

_____ JCR Green Finance Framework Evaluation by Japan Credit Rating Agency, Ltd. _____

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Finance Framework Evaluation Results.

JCR Assigns Green 1 (F) to the Green Finance Framework of NTT UD REIT Investment Corporation

Subject : NTT UD REIT Investment Corporation 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

NTT UD REIT Investment Corporation (the “Investment Corporation”) is a J-REIT established in May 2002 as Premier Investment Corporation and was listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) in September 2002. It mainly invests in office buildings and residential properties located in the Tokyo metropolitan area, and aims to steadily grow assets under management over the medium to long term and secure stable incomes.

Premier REIT Advisors Co., Ltd., which was the asset management company of the Investment Corporation, merged with NTT Urban Development Asset Management Corporation (the “Asset Management Company”) on April 1, 2021, and the asset management business of the Investment Corporation has been transferred to the Asset Management Company. The Asset Management Company sponsors NTT Urban Development Corporation (100% owned) (“NTT UD”).

The Investment Corporation changed its name on April 1, 2021 to clarify that NTT UD is its sole sponsor, as the Asset Management Company became a wholly owned subsidiary of NTT UD.

NTT UD is the only comprehensive real estate company in the NTT Group established in 1986 following the establishment of Nippon Telegraph and Telephone Corporation through the privatization of Nippon Telegraph and Telephone Public Corporation. It has strengths in development of office buildings, and its main development projects include Otemachi First Square, Akihabara UDX, Shinagawa Season Terrace, and Otemachi Place.

In July 2019, the NTT Group established NTT Urban Solutions Co., Ltd., which has NTT UD and NTT Facilities Co., Ltd. under the umbrella with an aim to promote new urban development by combining the Group’s real estate-

relating business to use the comprehensive strengths. The Investment Corporation enjoys a variety of support from NTT UD and other NTT Group companies in terms of external and internal growth, finance and others.

The Investment Corporation aims to realize CSR through its business itself on the basis of the CSR vision established by NTT Urban Solutions. In addition, from the viewpoint of placing the highest priority to investors' interests over medium to long term, the Investment Corporation recognizes significance of giving consideration for ESG, and in order to incorporate its consideration for ESG in overall real estate investment management operations, it has established a sustainability policy and are promoting specific initiatives to give consideration to the environment and society.

The scope of this evaluation is the Green Finance Framework (the "Framework"), which is designed to limit the funds procured by the Investment Corporation through Green Bonds and Green Loans ("green finance") to use the proceeds with environmental improvement effects. JCR assesses whether the Framework conforms to 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 are voluntarily published principles or guidelines by the International Capital Markets Association (ICMA), Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), Loan Syndication and Trading Association (LSTA) and the Ministry of the Environment respectively and not regulations. Therefore, they are not binding, but JCR refers to such principles and guidelines as domestic and international uniform standards at this time.¹²³⁴

The Investment Corporation has determined that the proceeds to be used for two types of properties as green buildings which are awarded a certification level higher than a certain level or properties, which are recognized a certain or higher energy conservation level under the Framework: The Eligibility Criteria for green buildings are green buildings, which have obtained or are scheduled to obtain any of 3 stars or more in DBJ Green Building Certification, B+ ranks or higher in CASBEE buildings (new, existing or refurbished) or CASBEE Property Evaluation, 3 stars or more in BELS Certification, or Silver rank or better in LEED Certification. As for Eligibility Criteria relating to energy conservation covers the properties with an ERR of 30% or more. JCR assesses that the Eligibility Criteria established by the Investment Corporation cover projects with environmental improvement effects.

The Investment Corporation intends to procure funds through green finance based on the policy relating to sustainability including environment. The system for addressing environmental issues has been properly established, and a mechanism has been secured in which departments with specialized knowledge of environment are also involved in selection of projects for which proceeds to be used and the process. Since the management of funds procured through green finance is conducted appropriately by the department in charge, and the selection and disclosure of indicators of environmental improvement effects are planned together with disclosure of fund allocation status for reporting, JCR confirmed that the Investment Corporation has a high management and operation system with high transparency.

