

————— JCR Green Bond Evaluation by Japan Credit Rating Agency, Ltd. —————

Japan Credit Rating Agency, Ltd. (JCR) announces the Annual Review Results of its Green Bond Evaluation.

JCR Reviewed Green Bond Evaluation on Bonds of MITSUI-SOKO HOLDINGS Co., Ltd.

Subject	:	MITSUI-SOKO HOLDINGS 18th Unsecured Bonds (MITSUI-SOKO HOLDINGS Green Bond)
Type	:	Straight bonds
Issue amount	:	JPY 5 Billion
Interest rate	:	0.450%
Date of Issuance	:	March 10, 2020
Redemption Date	:	March 8, 2030
Method of Repayment	:	Bullet
Use of proceeds	:	New investment in the construction of logistics facilities, which is planned to be acquired environmental certification, and equipment costs

<Green Bond Review Results>

Overall Evaluation	Green 1
Greenness Evaluation (Use of Proceeds)	g1
Management, Operation, and Transparency Evaluation	m1

1. Evaluation Overview

On March 3, 2020, JCR assigned JCR Green Bond Evaluation “Green 1” to the 18th unsecured bonds issued by MITSUI-SOKO HOLDINGS Co., Ltd. The outline is as follows.

(The excerpt from the evaluation report on March 3, 2020)

MITSUI-SOKO HOLDINGS (the “Company”) is a holding company, under which it has MITSUI-SOKO Co., Ltd., a major warehouse company in Japan. In 1909, the Company was spun off from the Mitsui Bank Warehouse Department as Toshin Soko Co., Ltd. In 1942, it was renamed to MITSUI-SOKO Co., Ltd. and in 2014, it has shifted to a holding company structure. Operating the real estate leasing business, the Company assumes a role of formulating group strategies, raising funds, and allocating management resources, has strong governance over the operating companies under its umbrella. In addition to the existing warehouses and transport businesses, the Company has full-fledged logistics functions, including overseas distribution, 3PL (third-party logistics), supply chain management (SCM) support, and overland transportation.

In the Environmental Policy formulated in 2005, the Company and MITSUI-SOKO GROUP (the “Group”) indicated that they will pursue environmentally-friendly activities and contribute to the preservation of the global environment under the corporate philosophy of giving back to society through the field of logistics and to be a trusted force in society. To this end, the Company and the Group operate the businesses focusing on reducing environmental impacts given by their logistics operations as a whole.

Proceeds of the corporate bonds subject to this evaluation (the “Bonds”) will be used to invest in the construction and capital expenditures of Kanto P&M Center II. The facility is expected to acquire CASBEE certification (CASBEE-SAITAMA Prefecture B+ rank or higher) that meets the eligibility criteria under the Green Bond Framework. The Company takes appropriate steps to avoid or mitigate any environmental negative impacts, which may arise. JCR evaluated the Bonds are for green projects that have environmental improvement effects.

The green project is evaluated and selected by the Real Estate Division and the Accounting Division and is discussed by the Board of Directors and the final decision is made by obtaining approval of the management, including the President. Funds raised through the Bonds will be allocated to the green project in accordance with the appropriation plan. Systems for tracking and internal control of funds have also been properly established. The reporting plans of the proceeds allocation and the environmental improvement effects are also appropriate. Therefore, JCR evaluated that the system of managing the funds raised through the Bonds have established and is also transparent to investors. (End of the excerpt)

At the time of the review of the Bonds, it was confirmed that the proceeds from the Bonds were appropriated or to be appropriated for projects subject to the use of funds in accordance with the appropriation plan. It was also confirmed that the management and operation system for the procured funds continues to be established, and that there is no change in transparency to investors.

As a result of the above reviews based on the JCR Green Finance Evaluation Methodology, JCR maintained "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR maintained "Green 1" as the overall evaluation to the Bonds. The evaluation results are described in detail in the next chapter. The Bonds are also considered to meet the standards for items required by the Green Bond Principles¹ and the Ministry of the Environment's Green Bond Guidelines².

¹ ICMA (International Capital Market Association) Green Bond Principles 2018 Edition
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² Ministry of the Environment Green Bond Guidelines 2017
http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

2. Post-issuance Review Items

In this section, JCR describes the items to be confirmed in the post-issuance review. The review focuses on items whose content has changed from the previous evaluation period.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of funds procured by the Bonds and the appropriation of funds procured for green projects are properly carried out in a manner specified by the issuer at the time of assigning the Green Bond Evaluation.

