

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Hankyu Hanshin REIT, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Hankyu Hanshin REIT, Inc. Green Finance Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	October 13, 2020
Publication date of review publication:	October 13, 2020

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.

Hankyu Hanshin REIT, Inc. (HHR) was established in December 2004 and is a diversified J-REIT listed on the Tokyo Stock Exchange (Real Estate Investment Trust Market) in October 2005 that invests in Retail-use facility, Office-use facility, and Complex Facilities. HHR has 31 properties with an aggregate acquisition price of JPY169.5 billion. The asset management company is Hankyu Hanshin REIT Asset Management Inc. (HHRAM), and the sponsor of HHRAM is Hankyu Hanshin Properties Corp., which is wholly-owned by Hankyu Hanshin Holdings Inc. HHRAM's investment targets are nationwide, but it has a policy of investing emphasis on retail-use zones and the Kansai region.

Hankyu Hanshin Holdings Group, to which HHR and HHRAM belong, has set forth the Group's management philosophy of "By delivering "Safety and Comfort" and "Dreams and Excitement", we create satisfaction among our customers and contribute to society." In order to realize this philosophy, the Group is also actively engaged in ESG (Environment, Social and Corporate Governance). In May 2020, Hankyu Hanshin Holdings Inc. formulated the Hankyu Hanshin Holdings Group Sustainability Declaration and announced that it would further promote sustainable management.

The scope of evaluation is the green finance framework (the framework) established by HHR to limit proceeds by HHR by means of bonds or loans to use of proceeds with environmental improvement effects. JCR assesses whether the framework complies with the Green Bond Principles (2018 edition), the Green Loan Principles, the Green Bond Guidelines 2020 edition, and the Green Loan and the Sustainability Linked Loan Guidelines 2020 edition. The Green Bond Principles, Green Loan Principles, Green Bond Guidelines 2020, Green Bond Guidelines and Sustainability Linked Loan Guidelines 2020 are not binding because they are the principles or guidelines voluntarily published by the International Capital Markets Association (ICMA), the Ministry of the Environment, the Loan Market Association (LMA), and the Asia-Pacific Loan Market Association (APLMA), which are not regulated, but will be evaluated by the JCR with reference to these principles and guidelines as currently unified standards worldwide.

HHR has two targets for the use of funds in the Framework: Green Eligible Assets and Renovation Work. For Green Eligible Assets, the definition of Eligible Criteria is defined as those properties for which at least three stars of DBJ Green Building certification, at least B+ rank of CASBEE certification, at least three stars of BELS rating, or at least LEED Silver certified have been or are to be renewed in the past 36 months or are to be acquired or are to be renewed in the future. HHR also stipulates criteria for Renovation Work that the number or rank of green building certification should be improved by one level or more, construction that can reduce either CO2 emissions, energy consumption, or water consumption by 10% or more, and installation or acquisition of facilities related to construction and renewable energy that are expected to reduce consumption or emissions by 10% or more from the previous level. JCR evaluates that all the subjects for the use of proceeds have environmental improvement effects.

The Asset Manager has a Sustainability Promotion Committee, with the President and Representative Director as the Chief Executive Officer and the director in charge as the executive officer. The Committee actively exchanges opinions and discusses matters related to the sustainability of HHR, such as establishing a system and formulating policies related to sustainability. HHRAM also make efforts to advise on sustainability-related operations, promotion policies and GRESB real estate assessments, and to engage external experts in internal training.

The Sustainability Promotion Committee verifies the conformity of properties subject to green financing, and the Investment Management Committee, chaired by the president and CEO, approves the acquisition of properties subject to green financing. The person in charge appropriately approves for practices related to deposits and withdrawals. JCR evaluates that it is appropriate. Reporting is also considered to be appropriate regarding the status of appropriation of proceeds and disclosure of the effects of environmental impact.

Accordingly, JCR confirmed a robust management and operation system and high transparency for the HHR. As a result, based on the JCR Green Bond Evaluation Methodology, JCR assigns "g1 (F)" for the "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."

This framework meets the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan and the Sustainability Linked Loan Guidelines of the Ministry of the Environment.

