

## Green Bond / Green Bond Programme

### Independent External Review Form

#### Section 1. Basic Information

Issuer name:

ORIX J-REIT Inc.

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

ORIX JREIT Inc.13th Unsecured Bonds

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

June 13, 2019

Publication date of review publication:

June 13, 2019

#### Section 2. Review overview

##### SCOPE OF REVIEW

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

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

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

##### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

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

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

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

ORIX JREIT Inc.(OJR) is Japan's first diversified Real Estate Investment Trust (J-REIT) established on September 10, 2001 and listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) on June 12, 2002. OJR invests in logistics facilities, commercial facilities, housing, and hotels, with office buildings in the Tokyo metropolitan area at its core. As of the end of March 2019, OJR's assets were worth JPY 663.5 billion on an acquisition price basis.

ORIX Asset Management Co., Ltd. (OAM), the asset management company of the Investment Corporation, is a wholly-owned subsidiary of ORIX Corporation (ORIX). ORIX was founded in 1964 as Orient Leasing Co., Ltd., and has been working to capture revenue opportunities while expanding the scope of its operations.

ORIX and its group companies (ORIX Group) currently consist of six business segments: Corporate Financial Services, Maintenance Leasing, Real Estate, Investment, Retail and Overseas. In 1986, the company entered the single-person dormitory rental business. It now invests in office buildings, rental condominiums, commercial facilities, and logistics facilities. It also operates hotels, inns, aquariums, and residential properties for the elderly. It also manages the assets of real estate investment trust (REIT), and provides real estate investment advisory services.

Since OAM's main officers and employees are seconded from ORIX, ORIX Group's experience and know-how, including its real estate business, are passed on to OAM. In addition, OJR acquired approximately 90% (JPY 312.1 billion) of properties acquired during the past five and a half years from properties owned by the ORIX Group, and invests from a wealth of pipelines leveraging its strong relationship with the sponsor.

Utilizing the support from the ORIX Group, OJR is achieving both external and internal growth while leveraging its strengths as a diversified J-REIT.

The bonds to be evaluated are 13th unsecured bond issued by ORIX JREIT Inc. The proceeds will be allocated for refinancing the acquisition of properties that meet the eligibility criteria of the Green Finance Framework established by OJR.

OJR defines green buildings as "Green Eligible Assets" that are applicable to green bonds under the Green Finance Framework. Properties that have obtained or expected to obtain either three stars or more in DBJ Green Building Certification, B+ or higher in CASBEE Certification, three stars or more in BELS Certification, or LEED assessment Silver or more. JCR has confirmed that the asset to be refinanced by the bonds belongs to "Green Eligible Assets" as defined in the Green Finance Framework. Definition of "Green Eligible Assets" established by OJR covers buildings with environmental improvement effects.

JCR confirmed that an office buildings and a logistics facility subject to refinancing through the issuance of bonds belong to "Green Eligible Assets" as defined in the OJR's Green Finance Framework. JCR has also confirmed through the application documents and hearings concerning the property that there are few possibilities of serious negative impact on the environment that outweigh the environmental improvement effect. Based on the above, JCR has evaluated that the use of proceeds of the bond will have environmental improvement effects, including the effects of reducing CO2 emissions.

In March 2018, OAM, the Asset Management Company of OJR, established the "Sustainability Committee" to discuss ESG-related issues under the leadership of management. In addition, active discussions related to ESG were held at the working level below the general manager. OJR also conducts environmental evaluation and acquires various certifications for acquired properties, and the number of properties that it acquires is on the rise. In addition, JCR confirmed a robust management and operation system and high transparency for OJR. For example, OJR has in-house experts on properties and the environment, and has established checkpoints on the environment when acquiring properties. In addition, OJR conducts internal and external audits on a regular basis.

As a result, JCR assigns "g1" for "Evaluation of Greenness (Use of Proceeds)" and "m1" for "Evaluation on Management, Operation and Transparency". Consequently, JCR assigns "Green1" as an overall preliminary evaluation results to the bonds.

The bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guidelines of the Ministry of Environment of Japan.

<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. 100% use of proceeds will be for refinancing of properties that belong to the Green Eligible Assets, which have environmental improvement effect.
- ii. Uses of proceeds fall under the category of green projects defined in the Green Bond Principle and Green Bond Guidelines of the Ministry of Environment of Japan that are "Energy Efficiency" and "green buildings which meet regional, national or internationally recognised standards or certifications."

**b. Negative impact on Environment**

OAM, the asset management company of OJR, appropriately conducts due diligence when acquiring properties with regard to projects for which use of proceeds of the bonds. In conducting due diligence, OAM receives due diligence reports from real estate valuation companies in the registration lists selected independently in advance, and also conducts checks by setting up items related to the environment in the checklists composed by OAM. In the due diligence, JCR confirmed that if there is a concern that the subject property may have a negative impact on the environment, the condition of acquisition is to be corrected by the seller.

**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 processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

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

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

**Overall comment on section** (if applicable):

ORIX J-REIT Inc. and ORIX Asset Management have clear environmental goal, project selection criteria and process to determine the proceeds, which will be in this Evaluation report composed by JCR.

### Evaluation and selection

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

### Information on Responsibilities and Accountability

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

## 3. MANAGEMENT OF PROCEEDS

#### Overall comment on section *(if applicable)*:

The proceeds from this bond will be used to refinance the funds for the acquisition of Lunar Sendai and Toda Logistics Center as soon as possible after the funding. Therefore no unallocated proceeds will be generated. JCR also confirmed that the OJR will disclose any unallocated proceeds arising from the sale of the above two properties prior to redemption of the bonds.

#### 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 <i>(please specify)</i> :  |

#### Additional disclosure:

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

## 4. REPORTING

#### Overall comment on section *(if applicable)*:

a. Reporting on proceeds allocation

The use of proceeds for the bonds will be publicly announced by the OJR in the Amended Shelf Registration Statement and on the website.

b. Impact reporting for environmental benefits

OJR plans to disclose the following items in the Green Finance Framework as reporting items related to environmental improvement effects.

a. As long as Green Bonds or Green Loans exist, the status of certification of each Green Eligible Asset allocated from the proceeds, the rating of certification, and the whole indicators of Green Eligible Assets are disclosed on the website once a year.

Energy consumption/CO2 emissions/water consumption

b. For renovation work, as long as green bonds or green loans exist, the following indicators are disclosed on the website once a year after completion of construction.

Energy consumption, CO2 emissions, or water consumption (before renovation/after renovation)

**Use of proceeds reporting:**

☒ Project-by-project

☐ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

**Information reported:**

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other (*please specify*):

**Frequency:**

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

**Impact reporting:**

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

**Frequency:**

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

**Information reported (expected or ex-post):**

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (*please specify*):

*Energy Consumption*

*Water Consumption*

## 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 (please specify):<br>Showing on ORIX J-REIT's website |
| <input checked="" type="checkbox"/> Reporting reviewed             |   |

Yes, both use of proceeds and impact reporting are subject to external review.

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.)

ORIX J-REIT's initiative towards ESG  
<https://www.orixreit.com/en/feature/index.html>  
JCR's website about green bond evaluation methodology  
<https://www.jcr.co.jp/en/greenfinance/>

## SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

### Type(s) of Review provided:

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

**Review provider(s):**

**Japan Credit Rating Agency, Ltd.**

**Date of publication:**

**June 13, 2019**

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

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