(2) Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

JCR evaluates if there are any changes to the objectives to be achieved through the Bonds, the criteria for selecting green projects, the adequacy of the process, and the series of processes to be implemented.

(3) Appropriateness and Transparency of Management of the Proceeds

JCR evaluates whether the proceeds have been duly allocated for green projects or not, and also evaluates if a framework, which allows tracking and managing the fund allocation status easily, and an internal system have been established. .

(4) Reporting

JCR evaluates if the environmental improvement effects resulting from the green project financed by the funds procured by the Bonds are appropriately calculated according to the method stipulated by the issuer at the time of assigning the Green Bond Evaluation.

(5) Environmental Initiatives of the Organization

JCR evaluates whether the issuer's management is continuing to regard environmental issues as a high priority issue or not.

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

The use of the funds raised by the Bonds issue is for new investment in the construction of the Kanto P&M Center II and related to equipment costs, etc. as described below.

Property Name	Kanto P&M Center II
Location	1248-12 Imoguki, Kazo City, Saitama
Principal Uses	Logistics Facility
Total Floor Space	23,133m ²
Number of Floors	Four floors above ground
Scheduled Completion	Around June 2021
Environmental Certification	CASBEE-SAITAMA Prefecture A rank

In an interview with the Company, with regard to 5 billion yen in lieu of the issuance of the Bonds, JCR confirmed that as of the end of January 2021, approximately 3.06 billion yen was appropriated for new investment in the Kanto P&M Center II's construction costs, capital investment costs, and other expenses related to ownership of the building,, as originally planned. It was also confirmed that no negative impact on the environment occurred during construction. Based on this, the JCR assessed that appropriation of funds was being made appropriately.

(2) Appropriateness and Transparency Concerning Selection Criteria and Processes of the Use of Proceeds

JCR evaluated that the selection criteria of use of the proceeds and the process as appropriate at the time of assigning the rating. Since JCR confirmed that there are no particular changes in this review, JCR continues to judge that the criteria and process for selecting the use of funds are appropriate.

(3) Appropriateness and Transparency of Management of the Proceeds

JCR evaluated that the fund management system of the Company as appropriate at the time of assigning the rating. In this review, JCR confirmed that the management system for the proceeds from the Bonds has remained changed since assigning the rating, such as the Accounting Department conducting tracking management using electronic files, etc. The proceeds are appropriated as initially planned and funds unappropriated are managed as cash or cash equivalents. Based on the above, JCR evaluates that the fund management conducted by the Company continues to be appropriate.

(4) Reporting

a. Reporting on the Status of Fund Allocation

The Company publishes on its website the status of appropriation of funds as of the end of January 2021. It will continue to disclose the latest status of the fund allocation once a year, and in the event of a major change in the appropriation status, it plans to disclose it in a timely manner on its website. Accordingly, JCR believes that the disclosure of the appropriation of funds is appropriate.

b. Reporting on Environmental Improvement Effects

The Company planned to report the environmental improvement effects of this project once a year on its website during the construction period of the Kanto P&M Center II. In addition, it planned to report the fact where there is any change that would significantly affect the timing of completion.

- Progress of the procedure to acquire CASBEE certification

Between the completion of the project and the redemption of the Bonds, the Company planned to report the following indicators from the project once a year on its website.

- Types and Ranks of Acquired Environmental Certifications
- CO₂ Emissions (kg-CO₂), volume of PV power generation (kWh) and volume of CO₂ Emissions Reductions (kg-CO₂), power usage, and water usage

The Company disclosed progress of this project and acquired certifications as progress of environmental certification as of the time this review was made. There have also been no changes in the reporting plan for environmental improvement effects from the completion of construction until the Bonds redemption. Accordingly, JCR believes that the disclosure of environmental improvement benefits is appropriate.

(5) Organizational Environmental Initiatives

The Company and the Group have positioned the creation of social and economic value as the Group's direction under the vision of "Value beyond Logistics." The Group sees its logistics business as an important social infrastructure. On the other hands, the Group also sees logistics is a business that has a major environmental impact from various types of transportation. For this reason, the Company recognizes the importance of a management stance that takes into account both the provision of value to stakeholders through logistics services and environmentally conscious business activities such as labor saving, and has formulated the Environmental Policy to clarify its stance toward reducing the environmental burden.

