

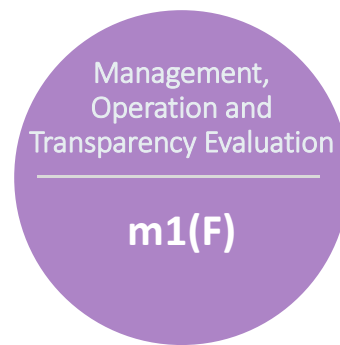
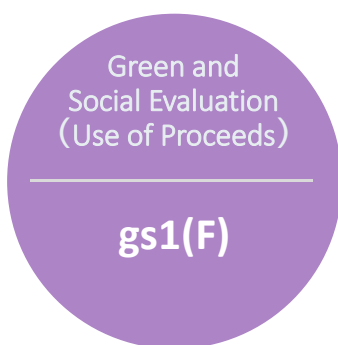
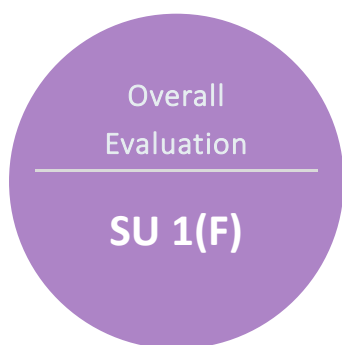


Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") will announce the Sustainability Finance Framework Evaluation Results as follows:

KDX Realty Investment Corporation

Sustainability Finance Framework

Assignment



Issuer/Borrower	KDX Realty Investment Corporation (Security Code: 8972)
Subject	Sustainability Finance Framework

Evaluation Overview

▶▶▶ 1. Overview of KDXR Realty Investment Corporation

KDX Realty Investment Corporation (hereinafter referred to as "KDXR") is a J-REIT that was established on May 6, 2005 and listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange on July 21, 2005. The corporate name was changed to KDXR on November 1, 2023 due to a merger through which Kenedix Office Investment Corporation (hereinafter referred to as "KDO") being the surviving corporation, and Kenedix Residential Next Investment Corporation (hereinafter referred to as "KDR") and Kenedix Retail REIT Corporation (hereinafter referred to as "KRR") being the dissolving corporation. KDXR has 354 properties as its assets with a total acquisition price of 1,184.6 billion yen as of May 29, 2024, making it one of the largest J-REITs. KDXR's asset management company is Kenedix Real Estate Fund Management, Inc. (hereinafter referred to as "the Asset Management

Company") and its shareholder is Kenedix, Inc., a real estate asset management company (its investment ratio: 100 percent.) KDXR has become a diversified REIT through the merger, and its portfolio includes 36.8 percent of office buildings, 27.0 percent of residential properties, 24.8 percent of retail facilities, 7.0 percent of healthcare facilities, 1.8 percent of logistics facilities and 2.6 percent of hotels, all of which are based on acquisition prices, making it a diversified portfolio from an asset type perspective.

▶▶▶ 2. KDXR's ESG Management and Sustainability Initiatives

KDXR has acknowledged the importance of Environmental, Social and Governance (hereinafter referred to as "ESG") consideration in real estate management and identified the enhancement of sustainability as one of the material topics for its business to realize a sustainable society as a corporate responsibility, and KDXR is committed to reducing its environmental impact through collaboration and cooperation with its stakeholders. KDXR, as one of the largest REITs in Japan, is strongly aware of its social responsibility and aims to be a leading company in sustainability initiatives by integrating and elevating respective expertise of the 3 REITs prior to their mergers.

KDXR and the Asset Management Company have formulated their sustainability and environmental policies to promote specific initiatives that respond to materialities of the Kenedix Group. KDXR and the Asset Management Company have acknowledged that the reduction of energy consumption and CO₂ emissions is one of their material issues and will make a contribution to environmental sustainability by using their business activities or property management operations for continuously cutting energy consumption and CO₂ emissions so as to lower their environmental impact. KDXR has set its targets for GHG emissions as this materiality target and has obtained Science Based Targets (SBT) certification.

Similarly, KDXR and the Asset Management Company have recognized that initiatives for an aging society with fewer children are one of their materialities and have invested in healthcare facilities to meet the needs of Japan's aging population. Acquisitions of healthcare facilities include fee-based homes for the elderly and serviced housing for the elderly as well as investments in nursing and health facilities, which is a first among all J-REIT.

KDO was the first J-REIT to participate in the GRESB Real Estate Assessment - an annual benchmarking assessment for real estate companies and funds. Since then, the Asset Management Company has been awarded "Green Star" for 12 consecutive years by achieving high performance both in "Management Component," which evaluates policies or organizational structures for ESG promotion and "Performance Component," which assesses environmental performance or tenant engagement at properties owned.

▶▶▶ 3. Sustainability Finance Framework Evaluation

In the Sustainability Finance Framework Evaluation, of the sustainability finance framework (hereinafter referred to as "this Framework") formulated by KDXR, a use-of-proceeds type of

financing will be evaluated whether it has been aligned with the Green Bond Principles¹, the Social Bond Principles², the Sustainability Bond Guidelines³, the Green Loan Principles⁴, the Social Loan Principles⁵, the Green Bond Guidelines⁶, the Green Loan Guidelines⁷ and the Social Bond Guidelines⁸. These are principles and guidelines and are not regulations, which are not legally binding. JCR will however make evaluation with reference to these principles and guidelines as standards unified domestically and globally.

Of the use of proceeds under this Framework, KDXR has set green projects as follows: the proceeds shall be used for acquisition of green buildings, refinancing of the acquisition proceeds, construction that contributes to energy conservation and environmental benefits or renovation work, such as facilities. KDXR has also defined eligible projects as the following social projects: the proceeds to acquire senior living facilities and medical facilities and to refinance the acquisition proceeds. Additionally, it has been stipulated to take appropriate measures in consideration of the adverse impact on the environment and society in implementing eligible projects. Accordingly, JCR has evaluated that the use of proceeds in this Framework is expected to improve the environmental and social benefits.