As a result, based on the JCR Green Bond Evaluation Methodology, JCR assigned "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." Detailed evaluation is discussed in the next chapter.

1 ICMA(International Capital Market Association) Green Bond Principles 2018 Version <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>
2 LMA (Loan Market Association), APLMA (Asian Market Loan Association),LSTA(Loan Syndications and Trading Association) Green Loan Principle 2020 <https://www.lma.eu.com/>
3 Ministry of the Environment's Green Bond Guidelines 2020 <https://www.env.go.jp/press/files/jp/113511.pdf> (pp.14-47)
4 Ministry of the Environment's Green Loan and Sustainability Link Loan Guidelines 2020 <https://www.env.go.jp/press/files/jp/113511.pdf> (pp.48-89)

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

Chapter 2: Current Status of the project on each evaluation factor and JCR's Evaluations

Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated 100% of the use of proceeds under the framework is green project, and assigned "g1 (F)", the highest rank for Phase 1: Greenness Evaluation.

(1) JCR's Key Consideration in This Factor

In this section, JCR first assesses whether the use of proceeds 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

<Framework for Use of Proceeds>

Eligible Criteria

1. Green Building

Properties for which 1 of the third-party certification bodies (1) through (4)④ below has been acquired or is expected to be acquired in the future.

- (1) 3 Stars to 5 Stars in DBJ Green Building Certification
- (2) B+ to S in CASBEE building (new construction, existing/renovation) or CASBEE real estate assessment certification
- (3) 3 Stars to 5 Stars in BELS Certification
- (4) Silver Rank to Platinum Rank in LEED Certification

※Includes properties acquired BOMA360 Performance Program (BOMA360) with an assumption of obtaining the above certification

2. Energy-saving performance

Properties with an ERR of 30% or more

<JCR's Evaluation of the Framework>

a. Environmental Improvement Effects of the Project

i. The use of proceeds is to fund the acquisition of buildings (green buildings) that have been or are scheduled to be certified in the top 3 categories of regional, national or internationally recognized certification levels, or to make new investments or the refinance of facilities and other renovations aimed at beneficial improvements in the environment, and a high level of environmental improvement effects can be expected.

1. Green Building

(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." It evaluates the three major categories of "Ecology (environment)", "Amenity (comfort) & Risk Management (crime and disaster prevention)" and "Community (community and landscape)" and "Partnership (cooperation with stakeholders)". Each is represented by five stars (the best class in Japan), four stars (exceptionally high), three stars (excellent), two stars (high), and one star (satisfactory). Although the evaluation is not specifically focused on environmental performance, it is highly recognized in Japan and has a certain evaluation item with regard to environmental performance. Therefore, JCR considers this certification to be equivalent to the Green Project Classification of "green buildings which meet regional, national or internationally recognized standards or certifications" defined in the Green Bond Principles. However, since the certification is not limited to environmental performance, JCR believes 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. The scoring system integrates and designs specific "excellent initiatives" for the environment and society, and there are many properties that do not reach the evaluation target in the real estate market. High evaluation requires that buildings be designed with appropriate consideration not only for the environment but also for all stakeholders involved in buildings.

The level of DBJ Green Building certification is expected to be approximately top 20% of all income-generating real estate in Japan in terms of environmental and social considerations⁵. In addition, each evaluation up to 3 stars covers the aggregate of top 10% (5 stars), top 30% (4 stars) and top 60% (3 stars) of the properties exceeding the certification level. Accordingly, JCR evaluates that the use of proceeds of the Investment Corporation is limited to properties with high environmental performance among the buildings that aim to acquire certification.

(2) CASBEE

CASBEE is an acronym for the English name of 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.

