☒ Annual

☐ Other (*please specify*):

☐ Semi-annual

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Decrease in water use

☒ Energy Savings

☒ Other ESG indicators (*please specify*):

- Status of Environmental Certification Acquisition
- Weight of waste
- Water consumption
- etc.

Means of Disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): • <i>Show on the website</i> |
| <input type="checkbox"/> 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.*)

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|--|---|
| Japan Logistics Fund, Inc. ESG Initiatives | https://8967.jp/en/esg/ |
| JCR's website about green bond evaluation methodology | https://www.jcr.co.jp/en/greenfinance/ |

Type(s) of Review provided:

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

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: February 18, 2021

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. 1.
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.