KDXR has appropriately determined its selection criteria and carried out its evaluation processes by involving the management. The proceeds will be managed under definite rules. These processes and the disclosure and reporting on the proceeds management have been also adequately made. Accordingly, JCR has evaluated that the management and operation system in KDXR has established and provided transparency.

Consequently, JCR assigned "gs1(F)" for "Green and Social Evaluation (Use of Proceeds)," "m1(F)" for "Management, Operation and Transparency Evaluation" and "SU 1(F)" for "JCR Sustainability Finance Framework Evaluation" based on its JCR Sustainability Finance Evaluation Methodology. This Framework meets the standards for the items required in the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, the Green Loan Principles, the Social Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines and the Social Bond Guidelines.

¹ International Capital Market Association (hereinafter referred to as "ICMA") (2021) *Green Bond Principles*
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² ICMA (2023) *Social Bond Principles*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ ICMA (2021) *Sustainability Bond Guidelines*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁴ LMA, APLMA, LSTA (2023) *Green Loan Principles*
<https://www.lsta.org/content/green-loan-principles/>

⁵ LMA, APLMA, LSTA (2023) *Social Loan Principles*
<https://www.lsta.org/content/social-loan-principles-slp/>

⁶ Ministry of the Environment (2021) *Green Bond Guidelines*
<https://www.env.go.jp/content/000062495.pdf>

⁷ Ministry of the Environment (2022) *Green Loan Guidelines*
<https://www.env.go.jp/content/000062495.pdf>

⁸ Financial Services Agency (2021) *Social Bond Guidelines*
<https://www.fsa.go.jp/news/r3/singi/20211026-2/01.pdf>

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I. Overview of Use of Proceeds

JCR's Key Consideration in this Factor

In this section, JCR will firstly confirm that the proceeds have been allocated to projects with clear environmental benefits or social benefits. Secondly, in cases where the use of proceeds is expected to have an adverse impact on the environment or society, JCR will confirm that the impact has been thoroughly examined by an in-house specialized department or an external third-party organization and necessary workarounds and mitigation measures have been taken. Finally, JCR will confirm that the use of proceeds has been aligned with the Sustainable Development Goals (hereinafter referred to as "SDGs".)

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

The eligible green projects and eligible social projects for which KDXR will use the proceeds under this Framework have been important measures that contribute to materialities, respectively and are expected to have environmental or social benefits.

This Framework has been structured to procure proceeds through green finance for which only assets that meet the green eligibility criteria will be used, social finance for which only assets that satisfy the social eligibility criteria will be used and sustainability finance which includes both assets that meet the green eligibility criteria or the social eligibility criteria, respectively will be used⁹. These finances will be allocated to acquire assets that satisfy the following eligibility criteria and refinance such acquisition proceeds or funding, which will repay borrowings and redeem investment corporation bonds, including short-term investment corporation bonds.

⁹ Green finance, social finance and sustainability finance are collectively referred to as sustainability finance in this evaluation report.

This Framework for Use of Proceeds

1-1. Use of Proceeds

The use of proceeds procured through green finance (Note 1) is limited to finance the followings: (1) the acquisition of assets that satisfy Green Eligibility Criteria 1 stated below and refinancing of such acquisition proceeds (the repayment of borrowings and the redemption of investment corporation bonds, including short-term investment corporation bonds); funding or (2) construction and/or refurbishments that meet Eligibility Criteria 2.

The use of proceeds raised through social finance (Note 2) is limited to finance the acquisition of assets that meet Social Eligibility Criteria described below and refinancing of such acquisition proceeds, which repay borrowings and redeem investment corporation bonds, including short-term investment corporation bonds.

Sustainability finance (Note 3) refers to finance that includes both uses of proceeds which satisfy the eligibility criteria for green finance or social finance, respectively.

(Note 1) Green loans, including interest rate derivative contracts associated with such loans (green derivatives) and green bonds

(Note 2) Social loans, including interest rate derivative contracts associated with such loans (social derivatives) and social bonds

(Note 3) Sustainability loans, including interest rate derivative contracts associated with such loans (sustainability derivatives) and sustainability bonds

[Green Eligibility Criteria (1)]

Assets that meet any of the following requirements for recognition or certification (Green Qualifying Assets.) Each certification is required to have obtained or renewed or obtain or renew by the payment date or reporting date.

Type	Validity Period	Eligibility Rank
DBJ Green Building Certification	Three years from the certification obtained date	3 stars or above
CASBEE for Real Estate	Five years from the certification obtained date	B+ rank or higher
BELS Evaluation, including non-residence and ZEB Newly acquired on or after April 1, 2024	-	<ul style="list-style-type: none"> • Existing buildings constructed on or after April 1, 2016 4 or more • Existing buildings constructed on or before March 31, 2016 3 or more; however, for logistics facilities, BEI shall be less than 0.75.

BELS Evaluation, including non-residence and ZEB Already acquired on or before March 31, 2024	-	3 or more; however, for logistics facilities, BEI shall be less than 0.75.
BELS Evaluation, including residence and ZEH Newly acquired on or after April 1, 2024	-	<ul style="list-style-type: none"> • Existing buildings constructed on or after April 1, 2016 3 or more • Existing buildings constructed on or before March 31, 2016 2 or more
BELS Evaluation, including residence and ZEH Already acquired on or before March 31, 2024		3 or more

[Green Eligibility Criteria (2)]

(Construction or facility refurbishments that contribute to energy conservation or environmental benefits)

- Renovation work, including facilities, to reduce energy consumption, water consumption and GHG emissions or improve other environmental benefits in real estate managed, which shall be effective to reduce consumption or emissions by 30 percent or more compared to the previous levels.
- Facility refurbishments that improve the evaluation level by one or more in any of the certification specified in the Eligibility Criteria (1)
- Introduction or acquisition of facilities related to renewables

The aforementioned energy-saving construction and renovation work, including facilities, are limited to those for which have already been paid or will be paid by the payment date.