CASBEE is evaluated by the value of BEE (eco-efficiency of buildings) with L as the denominator and Q as the numerator, reconfiguring from the viewpoint of environmental quality of buildings (Q = Quality)

⁵ Revision and Disclosure of DBJ Green Building Certification Evaluation Items (DBJ Green Building Certification Website, February 2019)

and environmental impact of buildings (L = Load) on the evaluation items in the 4 fields of energy consumption, resource circulation, regional environment, and indoor environment. The evaluation results are divided into five grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), Rank B- (Slightly Poor), and Rank C (Poor) (CASBEE for real estate scoring has four grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), and Rank B (Satisfaction of mandatory items)). 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. Buildings with BEE of at least B+, which the Investment Corporation has defined as Eligibility Criteria, have BEE of at least 1.0 for CASBEE-buildings, which clearly outweighs environmental impact. In CASBEE-real estate, although the criteria for measurement are not BEE, they are equivalent to B+ for conventional CASBEE-buildings, etc. JCR has evaluated as having an environmental improvement effect.

(3) BELS Certification

BELS is the acronym for the English name (Building-Housing Energy-efficiency Labeling System) of the building energy conservation performance 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 and primary energy consumption 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. The rating is expressed as the number of stars and ranked from 1 to 5 according to BEIs (Building Energy Index). 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. Buildings with BELS three stars or higher specified by the Investment Corporation as Eligibility Criteria are considered appropriate based on energy efficiency performance (non-residential: BEI value of 0.8 or less) that exceeds the guiding standard.

(4) LEED

The Environmental Performance Assessment System for Construction and Urban Environments developed and operated by the U.S. Green Building Council (USGBC), a non-profit organization. As of 2019, certified buildings are located in more than 160 countries or regions.

The LEED is an acronym for Leadership in Energy and Environment Design. The draft was published in 1996 and is updated once every few years.

There are five types of certification: BD+C (Building Design and Construction), ID+C (Interior Design and Construction), O+M (Operation and Maintenance), ND (Neighborhood Development), and HOMES (Home).

The certification level is represented by the sum of the points earned for each item top from Platinum (80 points or more), Gold (60-79 points), Silver (50-59 points), and Certified (40-49 points). As for items relating to energy conservation, it is often a prerequisite that the property earns high score for the evaluation or has already achieved the requirements, and in order to obtain a high certification level, it is considered that the energy efficiency should be high. Therefore, the standards set by the Investment Corporation considered as appropriate.

JCR's assessment of the Framework

With respect to Eligibility Criteria for green building, the Investment Corporation also includes properties for which it has acquired a BOMA360 Performance Program (BOMA360), assuming that any of the above (1) through (4) environmental certification is obtained. This is an accreditation program for outstanding buildings certified by BOMA (Building Owners and Managers Association International and National Building Association.) It has been in operation since 2009. BOMA360 is certified by obtaining more than a certain number of points for 6 categories: (i) building operation and management; (ii) life safety, security and risk management; (iii) training and education; (iv) energy; (v) environmental and sustainability; and (vi) tenant relations and involvement in local communities. JCR considers BOMA360 to be a certification system from various aspects, including management aspects, and evaluates that it is meaningful to include additional items in the Eligibility Criteria.

2. Energy-saving performance

The Eligibility Criteria allow, acquisition of assets that have an ERR of 30% or more. ERR is an indicator which shows the energy utilization reduction rate of buildings. The ERR is determined as the reduction rate of the design primary energy consumption relative to the standard primary energy consumption, and the larger the value, the higher the energy saving performance. The ERR of 30% or more, which is set by the Investment Corporation as Eligibility Criteria, is comparable to the global level. Accordingly, JCR evaluates that the Eligibility Criteria are for acquiring assets with energy-saving performance and high environmental improvement effects.

