

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

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

JCR Assigned Green 1 to Long-term Loans Borrowed by Fukuoka REIT Corporation

Subject	:	Long-term Loan borrowed by Fukuoka REIT Corporation (Green Loan 1)
Type	:	Long-term Loan
Lender	:	Syndication led by Mizuho Bank, Ltd. as an agent (Mizuho Bank, Ltd., The Bank of Saga Ltd. and The Higo Bank, Ltd.)
Amount	:	JPY 2.2 billion
Interest Rate	:	3 month JPY TIBOR+0.30% (per annum)
Date of Borrowing	:	July 31, 2019
Repayment Date	:	July 31, 2029
Use of Proceeds	:	Refinancing of funds to acquire green eligible assets

<Green Loan Evaluation Results>

Overall Evaluation	Green 1
Greenness Evaluation (use of proceeds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

Fukuoka REIT Corporation (the “Investment Corporation”) was established in July 2004 and was listed on the Tokyo Stock Exchange and the Fukuoka Stock Exchange (real estate investment trust securities markets) in June 2005 as a J-REIT. The Investment Corporation is Japan's first region-specific REIT that invests in the entire Kyushu region (including Okinawa Prefecture) centering on Fukuoka and in Yamaguchi Prefecture. The Investment Corporation is a comprehensive J-REIT that invests in office buildings, hotels, residences, logistics and other facilities with retails at its core. Fukuoka Realty Co., Ltd. (the “Asset Manager”) operates asset management business. Fukuoka Jisho Co., Ltd., a leading developer in Fukuoka owns 50% of the shares of the Asset Manager. Other companies based in Kyushu, including Kyushu Electric Power Co., Inc. are also shareholders of the Asset Manager.

The Investment Corporation will aim to maximize the profit of their unitholders by utilizing the information and expertise of the Asset Manager knowledgeable about the Fukuoka and Kyushu area. The investment areas are 60-90% in the Fukuoka metropolitan area, 10-30% in other areas in Kyushu (including Okinawa and Yamaguchi prefectures), 0-10% in others. The investment types are 40-70% in retails, 20-50% in office buildings, and 0-30% in others (hotels, residences, logistics and other facilities). As of February 2019, the Investment Corporation has assets amounted to JPY 195.9 billion (on an acquisition price basis) and the number of properties is 29.

As the asset management company of the Investment Corporation, the Asset Manager is engaged in maximizing unitholder interests over the medium to long term as its mission. To achieve this mission, the Asset Manager sees it essential to promote sustainability through securing environmental, social, and governance (ESG) awareness, on top of pursuing profitability as its first objective. As a policy for specifically implementing this thinking, the Asset Manager has established its Sustainability Policy in January 2018. In addition to establishing an in-house system to promote the above-mentioned policies, the Asset Manager is strengthening their ESG-related activities, such as promoting the acquisition of DBJ Green Building Certification, participating in GRESB, and signing the Principles for Responsible Investment (PRI).

JCR evaluates the long-term loans (the “Loans”) that the Investment Corporation plans to borrow at the end of July. The Loans will be allocated to refinance the funds for acquisition of one existing retail (Canal City Hakata) acquired by the Investment Corporation. In its Green Finance Framework, the Investment Corporation sets any of three stars or more of DBJ Green Building Certification, B+ rank or higher of CASBEE for Real Estate, or three stars or more of BELS Certification as "Eligibility Criteria", which has been acquired or is scheduled to be acquired. JCR evaluates that the definition of Eligibility Criteria established by the Investment Corporation covers buildings with environmental improvement effects. In addition, Canal City Hakata, which is the target of the use of proceeds, has obtained five stars of DBJ Green Building Certification. JCR has confirmed that the facility has environmental improvement effect.

In the project selection process, the management including directors has decided the Eligibility Criteria and the selection of green eligible assets to be subject to the project. Items related to remittance instructions are subject to in-house and external audits. JCR confirmed the solid management, operation system and high transparency of the Investment Corporation.

As a result, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for “Management, Operation and Transparency Evaluation”. Consequently, JCR assigns "Green1" for overall evaluation to the Loans. Detailed evaluation results are discussed in the next chapter. The Loans are considered to meet the criteria for items in Green Loan Principle and MOE's Green Bond Guidelines.¹²

¹ LMA (Loan Market Association), APLMA(Asia Pacific Loan Market Association (Green Loan Principles)

² Ministry of the Environment Green Bond Guidelines 2017

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

Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1", the highest grade, to "Evaluation phase 1: Greenness Evaluation".

Rationale: 100% use of proceeds of the Loans will be allocated to a green project, considering the factors described below.