[Criteria Eligible for Social Finance]

Assets that fulfill the following eligibility criteria (Assets Eligible for Social Finance)

<ul style="list-style-type: none"> • Senior Living Facilities 	<ul style="list-style-type: none"> • Private senior homes • Serviced senior housing • Apartments for the elderly • Group homes for elderly with cognitive impairment • Small multi-function facilities • Daycare facilities, etc.
<ul style="list-style-type: none"> • Medical Facilities 	<ul style="list-style-type: none"> • Hospitals • Clinics • Medical malls (healthcare facilities and pharmacies only) • Nursing and health facilities, etc.

Evaluation by JCR to this Framework

1. Greenness and Socialness of the Project

(1) Environmental Benefits of Use of Proceeds

(a) Use of Proceeds 1: Green Buildings

Use of proceeds 1 covers the proceeds to acquire properties that have already obtained environmental certification or will obtain such certification by the payment or reporting date and refinancing thereof. This use of proceeds falls under "Green buildings which meet regional, national or internationally recognized standards or certifications" in the Green Bond Principles and the Green Loan Principles and "Projects concerning Green Buildings" among the use of proceeds illustrated in the Green Bond Guidelines and the Green Loan Guidelines.

KDXR has defined the intended environmental certification in the use of proceeds as DBJ Green Building Certification, CASBEE Certification and BELS, and the proceeds will be used for properties that have earned a rating with the eligibility rank or higher set out by environmental certification or will receive it by the payment date or reporting date.

As detailed below, each certification has been recognized as having significant environmental benefits on the items that are subject to the environmental certification, which has been recognized locally, nationally or internationally. Accordingly, JCR has evaluated that projects with ranks that satisfy the eligibility criteria have had environmental benefits.

DBJ Green Building Certification

DBJ Green Building Certification refers to a certification system provided by DBJ (Development Bank of Japan) to evaluate real estate with social and environmental consideration. The evaluation results are indicated with the number of stars, and the evaluation axis is buildings with social and environmental consideration. The evaluation with major five categories is as follows: "Energy & Resources (environmental performance of buildings)"; "Amenity (comfort of tenants)"; "Resilience (ability to respond to crises)"; "Community & Diversity (consideration for diversity and the surrounding environment)"; and "Partnership (cooperation with stakeholders)" with 5 stars (extremely excellent and top-shelf buildings in Japan), 4 stars (excellent), 3 stars (great), 2 stars (good) and 1 star (satisfactory.) JCR has evaluated that this evaluation is equivalent to the "regional, national or internationally recognized standards or certification" in the green project classification defined in the Green Bond Principles as DBJ Green Building Certification has been highly recognized in Japan and has had certain evaluation items for environmental performance although it is not specific to environmental performance. JCR however has considered that it is desirable to individually confirm the evaluation of environmental performance as the certification is not exclusively limited to environmental performance.

DBJ Green Building Certification is based on a comprehensive assessment, including not only the environmental performance of properties to be evaluated but also the comfort of tenants, risk management, such as disaster/crime prevention, consideration for the surrounding environment and

communities and collaboration with stakeholders. There are many properties that do not meet the criteria for evaluation in the real estate market as scoring is designed by consolidating specific "excellent initiatives" for the environment and society. In order to be highly rated, a building is required to appropriately consider not only the environment but also all stakeholders involved in the building.

The level of DBJ Green Building Certification is expected to be the top 20 percent or so of the all income properties in Japan in the "concerns for the environment and society." Additionally, each evaluation up to 3 stars is subject to the collection of the top 10 percent (5 stars), the top 30 percent (4 stars) and the top 60 percent (3 stars) of the properties that exceed the certification level. JCR has therefore evaluated that KDXR's use of proceeds 1 has been narrowed down to properties with high environmental performance among the buildings that aim to obtain certification.

CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

CASBEE is an acronym standing for Comprehensive Assessment System for Built Environment Efficiency and is a method to evaluate and rate the environmental performance of buildings. In April 2001, a comprehensive environmental evaluation research committee for buildings was established as an industry-academia-government collaboration project with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism and has been continuously developed and maintained since then. The evaluation tools include CASBEE for Construction, CASBEE for Cities or CASBEE for Real Estate that was developed for the real estate market to show environmental performance in an easy-to-understand manner.

CASBEE for New Construction is evaluated with the value of BEE (Built Environment Efficiency) with L (L means Load) as the denominator and Q (Q refers to Quality) as the numerator after the reconstruction from the viewpoint of environmental quality of buildings and environmental loads of buildings for the evaluation items in the four areas: energy consumption; resource recycling; regional environment; and indoor environment. The evaluation results are categorized into five as follows: Rank S (excellent); Rank A (very good); Rank B + (good); Rank B - (slightly inferior); and Rank C (inferior.) CASBEE for Real Estate falls under four categories as follows: Rank S (excellent); Rank A (very good); Rank B + (good); and Rank B (satisfied with items required.) In order to be highly evaluated, consideration for indoor comfort or landscape is required in addition to concern for the environment, such as energy saving or using equipment with a low environmental burden, and integrated buildings with high quality is required.

JCR has evaluated that buildings with Rank B + or higher in the CASBEE certification set as the eligible criteria by KDXR have had environmental benefits with the following reasons: (1) such buildings have BEE of 1.0 or higher in CASBEE for New Construction, and their environmental quality clearly exceeds their environmental burden; and (2) such buildings are equivalent to Rank B + in the conventional CASBEE for Construction although the measurement is not based on BEE in CASBEE for Real Estate.

BELS (Building Energy Efficiency Performance Labeling System)

BELS is an acronym standing for Building-Housing Energy-Efficiency Labeling System and is a system under which energy-saving performance is evaluated and certified by a third-party evaluation institution for new and existing buildings. The envelope performance and primary energy consumption are subject to evaluation, and the excellent energy-saving performance is required to be highly evaluated. The evaluation results are classified by level based on Building Energy Index (hereinafter referred to as "BEI".) BEI refers to a scale to measure energy-saving performance relative to the standard primary energy consumption, with design primary energy consumption as the numerator and reference primary energy consumption as the denominator. Evaluation was made on a five point scale ranging from one star to five stars under the conventional standard (2016 standard); however, BEI was revised to its new system with stricter energy-saving criteria since the enforcement of the revised Building Energy Efficiency Act on April 1, 2024.