Based on the above, the Eligibility Criteria for properties, for which proceeds are used under this framework targets properties, which have environmental improvement effects.

ii. Projects eligible for use of proceeds fall under the category of "projects related to green building" and "projects related to energy conservation" among the uses of funds exemplified in the Green Bond Principles, Green Loan Principles, "Green building standards and certification green building" and "energy conservation" in regional, national or internationally recognized standards and the Ministry of the Environment's Green Bond Guidelines and the Green Loan and Sustainability Link Loan Guidelines.⁶

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 HHR actively acquires buildings with high environmental certification levels.

The Investment Corporation is also subject to funding for the introduction or acquisition of equipment related to renewable energy. Solar, wind, and other renewable energies are clean energies that reduce CO₂ by

⁶ A project to acquire environmental certification that conforms to domestic standards or demonstrates high performance in environmental certification systems, such as CASBEE certification and LEED certification, and undertake new construction or renovation of green buildings, which are broadly compliant with considerations such as water consumption and waste management, in addition to energy-saving performance.

substituting fossil fuels. The Paris Agreement, which came into effect in November 2016, states that it is necessary to reduce the amount of anthropogenic greenhouse gas emissions to virtually zero in the latter half of the century. In order to achieve "decarbonization," it is essential to promote renewable energy such as solar and wind power generation. The introduction of renewable energy such as solar and wind power generation contributes to the construction of a decarbonizing society aimed at by the Paris Agreement, and JCR has evaluated it as having a high environmental improvement effect.

b. Negative impact on the environment

The Asset Management Company conducts due diligence, including physical inspections of properties, at the time of acquisition of properties, and confirms that there are no defects in properties, such as soil contamination and asbestos. If a property may possibly have a negative impact on the environment, the Investment Corporation decides not to acquire the property or acquires the property after eliminate the concerned risk appropriately by conducting additional construction, etc.

From the above, JCR confirmed that the Investment Corporation is considering the negative impact on the environment.

c. Consistency with SDGs goals and Targets

JCR evaluated the use of proceeds set out in this Framework contributes to the following SDGs goals and targets referring to SDGs mapping of ICMA.



Goal 3: Good Health and Well Being

Target 3.9. By 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil contamination.



Goal 7: Affordable and Clean Energy

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Goal 9: Industry, Innovation and Infrastructure

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: Sustainable Cities and Communities

Target 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

Target 11.6. Reduce per capita environmental impacts of cities, including by paying special attention to air quality and general and other waste management, by 2030.

Evaluation Phase 2: Management, Operations and Transparency Evaluation

Based on the current status described below and the JCR's evaluation, JCR assessed that the management and operation system was well established, that the transparency was extremely high, and that the implementation of projects as planned and the appropriation of funding could be sufficiently expected. JCR assigned "m1 (F)" as the highest ranking to the evaluation phase 2: Management, Operation, and Transparency Evaluation.

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 the goals to be achieved through green bonds, the selection criteria for green projects and the appropriateness of the process, and whether the process is properly disclosed to investors and others.

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

a. Goals

<Framework for the Goals>

NTT Urban Development Investment Advisers Co., Ltd. (hereinafter "UDAM"), the asset management company of the Investment Corporation, aims to realize CSR through its business itself on the basis of the CSR vision established by NTT Urban Solutions. On the other hand, in the investment management industry, there is a growing awareness of the importance of consideration for ESG, and from the viewpoint of placing the highest priority to the medium to long term interests of investors, UDAM has formulated a sustainability policy to include consideration for ESG, such as measures for energy conservation, and CO₂ emissions reductions, water resources and reducing wastes as countermeasures for global warming in the overall real estate investment management operations.

Through the procurement of funds through green financing, the Investment Corporation will further promote its efforts related to sustainability and aim to strengthen its fundraising base by expanding the investors and lenders, who are interested in ESG investments and loans.

<JCR's Evaluation of the Framework>

The Investment Corporation plans to use the funds procured through green financing to fund the acquisition of properties that have been granted environmental certification and to refinance the acquisition funds. This contributes to "1. Measures against Global Warming" in the Investment Corporation's sustainability policy through energy conservation and CO₂ emissions reduction.