(1) JCR's key consideration in this factor

In this section, JCR first assesses whether the proceeds will be allocated to green projects that have explicit improvement effects on environment. 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

Overview of Use of Proceeds

a. On the environmental improvement effects of the project

i. 100% of proceeds will be for refinancing of the loan to acquire an asset that is classified as green eligible assets which have environmental improvement effect.

Fukuoka REIT Corporation Green Finance Framework (excerpt)

Eligibility Criteria for investment in green finance

Funds procured through Green Finance shall be allocated to funds for the acquisition of assets that satisfy the following Eligibility Criteria (hereinafter referred to as "green eligible assets"), or to funds for the refinancing of borrowings required for the acquisition of green eligible assets, or to funds for the redemption of Investment Corporation Bonds.

[Eligibility Criteria]

Properties that have acquired or are scheduled to acquire certification by a third-party certification in 1-3 below at the time of green financing procurement date and repurchase are certified as green properties.

1. Three stars, four stars or five stars ratings for DBJ Green Building Certification
2. B+ rank, A rank or S rank in CASBEE for real estate
3. Three stars, four stars or five stars in BELS certification

The use of proceeds is an existing green eligible asset as set forth in the Green Finance Framework. The Eligibility Criteria for green eligible assets require that the assets have been or will be certified under third-party environmental certification above a certain level.

The proceeds through the Loan will be allocated for the refinancing of the funds for the acquisition of Canal City Hakata as shown on the next page. Refinance for the subject assets is expected to be provided in July 2019. JCR confirmed that Canal City Hakata has acquired five stars of DBJ Green Building certification.

Property

Project Name	Canal City Hakata (Note)
Location	1-2-22 Sumiyoshi, Hakata-ku, Fukuoka, Fukuoka Prefecture
Principal Uses	Retail
Total Rentable Area	46,604.75m ²
Number of Stories	2 floors below ground and 13 floors above ground
Completion	April, 1996
Acquisition Value	JPY 32,000 million
Environmental Certification	5 stars of DBJ Green Building Certification
Features and Environmental Performance	<p>"Canal City Hakata (Whole)" locates 7 minutes' walk from the Gion station on the Fukuoka City Subway Kuko Line. The property is a complex commercial facility in Fukuoka, representing Heisei era, such as being awarded the "Heisei Commemorative Special Award." The Investment Corporation owns Canal City Hakata B and Canal City Business Center Building in addition to the above. The properties account for approximately 38% of the asset portfolio of the Investment Corporation, and they are flagship properties of the Investment Corporation.</p> <p>Reducing environmental impact by conserving energy and resources, such as controlling the use of outside air by CO₂ sensors, adopting LED lighting, and adopting water reuse systems.</p> <p>Organization for Landscape and Urban Green Infrastructure has certified it as "Oasis in the City" of Social and Environmental Green Evaluation System (SEGES).</p> <p>The property are taken into consideration the diversity and comfort of visitors, such as the establishment of diaper exchanges and nursing rooms, responses to inbound tourists, and the installation of recharging pits for electric vehicles.</p> <p>The property is also taken into account the following: providing emergency generators, shut-down boards, 24-hour manned security, disaster prevention and crime prevention as well as countermeasures against heat island phenomenon, Greening and Biodiversity.</p>

(NOTE) The combined commercial facility "Canal City Hakata (Whole)" consists of "Canal City Hakata" which contains part of Center Walk and South Building, "Canal City Hakata B" which contains part of Center Walk, Grand Building and North Building, "Canal City Business Center Building", Canal City Theater and East Building.

ii. The use of proceeds falls under the category of "Green buildings with regional national or internationally recognised standards or certifications" and "Energy Efficiency".

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 the Investment Corporation actively acquires buildings with high environmental certification levels.

b. Negative impact on the environment

The Asset Manager cites "Defects of Properties" and "Disputes with neighboring residents" as events considered to be risky when acquiring the properties.

In response to these risks, the Asset Manager acquires an engineering report, conducts building diagnoses and environmental risk checks, and also conducts risk avoidance and mitigation measures by checking for problems with neighboring residents using internal checklists and conducting on-site inspections of the properties. Through interviews with the Asset Manager, JCR confirmed that there is little likelihood that Canal City Hakata, to which the proceeds of the Loans will be allocated, will have a negative impact on the environment.

c. Consistency with SDGs goals and Targets

This project is classified into "Energy efficiency" and "Green buildings with regional, national or internationally recognised standards and certifications". JCR evaluated the project to contribute to the following SDGs goals and targets, referring to ICMA's SDGs mapping.



Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

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



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

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: Make cities and human settlements inclusive, safe, resilient and sustainable.

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

(Reference) Certification System for each Green Building

(i) 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.

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-real estate scoring has four grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), and Rank B (Satisfaction of mandatory items)).

(ii) 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." 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 it is not an environmental performance-specific evaluation, it is highly recognized in Japan and has a certain evaluation item regarding environmental performance. Therefore, JCR has evaluated this certification as equivalent to "Green buildings with regional, national or internationally recognized standards and certifications" in the category of green projects as defined in Green Loan Principle. However, since the certification is not limited to environmental performance, JCR believes that it is desirable to confirm the evaluation of environmental performance individually.

(iii) BELS

"BELS" is an acronym for the English name of Building-housing Energy-efficiency Labeling System.

In October 2013, the Ministry of Land, Infrastructure, Transport and Tourism formulated the "Guidelines for Labeling Energy Conservation Performance for Non-Residential Buildings (2013)." Based on these guidelines, a third-party organization was established with the purpose of properly evaluating and labeling the energy-saving performance of non-residential buildings. Subsequently, in July 2015, the Act on Improvement of Building Energy Consumption Performance (Building Energy Conservation Act) was promulgated, and Article 7 of the Act stipulates that business owner of housing business and other businesses selling or leasing buildings must make efforts to indicate the energy consumption performance of buildings. Along with the enforcement of the Act on the Rational Use of Energy in Buildings, BELS is positioned as a third-party certification system for the guideline for energy conservation performance labeling based on Article 7 of the Act. From April 2016, housing was added to the scope of evaluation and currently all new and existing buildings are subject to evaluation.

The evaluation results are expressed in stars by the achievement values of the energy efficiency standards.

They are represented by five stars, four stars, three stars (guidance criteria), two stars (energy efficiency criteria), and one star (existing energy efficiency criteria).

Evaluation Phase 2: Management, Operation and Transparency Evaluation

JCR assigns "m1", the highest rating on JCR evaluation Phase 2: Evaluation on Management and Operation and Transparency.

Rationale: The project has allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

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 that the objectives to be achieved through the green loans, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

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

a. Goal

As the asset management company of the Investment Corporation, the Asset Manager is engaged in maximizing unitholder interests over the medium to long term as its mission. To achieve this mission, the Asset Manager sees it essential to promote sustainability through securing environmental, social, and governance (ESG) awareness, on top of pursuing profitability as its first objective. As a policy for specifically implementing this thinking, the Asset Manager has established its Sustainability Policy in January 2018.

Fukuoka Realty Sustainability Policy

1. Promoting Energy Conservation of Portfolio Properties

We will monitor the energy consumption levels of properties we manage, and work to improve management to lower the levels over the medium to long term.

We will endeavor to improve the energy consumption efficiency of buildings at the time of renovating them and their facilities, so as to enhance the property value and mitigate environment-related risks as well as reduce operating costs.

2. Responding to Climate Change Risks

We will endeavor to help mitigate climate change risks by working to reduce greenhouse gas emissions from the properties we manage through utilization of renewable energy and other energy conservation measures.

3. Contributing to Creation of a Recycling Society

We will monitor water consumption and waste management at the properties we manage and promote water saving and recycling through better management, in an effort to utilize limited resources efficiently.

We will investigate adoption of water-saving equipment and water-reuse systems at the opportunities of renovating buildings.

4. Pursuing Well-being and Safety

We will endeavor to provide healthy and comfortable indoor spaces at the properties we manage, striving to enhance tenant satisfaction and property competitiveness.

We will implement measures to prevent and reduce disasters at the properties we manage, such as ensuring earthquake resistance and fully preparing emergency equipment, to provide safe and secure buildings.

5. Utilizing Green Building Certifications

We will investigate obtainment of green building certifications and other environmental assessments in order to visualize the results of our initiatives on the environment and the society at the properties we manage as well as to enhance property competitiveness.

6. Enlightening Employees

To implement the Policy, we will provide our employees with education and training sessions on ESG awareness in real estate investment and management operations, heightening their awareness and enriching their expertise.

Fukuoka Realty Sustainability Policy (continued)

7. Collaboration with Tenants and Suppliers

In implementing the Policy, assuming that it is essential to obtain understanding and cooperation from the tenants of respective properties and our major business partners including property management companies, we will work to build good relations with each of them in an effort to establish a collaborative structure.

8. Establishing Internal Organizations

In order to manage the implementation of what is provided in the Policy, we will organize a sustainability promotion committee within the Company.

We will set up specific objectives, etc. for each of our initiatives and review them periodically.