The energy conservation standard has tightened for large non-residential buildings whose areas are 2,000 m² or more as the revised Building Energy Efficiency Act came into effect on April 1, 2024. The new energy conservation standard varies depending upon the building uses: 25 percent or more reduction for factories, including logistics facilities and 20 percent or more reduction for offices, schools, hotels or department stores. Based on this revision, the Building-Housing Energy-efficiency Labeling System at the time of sale and lease was enhanced in April 2024, and a new standard (2024 standard) was introduced in BELS. Under the new standard, residential and non-residential buildings with renewable energy facilities will be assessed on a scale of 7 from Level 6 (an energy consumption reduction rate of 50 percent or more) to Level 0 (an energy consumption reduction rate of less than 0 percent) while residential buildings without renewable energy facilities will be assessed on a scale of 5 from Level 4 (an energy consumption reduction rate of 30 percent or more) to Level 0 (an energy consumption reduction rate of less than 0 percent.) Under the new standard, BELS Level 4 or above (an energy consumption reduction rate of between 30 percent and 40 percent) exceeds the energy conservation standard of non-residential buildings and an induction standard or more is required for some uses, such as hotels, department stores, hospitals, restaurants or meeting places. For residence, the previous standards remain unchanged: the energy consumption reduction rate is 0 percent or more under the energy-saving standard and 20 percent or more under the induction standard. The level 3 or more is required to meet the induction standard under the new standard.

JCR updated its standard for the eligibility of green buildings and renovation work in evaluating green finance and revised its standard on BELS along with the enforcement of the revised Building Energy Efficiency Act on April 1, 2024¹⁰. JCR has confirmed that the eligibility criteria for this Framework have been established to meet JCR's eligibility criteria.

Accordingly, JCR has determined that the criteria in the BELS applied by KDXR have had energy-saving performance and been adequate as the use of proceeds.

¹⁰ JCR updated its Eligibility Criteria for green buildings and renovation work on March 29, 2024 (23-D-1859.)

(b) Use of Proceeds 2: Construction or Facility Refurbishments that Contribute to Energy Conservation and Environmental Benefits

Use of proceeds 2 includes: (1) facility refurbishments to reduce energy consumption, water consumption and GHG emissions, or to improve other environmental benefits, which can reduce consumption or emissions by 30 percent or more compared to the previous levels; (2) facility renovation work that can improve the assessment level by one or more in any of the certification set out in the use of proceeds 1; and (3) the introduction or acquisition of facilities on renewable energy in real estate managed by KDXR. This use of proceeds falls under "Energy efficiency" and "Renewable energy" in the Green Bond Principles and the Green Loan Principles, and "Projects for energy efficiency" and "Projects for renewable energy" among the use of proceeds exemplified in the Green Bond Guidelines and the Green Loan Guidelines.

With respect to the environmental benefits in the aforementioned (1), the reduction rate of energy consumption through facility refurbishments has been set at 30 percent or more, which is comparable to the global standard. Since all reduction effects will be quantitatively shown before and after construction, concrete improvements are expectable. In terms of (2), JCR has evaluated that definite environmental benefits can be recognized as the requirement is to rise the assessment level of environmental certification by one or more.

Regarding (3), solar power generation refers to clean energy in place of fossil fuels by using solar power as energy sources, has GHG reduction effects and does not depend upon finite resources, such as fossil fuels. The power generation is therefore expected to play an important role in the Sixth Strategic Energy Plan, which was approved by the Cabinet in October 2021. In the aforementioned Plan, the government will make sure to use renewables as the main power source, prioritize renewable energy over other energy and promote the introduction of renewables to the maximum extent possible while minimizing the burden on citizens and coexisting with communities based on the premise that energy is stably supplied or an energy cost is reduced (e.g. S+3E) in the renewable energy sector, striving to realize the carbon neutral declaration in 2050, a 46 percent reduction in CO₂ emissions in 2030 and a new challenge that continuously aims even higher of a 50 percent reduction in CO₂ emissions. In the Plan, the renewable energy has been positioned as the main power source in FY 2030, and the solar power generation accounts for the largest power production in renewable energy sources.

Accordingly, JCR has evaluated that the introduction of renewable energy facilities for which the proceeds will be used under this Framework has been of significance in the domestic policy issues and can expect to have environmental benefits as it is effective to reduce GHG emissions by replacing fossil fuels with alternative sources.

		(FY2019 ⇒ previous energy mix)	Energy mix in FY2030 (ambitious outlook)
Energy efficiency improvement		(16.55 million kl ⇒ 50.30 million kl)	62 million kl
Final energy consumption (without energy conservation)		(350 million kl ⇒ 377 million kl)	350 million kl
Power generation mix	Renewable energy	(18% ⇒ 22-24%)	36-38%
Electricity generated: 1,065 TWh ⇒ Approx. 934 TWh	Hydrogen/Ammonia	(0% ⇒ 0%)	※If progress is made in utilization and implementation of R&D of renewable energy currently underway, 38% or higher will be aimed at. (details of renewable) solar 14~16% wind 5% geothermal 1% hydropower 11% biomass 5%
	Nuclear	(6% ⇒ 20-22%)	
	LNG	(37% ⇒ 27%)	
	Coal	(32% ⇒ 26%)	
	Oil, etc.	(7% ⇒ 3%)	
(+ non-energy related gases/sinks)			2%
GHG reduction rate		(14% ⇒ 26%)	46%
			Continuing strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50%

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Figure 1. Overview of the Sixth Strategic Energy Plan¹¹

(2) Social Benefits of Use of Proceeds

(c) Use of proceeds 3: Senior Living Facilities

Use of proceeds 3 refers to the proceeds to acquire senior living facilities and refinancing thereof. The use of proceeds is categorized into businesses that contribute to "Access to essential services" and "Socioeconomic advancement and empowerment", which cover "the elderly, families with small children and people in need of medical and nursing services" under the eligible social project category in the Social Bond Principles, the Social Loan Principles and the Social Bond Guidelines.