Based on the above, JCR has evaluated the implementation of green finance based on this framework as consistent with the Investment Corporation's goals.

Sustainability Policy (excerpt)

1. Global warming countermeasures
 2. Measures to preserve water resources and reduce waste
 3. Ensuring safety and security
 4. Internal implementation and initiatives for officers and employees
 5. Coordination with outside stakeholders
 6. Information disclosure to investors, etc.
 7. Compliance
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b. Selection Standard

The selection criteria of the Investment Corporation's green projects in this Framework are as described in Phase 1 of this evaluation report. JCR evaluates that the selection criteria are set to target projects with high environmental improvement effects as targets.

c. Processes

<Framework for the Processes>

1. Parties involved in selecting projects

Projects to be used for the proceeds are evaluated and selected after giving consideration for conformity to the Eligibility Criteria by UDAM Finance Department under the advice of the Asset Manager of the Investment Corporation's asset management company (the "UDAM").

2. Project selection process

Financing through green finance for the target project is proposed by the person in charge of the Finance Department of UDAM and approved by the Board of Directors of the Investment Corporation, which consists of executive officers and supervising directors, after deliberating at the Investment Committee, which consists of UDAM executives and the President and representative director as a person who has the ultimate responsibility.

<JCR's Evaluation of the Framework>

The selection of projects subject to green finance is selected by the Finance Department of the Asset Management Company, and as for the execution of green finance as a purpose to fund, the management is appropriately involved and decided.

The implementation of green finance is reported to the Sustainability Promotion Committee, a collegial body with expert knowledge on ESG of the Asset Management Company, after the execution. The Sustainability Promotion Committee is a collegial body that examines and decides sustainability-related targets and measures in line with the Sustainability Policy of the Investment Corporation. It consists of the management of the Asset Management Company, with the President and Representative Director as the Chief Sustainability Officer.

Goals, selection criteria, and processes set out in the Framework are described in the press release by the Investment Corporation, this evaluation report. In the case of fund procurement through issuing green bonds, they are scheduled to be disclosed in the supplementary documents shelf registration documents, etc.

Based on this, JCR has evaluated that the Investment Corporation properly determined the selection criteria and the process for target projects and transparency to investors, etc. are also ensured.

2. Appropriateness and Transparency of Fund Management

(1) JCR's Key Consideration in This Factor

It is generally assumed that the methods of managing procurement funds vary widely among issuers, but it is necessary to confirm that funds procured through the implementation of green finance are appropriated for green projects, and that mechanisms and internal systems are in place to easily track and manage the appropriations.

In addition, it is important that funds procured through green finance be allocated to green projects at an early stage, and that the management and operation of unallocated funds be evaluated.

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

< Framework for the Fund Management >

Plan for appropriation of proceeds

Proceeds from green finance will be used to fund the acquisition of Green Eligible Assets promptly or repay borrowings required to acquire Green Eligible Assets, or to fund the redemption of outstanding investment corporation bonds required to acquire Green Eligible Assets promptly.

Fund tracking method

Until the balance of green finance becomes zero, the tracking of the proceeds is performed by the Finance Department of UDAM using the books.

Internal Control and External Audit for Tracking Management

The status of appropriation of funds procured through green finance to the target project will be reported to the Board of Directors (investment status report) of the Investment Corporation.

The fund management of green finance shall be subject to internal audits led by the General Manager of the Operations Audit Office of UDAM. In addition, as necessary, a system shall be established that allows separate submissions to external audits by the accounting auditor.

Management method of unappropriated funds

In principle, funds raised through green finance will not remain unallocated as the entire amount of procured funds will be appropriated for the fund acquiring the assets or a part of or entire amount of repayment of the bonds or loan immediately after issuing the bonds / loan. The Investment Corporation will manage the proceeds in cash or cash equivalents until the funds are used to fund the acquisition or repay some or all of such bonds and loans.