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 eligible criteria set out in this framework for the use of proceeds are funding or refinancing of green building which meet regional, national or internationally recognized standards and certification, renovation projects that contribute to reducing CO2 emissions, energy consumption, or water consumption, or facilities related to renewable energy. High improvement effects are expected.
- ii. The use of proceeds fall under the green category of "Green Buildings Which Meet Regional, National or Internationally Recognised Standards or Certifications", "Energy Efficiency" and "Renewable Energy" in the Green Bond Principle and the Green Loan Principle and "Green Building Projects", "Energy Efficiency Projects" and "Renewable Energy Projects" in the Green Bond Guidelines and the Green Loan and the Sustainable Linked Loan Guidelines

b. Negative impact on Environment

As an environmental analysis at the time of property acquisition, HHRAM surveys harmful substances and investigates land histories. At the time of the Due Diligence, HHRAM obtains engineering reports and soil contamination reports on the properties for confirmation. When problems are discovered, the Investment Management Committee asks the seller to resolve the problems. It also confirms that the process is to forgo the acquisition of properties if they cannot be resolved.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" 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 Company 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) :

Green Finance's use of funds is to finance or refinance the Green Eligible Assets and renovation work described within this evaluation report and is not expected to be used for any other purposes.

After procurement, the financial and IR Department of HHRAM verifies that the funds to be procured will be managed in electronic files. In addition, over a period of several months from procurement to complete of appropriation, the unallocated funds are managed in cash or cash equivalents. With regard to the practice of deposits and withdrawals, Corporate Administration and Supervision Department of HHRAM, under the approval of the executive officers of HHR, provides instructions to the Asset Custody Bank.

Through interviews with HHRAM, JCR confirmed that the proceeds from Green Finance will be managed in cash or cash equivalents, as described above, from the short-term to at least several months after the procurement, to be used for green eligible assets and renovation work or to be used for the refinancing of such assets and until the proceeds are appropriated. If unused funds left behind, such as by the sale of assets subject to the use of funds prior to repayment or redemption of green finance, HHR manages such that the outstanding balance of green finance does not exceed the "green eligible debt amount" (the sum of the acquisition cost of green-eligible assets and the expenditure for renovation work that meets the eligible criteria) multiplied by (the ratio of interest-bearing debt to total assets). From the above, JCR evaluates fund management as reasonable and transparent.

Tracking of proceeds:

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

☐ Other (please specify):

Additional disclosure:

☐ Allocations to future investments only

☐ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☐ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☒ Other (please specify) :
Allocations only to existing investments

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The use of funds procured through Green Finance will be announced in press releases on the Investment Corporation's website. In addition, for Green Bonds, statutory documents, such as shelf registration supplements, will be announced. As confirmed in the preceding paragraph, funds procured through green financing will be used to fund or refinance green eligible assets and renovation work as soon as possible after procurement, and therefore, reporting during the period related to unused funds is not currently anticipated. However, JCR has confirmed that HHR plans to disclose any major changes in circumstances, such as the occurrence of unused funds due to the sale of properties acquired through green finance, through the press release of HHR.

b. Impact reporting for environmental benefits

In accordance with the Green Finance Framework, HHR intends to publish the following reports for environmental improvement effects: for eligible assets 1 the name of the subject property; 2 the status of acquisition of environmental certification (type of certification, certification level); 3 energy consumption; 4 greenhouse gas (CO2) emissions; 5 water consumption; for renovation work 1 status of acquisition of environmental certification (type of certification, certification level); 2 estimated greenhouse gas (CO2) reductions from renewable energy generation and power generation; 3 estimated reductions in energy consumption, greenhouse gas (CO2) emissions, or water consumption.

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):*Valid Acquired Environmental Certification**Property Name**Energy Consumption**Water Consumption***Means of Disclosure**☐ Information published in financial report☐ Information published in sustainability report☐ Information published in ad hoc documents☒ Other (please specify):
Show on the website☐ 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.)Overview of Sustainability Initiatives of Hankyu
Hanshin REIT, Inc.<https://www.hankyuhanshinreit.co.jp/eng/esg>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:**☐ Second Party Opinion☐ Certification☐ Verification☒ Scoring/Rating☐ Other (please specify):**Review provider(s):****Japan Credit Rating Agency, Ltd.****Date of publication:****October 13, 2020**

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.