(i) Social Issues 1: Increasing Demand and Undersupply of Nursing Care Facilities

Japan is currently facing an aging society with fewer children, a rapidly progressing problem. The domestic population aged 65 or over is 36.21 million and the aging rate is 28.9 percent¹². Japan's elderly population rate is the highest among developed countries in the world and is expected to remain high hereafter.

A structure was required to support the elderly care throughout society, and the long-term care insurance system was introduced while the need for nursing care had been on the increase with the aging population. The number of people certified for long-term care/support need under the long-term care insurance system, such as a family member in need of nursing care reached 6.68 million¹³ including primary insured persons only as of the end of FY 2020. The estimation has shown that approximately 2.43 million care workers are essential by FY 2025¹⁴ due to the increase in family

¹¹ Agency for Natural Resources and Energy *The Sixth Strategic Energy Plan*

¹² Cabinet Office (2023) *White Paper on the Aging Society*
<https://www8.cao.go.jp/kourei/whitepaper/index-w.html>

¹³ Ministry of Health, Labour and Welfare (2020) *Status Report on Long-term Care Insurance (Annual Report)*
<https://www.mhlw.go.jp/topics/kaigo/osirase/jigyo/20/index.html>

¹⁴ Ministry of Health, Labour and Welfare (July, 2021) *the Eighth Long-Term Care Insurance Business Plan*
https://www.mhlw.go.jp/stf/houdou/000207323_00005.html

members in need of nursing care, and the demand for care facilities is expected to rise; however, care workers and care facilities have been undersupplied.

(ii) Social Issue 2: The Number of People who Leave Work to Care for Family Members in need of Nursing Care Remains at High Levels

In Japan, the elderly population has been increasing and simultaneously the number of people certified for needed long-term support/care has been on the increase under the long-term care insurance system, and this trend is expected to continue as baby boomers get into their 70s. The bar chart below shows the changes in the number of job leavers due to caregiving or nursing care, as published in the Employment Trend Survey in the Ministry of Health, Labor and Welfare. Although there are yearly variations for both men and women, the total number fluctuates between roughly 70,000 and 110,000, indicating the important issue is that many people have to leave their jobs to care for their family members in the aging society with fewer children.

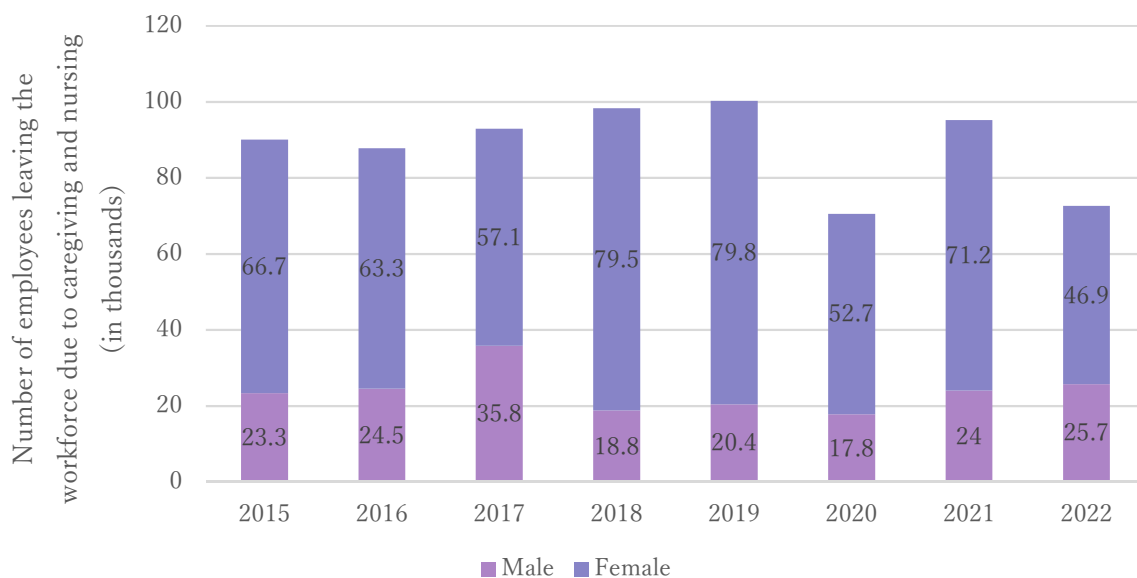


Figure 2: Changes in the Number of People who Leave their Jobs due to Caregiving/Nursing care¹⁵

(d) Use of Proceeds 4: Medical Facilities

Use of proceeds 4 refers to the proceeds to acquire medical facilities and refinancing thereof. The use of proceeds is categorized into “Access to essential services (medical care)” that covers “People in need of medical services” under the eligible social project category in the Social Bond Principles, the Social Loan Principles and the Social Bond Guidelines.

(i) Social Issue: Rapid Increase in Needs for Medical Services caused by the Aging Population

The domestic elderly population rate that is the proportion of the population aged 65 or over reached 27.7 percent in 2017, entering a serious aging society in which one quarter of the population is elderly.

¹⁵ Created by JCR based on "Employment Trend Survey," provided by Ministry of Health, Labor and Welfare.

The declining birthrate and aging population are expected to continuously accelerate, and the need for medical and nursing care is predicted to skyrocket in 2025 when the baby boomers will be 75 years old or above. Therefore the structures are being developed to provide medical and nursing care services in preparation for 2025. The issues to be addressed hereafter is to improve medical services from an acute stage to recovery and chronic stages and to develop and expand structures, such as home care in respective regions in Prefectures due to the rise in elderly.

<KDXR Initiatives to Address Social Issues>

KDXR has acknowledged that the shortage of healthcare facilities has become an even more serious problem in the super-aging society in Japan while the wait-listed children for childcare facilities in urban areas is also one of the social issues due to women's advancement in society or the lack of nursery teachers. Kenedix, Inc., the parent company of the Asset Management Company has defined "Initiatives for an aging society with fewer children" as one of its materialities, and KDXR has been working to respond to the low birthrate and aging society through investments in healthcare facilities.