9. Monitoring and Disclosing Environmental and Social Performances

We will continuously grasp the status and results of our implementations based on the Policy, while monitoring the status of ESG initiatives on our own by utilizing external assessment systems and surveys including GRESB.

We will disclose information and achievements regarding our ESG initiatives to the unitholders and other

JCR evaluates that the refinancing of green eligible assets by borrowing the Loans is consistent with the above sustainability policies of "1. Promoting Energy Conservation of Portfolio Properties," "2. Responding to Climate Change Risks," "3. Contributing to Creation of a Recycling Society," and "5. Utilizing Green Building Certifications." In addition to the above targets, JCR confirmed through interviews that the Asset Manager is also aiming to acquire assets with superior environmental performance.

JCR recognises that these targets are consistent with the implementation of the Loans.

b. Selection standard

The Eligibility Criteria for green eligible assets of the Investment Corporation are those that have acquired or are scheduled to acquire DBJ Green Building Certification (three stars or more), CASBEE for Real Estate (B+ rank or higher), or BELS Certification (three stars or more). JCR evaluates that the criteria cover the buildings with environmental improvement effects.

c. Processes

In determining the Eligibility Criteria for green assets, the Management Committee of the Asset Manager, which is made up of the boards of directors, the manager of Property Management Department, the manager of the Investment Department, the manager of the Finance Department, the manager of the Planning Department and the manager of the Compliance Department approves.

In addition, in the case of borrowing, the person in charge of the Finance Department of the Asset Manager considers the consistency with the Eligibility Criteria and selects the project. Thereafter, the project of green eligible assets is approved by the Management Committee.

JCR evaluates that management is appropriately involved in the selection and approval of projects and that the process is clear with respect to the evaluation of greenness of the green eligible assets.

The objectives, selection criteria, and processes will be outlined in the Investment Corporation's press releases and this evaluation report. JCR evaluates that transparency has been secured for investors and lenders.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

The management method of the procured funds is usually assumed to be diverse by the issuer. JCR assesses whether the proceeds firmly allocated to the green project, the project have internal systems to easily track the allocation of the proceeds and the money funded by the loan will be allocated to the green project at once.

JCR also attaches importance to evaluating the management and operation of the unallocated funds, as well as to confirming that the funds procured from the loan will be allocated to the green projects at an early stage.

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

- a. The use of proceeds will be allocated to the refinancing of Canal City Hakata described in this report.
- b. For account management, tracking is not necessary because the funds are deposited into a dedicated account and then allocated to refinancing or green assets within one or two days.
- c. The person in charge of the Planning Department of the Asset Manager issues remittance instructions for repayment of loans from the deposit account at the time of refinancing of the loans. This procedure is subject to internal self-audits and external audits by an auditing firm, and JCR evaluates it as being properly checked by a third party.
- d. The Investment Corporation plans to manage the balance of green bonds and green loans in its portfolio. This is done by multiplying the total amount of green eligible assets by the ratio of interest-bearing liabilities to total assets (LTV) at the end of the most recent period to determine "green eligible liabilities" so that the balance of green bonds and green loans does not exceed the green eligible liabilities. Portfolio management using the amount of green debt is utilized by other investment corporations and takes it as market practice in Japan. JCR considers that it is desirable to link the properties to which funds are allocated at the time of each financing by green bonds or green loans. JCR also considers that individual properties are expected to be linked to each other when raising individual funds, which is desirable from the above viewpoint.
- e. Prior to the repayment of the Loans, JCR confirms that if Canal City Hakata is excluded from the scope of fund use due to the sale, the Asset Manager will manage by confirming that the balance of green bonds and green loans does not exceed the balance of green eligible liabilities, as confirmed in item d.

JCR confirmed that funds are securely allocated for refinancing of the loans to acquire Canal City Hakata, account management is managed by the Asset Manager in an appropriate manner until the appropriation of funds, and that the system of internal audit and external control is established, and that the balance of green bonds and green loans is properly managed by portfolio management. From the above, JCR evaluates the appropriateness and transparency of the fund management of the Investment Corporation as high.

3. Reporting

(1) JCR's key consideration in this factor

In this section JCR evaluates whether the disclosure system to lenders before and after green loan issuance is planned in a detailed and effective manner at the time of green loan issuance.

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

a. Reporting on the proceeds allocation

Since the full amount of the Loans is immediately allocated to the refinancing of the loans to acquire Canal City Hakata, the reporting for the period related to the unallocated funds is not currently anticipated. However, if Canal City Hakata is sold by the repayment date, the Investment Corporation will appropriately disclose to the lender that the eligible green liabilities exceed the sum of green bonds and green loans.

b. Reporting on environmental improvement effects

The Investment Corporation will disclose annually the number and type of environmental certifications for green eligible assets through its website or through the agent.