Even after the full appropriation, where the assets are no longer the target asset for use of the proceeds due to sell, impairment, etc. before the redemption of the bonds, etc. under the evaluation, the unused funds that arise temporarily will be managed by the portfolio management.

※ Portfolio management

Confirm that the total amount of green finance outstanding does not exceed the maximum amount of Green Qualified Liabilities (total amount of assets that satisfy the qualifying criteria (acquisition price)) × LTV (interest-bearing debt ratio of total assets at the end of the most recent fiscal period).

<JCR's Evaluation of the Framework>

Funds procured through green finance are scheduled to be used for the purpose as soon as possible after the procurement. The details of the green finance tracking are scheduled to be reported by the Finance Division to the board of directors of the Investment Corporation. In addition, this tracking management is subject to internal audits and financial audits; therefore, an appropriate control is in place.

Under the Framework, funds raised through green finance are fully linked to individual projects. On the other hand, management of balances and unused funds are under portfolio management (a management method that confirms that the sum of the green finance balances does not exceed the maximum amount of Green Qualified Liabilities (the sum of the acquisition prices of Green Qualified Assets multiplied by the total asset LTV)) until green finance is redeemed or repaid .

Funds procured through green finance will be promptly used for the purpose of funds. Portfolio management is also adopted for the remaining term of green finance. As a result, there will be no unappropriated funds under this framework.

Based on the above, JCR has evaluated the appropriateness and transparency of the Investment Corporation's fund management as high.

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section JCR assesses whether the system for disclosing green finance to investors before and after implementation is planned in a detailed and effective manner by referring to the framework.

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

< Framework for the Reporting >

Reporting on the status of appropriation of funds

1. Where unappropriated funds exist the time of green bonds issuance or green loan execution, disclose the balance of the unallocated funds and appropriation plan.
2. Where the target asset for the use of proceeds is sold before the redemption/the end of repayment period, disclose the fact that the balance is managed by portfolio management, the balance of green finance and the maximum amount of green eligible liabilities.

Reporting on the Environmental Improvements Effects

Scheduled to be disclosed annually on the Investment Corporation's website.

- Number of properties eligible for green
- Number, type, and level of environmental certification of acquisition assets
- Following quantitative indicators of green-grade assets

(Disclosed to the extent that the Investment Corporation has the power to manage energy)

- Energy consumption
- CO₂ emissions
- Water consumption

<JCR's Evaluation of the Framework >

a. Reporting on the status of appropriation of funds

The use of proceeds procured through green finance will be published on the Investment Corporation's website. In addition, if a property subject to the use of proceeds is not subject to the use of proceeds due to a sale or other reasons, it is assumed that this will also be promptly disclosed in the press release of the Investment Corporation.

b. Reporting on the Environmental Improvement Effects

The Investment Corporation plans to publish information on environmental certification of acquisition assets and energy consumption, CO₂ emissions, and water consumption of Green Qualified Assets on the Investment Corporation's website as a report of the effects of environmental improvement.

JCR has evaluated that the Investment Corporation plans to disclose both the appropriation status of funds and the environmental improvement effect to investors and others appropriately.

4. Organization's Environmental Activities

(1) JCR's key consideration in this factor

This section evaluates whether the issuer's management positions environmental issues as a high priority issue for management, and whether the implementation policy of green finance and process, Green Project selection criteria, etc. are clearly positioned by establishing a department that specializes in the environmental field or by cooperating with external organizations.

(2) Current status of evaluation targets and JCR's evaluation

The Investment Corporation aims to realize CSR through its business itself on the basis of the CSR vision established by NTT Urban Solutions. In addition, from the viewpoint of placing the highest priority to investors' interests over medium to long term, the Investment Corporation recognizes significance of giving consideration for ESG, and in order to incorporate its consideration for ESG in overall real estate investment management operations, it has established a sustainability policy and are promoting specific initiatives to give consideration to the environment and society.