KDXR has invested in healthcare facilities whose needs will be socially accelerated hereafter, aiming to meet the growing social demand for healthcare by purchasing and operating these facilities. KDXR has been proactively making efforts to acquire healthcare facilities, including private senior homes, serviced senior housing or nursing and health facilities, a first among all J-REIT. KDXR aims to grow with operators of its properties by providing the best solutions for their business, facility management issues or other needs. KDXR fully understands the philosophy or business/facilities operations of these partners while these operators of its properties sufficiently understand KDXR's investment philosophy or management policies. This mutual understanding culminates in business partner relationships that go well beyond the conventional boundaries of ties between a building owner and a tenant.

JCR has highly evaluated that uses of proceeds 3 and 4 have been of great social significance, respectively as these will contribute to resolving Japanese social issues, such as demand increases and supply shortage of nursing care facilities or surges in needs for medical services caused by the rapid transition to the super-aging society. The continuous increase in nursing care facilities with the proceeds is expected to reduce employed people who were forced to leave their jobs to care for their family members and to increase in productivity in society, taking into consideration that 70,000 to 110,000 people quit their jobs to care for their family members.

2. Negative Impacts on the Environment and Society

KDXR has listed the following risks that may wield a negative impact on the environment and society by projects for which the proceeds will be used: hazardous substances, such as industrial waste are buried in the land to be acquired; and toxic materials, including asbestos or PCBs are used in the building materials or equipment of the properties to be acquired.

KDXR has thoroughly examined a property by receiving an engineering report, an earthquake probable maximum loss (PML) assessment and a soil contamination survey before acquiring the property so as to ensure that it complies with laws and regulations for the building to be managed by KDXR. The engineering report includes a confirmation that a building is free of asbestos, PCB or fluorocarbons. If any hazardous substances are discovered, appropriate actions are taken, such as by establishing countermeasures, managing or disposing of these substances in accordance with laws and regulations. If a property KDXR plans to acquire has soil contamination, it makes the investment only after the completion of soil contamination countermeasures.

KDXR has determined that operators' operational capabilities and management stability are essential to keep sustainability or maintain/improve the asset value of the target properties in acquiring healthcare and medical facilities, and it has secured a structure to adequately avoid, mitigate and improve risks that may arise in healthcare facilities by complying with various laws and regulations and conducting examinations based on unique items thereof. In cases where there is any problem, the department in charge of the Asset Management Company promptly contacts the relevant operator, urges the operator to properly examine the facility concerned and take measures to prevent recurrence.

Accordingly, JCR has evaluated that the adverse environmental and social impacts of all eligible projects have been taken into consideration.

3. Alignment with SDGs

JCR has evaluated that the use of proceeds set out in this Framework has contributed to the following SDGs' goals and targets in light of ICMA's SDGs mapping.



Goal 3: Good health and well-being

Target 3.8. Achieve universal health coverage (UHC), including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all



Goal 7: Affordable and clean energy

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix
Target 7.3. By 2030, double the global rate of improvement in energy efficiency



Goal 8: Decent work and economic growth

Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors
Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services



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 10: Reduce inequalities

Target 10.2 By 2030, empower and promote the social, economic and political inclusion of all, regardless of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Goal 11: Sustainable cities and communities



Target 11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
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. 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



Goal 13: Climate Action

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Evaluation Phase 2: Management, Operation and Transparency Evaluation

m1(F)

I. Selection Criteria and Processes for Use of Proceeds

JCR's Key Consideration in this Factor

In this section, JCR will confirm that the objectives to be achieved through sustainability financing, the appropriateness of sustainability project selection criteria and processes, and whether or not a series of processes are properly disclosed to investors/lenders and others.

▶▶▶ **Current Status of Evaluation Targets and JCR's Evaluation**

JCR has determined that departments with specialized knowledge and the management have been appropriately involved in the goals, selection criteria for green and social projects and processes in this Framework and that transparency has also been provided.

1. Goals

KDXR and the Asset Management Company have recognized the importance of ESG (Environmental, Social and Governance) awareness in real estate management, have positioned the enhancement of sustainability as one of the material management issues to realize a sustainable society as a corporate responsibility and have established the sustainability and environmental policies, aiming to reduce the environmental burden or cooperate with stakeholders.

Setting forth "Contributing to a sustainable environment" as one of the sustainability policies, KDXR and the Asset Management Company are to engage to their social mission of improving the environmental performance of the properties under their management, to reduce the environmental impact of such properties, including energy consumption, GHG emissions, water consumption or waste generation, and to contribute to environmental sustainability through the continuous reduction of environmental impacts or appropriate management of hazardous substances.

KDXR and the Asset Management Company will contribute to the diversity of society by considering the social impact of their properties as "Commitment to a diverse society" and strive to ensure the safety, confidence, health, comfort and diversity of their tenants or local communities. KDXR and the Asset Management Company have invested in large, multi-purpose properties, such as "office buildings, residential properties or hotels designed to meet the needs of retail tenants on lower floors" or "properties with multi-uses, such as stores or medical clinics that are directly linked to a railway station" based on the above-cited policy. KDXR and the Asset Management Company aim to contribute to tenants and residents of their buildings as well as everyone living in the surrounding area by utilizing areas of its building sites set aside for public use and providing properties for a broad range of applications. KDXR has additionally identified initiatives for an aging society with fewer children as one of its material issues and has invested in residential facilities with healthcare or childcare facilities and healthcare facilities to meet the needs of Japan's aging population.

JCR has evaluated that the use of proceeds set out in this Framework has contributed to the above-described sustainability policy and been aligned with KDXR's goals.

Sustainability Policies¹⁶

Contribution to a Sustainable Environment

- 1** Improving the environmental performance of the properties we manage is one of our social missions. We will lower the environmental impact and make contribution to environmental sustainability by constantly reducing the negative environmental impact of these properties, such as energy consumption, GHG emissions, water consumption and the generation of waste materials. We also have activities for the proper management of hazardous substances and reduction in their use.