JCR evaluates that the reporting described above will be appropriately disclosed to investors.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

In this section JCR evaluates whether the management team regards environmental issues as a high priority issue for management, whether the green loan implementation policy and process, the criteria for selecting green projects, etc. are clearly defined by establishing a department specializing in the environmental field or collaborating with external organizations.

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

As mentioned above, the Asset Manager is taking environmental measures for their properties in accordance with the Sustainability Policy enacted in January 2018. Canal City Hakata uses rainwater in canals, which is a symbol of the building from the viewpoint of resource conservation. The building also recycles groundwater using the special RO membrane and produce clean water which is used in the Canal City Hakata. For other properties, the Asset Manager is working to install solar power facilities (Konoha Mall Hashimoto) and applying a coating containing a protective agent to the skylight to reduce the burden on air conditioning (Park Place Oita).

The Asset Manager is also actively acquiring environmental certification for properties of the Investment Corporation. As of the end of March 2019, the percentage of total floor space occupied by properties with environmental certification was 68.7%. In particular, in March 2019, Canal City Hakata, which is the target of the use of the Loans, was upgraded from four stars to five stars upon obtaining DBJ Green Building Certification due to well-maintained by the Asset Manager.

In addition, the Investment Corporation has participated in the GRESB Investment Estate Assessment since 2018, and has obtained the "Green Star" awarded to the companies that excel in both "management and policy" and "implementation and measurement," which are the two axes of sustainability assessment, as well as 4 stars in GRESB rating. This indicates that the Investment Corporation's efforts for sustainability are highly evaluated by third parties. In September 2018, the Asset Manager signed the Principles for Responsible Investment (PRI), which proposes incorporating ESG issues into investment decisions. In addition, it signed the 21st Century Financial Action Principles, which were prepared in 2011 as the action guidelines for financial institutions whose responsibilities and roles are necessary for the creation of a sustainable society.

The Investment Corporation requests external companies with knowledge of the environment to provide consulting when acquiring these evaluations and when conducting other overall reviews of the environment. At this time, the Property Management Department which is in charge of actual operation of the property collects information on the environment necessary for evaluation acquisition. JCR evaluates that the Investment Corporation acquires evaluations and develop its own policies by utilizing members in the departments with sufficient knowledge of the environmental aspects in the Asset Manager and external experts.

The Asset Manager has also established the Sustainability Committee with the CEO and managers as attendees, and implements policies, targets and consideration on sustainability. Four meetings have already been held and reports on the above initiatives are made.

JCR considers that the Investment Corporation regards environmental issues as a priority issue. In addition, JCR evaluates that the management team utilizes external knowledge at the time of evaluation and environmental reviews by requesting consulting from organizations with specialized knowledge of the environment.

(Reference) GRESB Real Estate Assessment

GRESB is an acronym for Global Real Estate Sustainability Benchmark. GRESB is a benchmark established in 2009 that measures and evaluates the degree of consideration given to ESG by companies that holding and manages real estate and infrastructure. GRESB is an acronym for Global Real Estate Sustainability Benchmark. 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. As of 2018, 38 investment corporations have participated in the evaluation from J-REIT.

■ Evaluation result

Based on the JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the "Greenness Evaluation (Use of Proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1" for overall JCR Green Loan Evaluation to the Loans. The Loans are considered to meet the criteria for items in Green Loan Principle and MOE's Green Bond Guidelines.

[JCR Green Loan 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 the Subject

Borrower: Fukuoka REIT Corporation (Securities code: 8968)

[Assignment]

Subject	Borrowing Amount	Date of Borrowing	Repayment Date	Interest Rate	Evaluation
Long-term Loan (Green Loan 1)	JPY 2.2 billion	July 31, 2019	July 31, 2029	3-month Tibor+0.30%	JCR Green Loan Evaluation :Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

Analysts in Charge of this Evaluation: Rieko Kikuchi and Kosuke Kajiwara

Important Explanation of the Green Loan Evaluation

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

JCR Green Loan 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 loans, 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 loans are ensured. JCR Green Loan Evaluation does not fully indicate the extent to which the funds procured from such green loans are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Loan Evaluation assesses the plan or status of the appropriation of funds at the time of the green loan borrowing 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 Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loans 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 (Green Finance & ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

JCR Green Loan 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

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

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■Glossary

JCR Green Loan Evaluation: JCR Green Loan Evaluation evaluates the extent to which the funds procured from the Green loan 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)

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

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization. (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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