The Company and the Group are promoting environmentally conscious businesses by acquiring Green Management Certification³ and ISO14001, working on joint warehousing and distribution, greening of facilities rooftops, and installation of solar panels, etc. as specific efforts based on the Environmental Policy. The Group is flexibly changing its initiatives in response to the business environment, and in September 2019 it submitted a voluntary action statement on "White Logistics" advocated by the Ministry of Land, Infrastructure, Transport and Tourism. This is aimed at developing sustainable logistics functions and reducing CO₂ emissions by making logistics more efficient, and it can be expected to reduce the environmental burden by cooperating with shippers. In this way, under its Environmental Policy, the Group is engaged in a wide range of environmental conservation activities in its logistics business as a whole.

The Company and the Group place emphasis on contributing to society through their businesses, including environmental initiatives. The Company announced its management stance of promoting ESG management in Medium-term Management Plan 2017 covering the period from FY2017 to FY2021. The Group has established the SDGs Promotion Council and has put in place a system to implement Group-wide ESG initiatives. The Council is headed by the senior managing director at the holding company. The members of the Council are persons in charge of SDGs in almost all divisions at each operating company and the holding company. The Council discusses policies and measures for the integration of ESG and management, comprehensively formulates plans for ESG, and reports the details to the Management Council.

The construction of Kanto P&M Center II, which is subject to the use of proceeds of the Bonds, is to strengthen the foundations of the Group's growth area of the healthcare field, centered on pharmaceuticals and medical devices, and to contribute to society through its business as part of ESG management. In addition to discussions at the SDGs Promotion Council, the Public Relations Office and the Real Estate Division are involved in planning and formulating green bond issuance and use of proceeds as expert departments for environmental and architectural

³ The Transportation Ecology and Mobility Foundation examinations and certifications businesses engaged in low-environmental-impact business operations in the warehousing and port transportation industries.

issues. The Company confirmed that in the process of issuance the Bonds, it is consistent with the Group's environmental policy and the stance of ESG management that funds raised through the Bonds should be allocated to the construction of Kanto P&M Center II, which is a facility with consideration for reducing environmental impact.

With regard to the environmental initiatives of the Company, JCR evaluates that the Company's management addresses the environmental issues as a high priority issue, and that the selection criteria for green projects, green bonds procurement policies, and processes are clearly positioned through the linking of the division specializing in the environment.

4. Conclusion

As a result of verification of the above matters, JCR confirmed that the proceeds from the Bonds were appropriated or were scheduled to be appropriated to the Green Project, which was originally expected to be used for the funds, and the assets, for which funds were to be used, obtained the environmental certification initially assumed. Therefore, the environmental improvement effects were expected to be sufficiently realized.

[JCR Green Bond Evaluation Matrix]

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

■ Scope of Subject

Issuer: MITSUI-SOKO HOLDINGS Co., Ltd. (Security Code: 9302)

[Review]

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
MITSUI-SOKO HOLDINGS 18th Unsecured Bonds (MITSUI-SOKO HOLDINGS Green Bond)	JPY 5 Billion	March 10, 2020	March 8, 2030	0.450%	JCR Green Bond Evaluation: Green1 Greenness Evaluation : g1 Management, Operation and Transparency Evaluation : m1

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Important explanation of the Green Bond Evaluation

1. Assumptions, Significance, and Limitations of JCR Green Bond Evaluation

JCR Green Bond Evaluation, which is granted and provided by Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured from the issuance of green bonds, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green bonds are ensured. JCR Green Bond Evaluation does not fully indicate the extent to which the funds procured from such green bonds are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Bond Evaluation evaluates the plan or status of the appropriation of funds at the time of the green bond issuance plan or at the time of issuance, and does not guarantee the status of the appropriation of funds in the future. In addition, JCR Green Bond Evaluation does not prove the environmental effects of green bonds and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green bonds on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation

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

3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond 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 evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

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■ Glossary

JCR Green Bond Evaluation: JCR Green Bond Evaluation evaluates the extent to which the funds procured from the Green bond are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■ Status of registration as an external reviewer of green finance

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

■ Status of registration as a credit rating agency etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
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