Commitment to a Diverse Society

- 2** We contribute to the diversity of society while taking into account the social impact of our properties. We are committed to maintaining safety, confidence, good health, comfort and diversity regarding our tenants and the communities where we operate.

Stakeholder Engagement

- 3** We manage our properties as a responsible real estate asset management company by stressing the importance of engagement with our stakeholders such as investors, tenants, business partners, communities and property management companies.

Attractive Working Environment

- 4** We aim to maintain an attractive working environment by implementing measures for employees' health and wellbeing and for diversity and equal opportunities. To enable employees to realize their full potential, we will provide a variety of training programs and other educational opportunities.

Responsible Organization

- 5** We have sound compliance and risk management activities in all of our business activities. We are committed to the principle of responsible property investments by a responsible organization by aligning our operations with global ESG initiatives and actively disclosing ESG information.

¹⁶ KDXR's website
https://www.kdx-reit.com/eng/sustainability/basic_policies.html

2. Selection Criteria

The eligibility criteria for this Framework are described in Evaluation Phase 1 in this report. JCR has evaluated that the selection criteria for the project have been appropriate.

3. Processes

This Framework for Processes

1-2. Project Evaluation and Selection Process

Eligible Project Selection Process

The Sustainability Department, which is a secretariat for the Sustainability Committee established in the Asset Management Company and the Listed REIT Department, which handles operations related to the Asset Management Company's asset management, will act as the center of operations relating to sustainability, including the Eligible Green Projects.

Chaired by the president & CEO of the Asset Management Company, the Sustainability Committee consists of Head of Listed REIT Department, Head of Private REIT Department, Head of Strategic Planning Department, Head of Strategic Planning of each REIT Department, Head of Asset Management Division of each REIT Department, Head of Portfolio Management Division of Listed REIT Department, Head of Finance & Accounting Department, Head of Corporate Administration Department and other members. The Committee has examined and monitored sustainability policies, targets and various initiatives with regard to sustainability while taking into consideration social situations or the asset management status of the Asset Management Company, KDXR and Private REIT.

The selection of Eligible Project requires the approval of the Asset Management Committee of Listed REIT Department of the Asset Management Company, which reports to the Sustainability Committee on the evaluation and use of proceeds of Eligible Project, alignment of use of proceeds with Eligibility Criteria or prospects of the status of allocation of net proceeds after allocating proceeds to Eligible Project.

How to Disclose the Selection Criteria and Processes of Eligible Project

The project selection criteria and processes will be disclosed to investors in supplementary documents for issuance when issuing investment corporation bonds, and these will be released to lenders in a third-party evaluation report formulated by JCR when making loans.

Evaluation by JCR to this Framework

The selection of projects eligible for the use of proceeds through sustainability finance based on this Framework will be carried out in collaboration with Finance & Accounting Department, Strategic Planning Department and Sustainability Department in accordance with the Eligibility Criteria defined in this Framework. The projects selected will be approved by Head of Finance & Accounting Department, Head of Strategic Planning Department and Head of Sustainability Department, and the

final decision will be made with the approved of the Asset Management Committee of Listed REIT Department by Finance & Accounting Department.

Accordingly, JCR has evaluated that Department dedicated to sustainability and the management have been adequately involved in the selection processes of projects defined in this Framework in KDXR.

Additionally, the goals, selection criteria and processes for sustainability finance in KDXR will be disclosed in the supplementary documents for issuance or this evaluation report, providing investors with transparency.

II. Management of Proceeds

JCR's Key Consideration in this Factor

It is usually assumed that the management of proceeds varies widely depending upon issuers/borrowers. JCR will confirm whether the proceeds are surely appropriated to the green project and/or social project and whether a mechanism and internal system are in place to make tracking easy.

JCR has also focused on whether the proceeds are scheduled to be used for green projects and/or social projects at an early stage and on the management and operation methods for unallocated proceeds.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated that the proceeds management system of KDXR has been adequately established and how to manage proceeds will be disclosed in this evaluation report, and this Framework will be released on its website and therefore KDXR has provided high transparency.

This Framework for Management of Proceeds

1-3. Management of Proceeds

Proceeds Allocation Plan

The proceeds procured through sustainability finance, green finance and social finance will be confirmed whether these are linked to the acquisition of green eligible assets and social eligible assets or refinancing thereof and investment corporation bonds required for the acquisition, and then the allocation will be promptly made.

- The upper limit amount

The upper limit amount of green finance refers to the sum of (1) an aggregate amount of an acquisition price of eligible green assets multiplied by the total asset LTV as of the end of each fiscal period and (2) the total investment in Eligibility Criteria 2, and the upper limit of green finance will be set.

The upper limit amount of social finance refers to the figure calculated as follows: an aggregate amount of an acquisition price of eligible social assets multiplied by the total asset LTV as of the end of each fiscal period and the upper limit of social finance will be set.

The balance of each financing will be managed so as not to exceed the amount of each eligible debt. In cases where the balance exceeds the debt, an amount equivalent to unallocated proceeds will be managed in cash or cash equivalents.

How to Track and Manage Proceeds

The proceeds and unallocated proceeds will be appropriately managed internally in collaboration with personnel in charge of Strategic Planning Department and a person responsible for Finance & Accounting Department.

The proceeds and unallocated proceeds will be managed separately from other proceeds in separate accounts for deposits and withdrawals exclusively for sustainability finance, green finance and social finance, and the proceeds transferred will be recorded and the balances will be checked on a regular basis.

The proceeds procured through sustainability finance, green finance and social finance will be internally tracked and managed in the Asset Management Company. In cases where proceeds will be allocated to the acquisition of assets and refinancing thereof, the payment completion will be confirmed and the amount paid will be recorded in internal files.

Internal Control and External Audit on Tracking Method

In cases where proceeds will be appropriated to the acquisition of assets and refinancing thereof, Finance & Accounting Department will report the settlement, which will be reported to Head of Strategic Planning Department, and then the payment amount will be recorded in internal files. KDXR's accounting books will be prepared by a general administrator and audited by an accounting auditor.