The Investment Corporation has set the following targets for energy consumption, etc. over the 5-annual period from FY2020 to FY2024.

Energy-consumption and CO₂ emissions

Short-term goal: Reduce per unit of production by 1% annually for the entire portfolio and for individual properties

Medium-to long-term goal: Reduce per unit of production by 5% over 5 years for the entire portfolio and individual properties

Water consumption

Reduce water consumption per unit from the previous fiscal year or lower for the entire portfolio and for individual properties every year

Waste

To reduce the total amount of waste every year to below the previous fiscal year level for the entire portfolio and for individual properties

The Investment Corporation discloses data on the above consumption, etc. for all of its properties as performance data for each fiscal year, and quantitatively shows the performance of management so that the achievement status of the targets can be confirmed.

The Asset Management Company has established the Sustainability Promotion Committee as a collegial body to promote ESG-related initiatives. The Sustainability Promotion Committee consists of the President and Representative Director, as the Chief Sustainability Officer, the General Manager of the Corporate Planning Department, as the Sustainability Executive Officers, and each department head as a committee member. The committee meets at least twice a year and is responsible for setting targets and making decisions after giving consideration to measures in line with the sustainability policy. The Asset Management Company receives information including initiatives for sustainability periodically to share from the sponsor. The Asset Management Company reports to the sponsor on the sustainability initiatives of the Investment Corporation on an annual basis and obtains approval to cooperate among the groups. They receive advice on ESG initiatives from outside consulting companies, and are strengthening their efforts toward sustainability from an objective perspective.

Due to the success of the initiatives described above, the Investment Corporation has been highly evaluated in terms of both "Implementation and Measurement" and "Management and Policies" in the 2020 GRESB Real Estate Assessment, and has been rated "Green Star" for the fourth consecutive year. In terms of the overall score, the Company was selected as a "sector leader" for multi-purpose Asian (office/residential) applications, and also received "4 Star" in GRESB ratings. As shown, it is highly evaluated by outside specialist organizations.

From the above, JCR has evaluated that the management of the Investment Corporation has positioned environmental issues as a high priority issue and has properly established a system to work on environmental issues by utilizing the know-how of external experts with expert knowledge.

(Reference) GRESB Real Estate Assessment

Established in 2009, GRESB refers to benchmarks and organizations that measure and evaluate the asset of ESG consideration of companies that holding and operate 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. From J-REIT, 46 investment corporations have participated in the evaluation as of 2020.

■ Evaluation Result

As a result, based on the JCR Green Finance 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." The Framework meets the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan Guidelines and the Sustainability Linked Loan Guidelines of the Ministry of the Environment.

[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 Subject

Issuer: NTT UD REIT Investment Corporation (Security code: 8956)

[Assignment]

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

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Important explanation regarding JCR Green Finance Framework Evaluation

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 proceeds and other matters. Accordingly, it does not undertake specific environmental improvement effects, management and operation systems, and transparency assessments of the use of proceeds for individual bonds and borrows implemented in accordance with this policy. In the event that green finance assessments are granted for individual bonds or individual borrowings based on this framework, such assessments need to be conducted separately. Furthermore, the JCR Green Finance Framework Evaluation does not demonstrate the improvement effect on the environment of individual bonds or borrows implemented under this Framework and does not assume any responsibility for the environmental improvement effect. 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 Methodology.

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 Evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Independence in JCR Green Finance Framework Evaluation

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■Glossary

JCR Green Finance Framework Evaluation is an assessment of the extent to which funds procured through Green Finance are appropriated for Green Projects as defined by JCR and the extent to which such funds are used for management, operation, and transparency of the Green Finance. 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 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 (Climate Change Initiative Accreditation Verification Organization)

■Status of registration as a credit rating agency, etc.

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- EU Certified Credit Rating Agency
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