How to Manage Unallocated Proceeds

KDXR strives to promptly allocate proceeds raised through sustainability finance, green finance and social finance to the intended use of proceeds unless the circumstances are exceptional. KDXR will however manage the proceeds and unallocated proceeds in cash or cash equivalents until the allocation of the proceeds is completed.

In cases where the assets for which proceeds will be used are disqualified prior to the redemption of bonds as the permitted use of proceeds as a result of disposition or physical damages after the full amount is allocated, such assets - the evaluation target - will be transferred to the portfolio management (Note.)

(Note) Portfolio management

KDXR will confirm that the total balance of green finance is compliant with the upper limit amount of green finance (Aggregate amount of Acquisition price of Eligible Green Assets × Total asset LTV + Total investment in Eligibility Criteria 2.)

KDXR will check that the total balance of social finance is compliant with the upper limit amount of social finance (Aggregate amount of Acquisition price of Eligible Social Assets × Total Asset LTV.)

Evaluation by JCR to this Framework

The proceeds procured through sustainability finance will be managed in a dedicated account for deposits and withdrawals. Accounting Department and Strategic Planning Department have managed the books on the proceeds in electronic files, respectively to supervise accounts for deposits and withdrawals. In cases where proceeds are transferred, Accounting Department reports that effect to Strategic Planning Department, and the transfer is recorded in the account book under Strategic Planning Department after the confirmation is made by Head of Strategic Planning Department. The details in the books of both Accounting Department and Strategic Planning Department will be regularly reconciled so as to tally with their records: transfer of proceeds or balances for instance.

The management of proceeds is subject to internal and external audit. The books on the management of proceeds will be stored in internally shared folders indefinitely.

The proceeds raised through sustainability finance will be immediately allocated to the intended use of proceeds unless the circumstances are exceptional; however, these will be managed in cash or cash equivalents until the proceeds are allocated.

In cases where the assets for which proceeds will be used are disqualified prior to the redemption and repayment of bonds as the permitted use of proceeds as a result of disposition or physical damages after the proceeds are allocated, such assets - the evaluation target - will be transferred to the portfolio management. In the portfolio management, the balances of green finance and social finance will be managed and controlled, respectively by confirming that the total balance of green finance and social finance is compliant with the permitted upper limit of the amount of Green/Social Eligible Debts at each fiscal period.

Accordingly, JCR has evaluated that KDXR's proceeds management system has been properly established, how to manage the proceeds will be disclosed in this evaluation report and this Framework will be released on its website; therefore, KDXR has a high level of transparency.

III. Reporting

JCR's Key Consideration in this Factor

In this section, JCR will evaluate whether the disclosure system for investors/lenders before and after the issuance of sustainability bonds/loans, which is implemented with reference to this Framework, is planned in detail and in an effective manner.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated in terms of KDXR's reporting that the allocation of proceeds and environmental and social benefits will be adequately disclosed to investors and lenders.

This Framework for Reporting

1-4. Reporting

Where to disclose the allocation of proceeds and the detailed disclosure

KDXR will annually disclose the following information on its website:

- Allocation of Proceeds
- Allocation if there are any unallocated proceeds until the proceeds are fully allocated to projects that meet the eligibility criteria
- The fact that the unallocated proceeds were transferred to the portfolio management and its management status (eligible green/social assets and eligible green/social debts) in cases where there are any unallocated proceeds between the completion of the allocation of proceeds and the maturity/repayment dates of the finance.

Where to disclose environmental benefits of eligible sustainability projects and the frequency of the disclosure

In cases where there are any unallocated proceeds, the allocation and the following indicators will be annually disclosed on KDXR's website.

KPI (Key Performance Indicator) that indicates the environmental benefits on this eligible projects

The following indicators will be published to the extent operationally feasible until the arrival of maturity/repayment dates of the finance.

- Green Eligibility Criteria (1)
 - Number and certification of Eligible Green Assets
 - Aggregate amount of total floor area of Eligible Green Assets

Energy consumption, water consumption and GHG emission of Eligible Green Assets where KDXR has energy control authority

- Green Eligibility Criteria (2)

In the cases in which construction or facility refurbishments that are expected to result in improvements in terms of energy saving or environmental benefits are implemented, an estimated reduction rate (percentage) of energy consumption, water consumption or GHG emissions before and after the construction or refurbishments

In the cases in which facilities related to renewable energy are installed or acquired, anticipated annual energy production related to the said facilities

- Social Eligibility Criteria

The following output, outcome and income indicators will be annually released.

Output Indicator	Overview of building and lease However, in case that the operator's consent has not been obtained, the information is not disclosed.
Outcome Indicator	J-REIT and healthcare market size Assets under management of healthcare facilities Number of people who could receive benefits by operating healthcare facilities: Overview of operations (Number of rooms, capacity or utilization rate) Services provided at healthcare facilities
Impact (Qualitative Targets)	By linking capital market needs with healthcare facilities operators' needs, KDRX will promote the provision of superior healthcare facilities and contribute to the promotion of socially beneficial capital investments.

Evaluation by JCR to this Framework

Reporting on the allocation status of the proceeds

KDXR will annually disclose the details set out in this Framework with respect to the allocation of proceeds procured through sustainability finance on its website. JCR has confirmed that in cases where there are any major changes in the situation, such as the disposition of properties for which the proceeds will be used, KDXR will disclose such changes on its website or through a press release.

Reporting on environmental and social benefits

KDXR plans to annually disclose reporting on the environmental benefits of green eligible projects and the social benefits of social eligible projects until the maturity and repayment dates of the finance to the extent operationally feasible on its website. These disclosure items include quantitative indicators, such as energy production, GHG reductions or occupancy rates of healthcare facilities. For projects whose indicators are difficult to quantitatively measure, their outcomes have been quantified to the extent possible, and appropriate disclosure targets have been identified.

Accordingly, JCR has evaluated that KDXR has properly established its reporting structure.

IV. Organizational Sustainability Initiatives

JCR's Key Consideration in this Factor

In this section, JCR will evaluate whether the management of the issuer/borrower has positioned sustainability issues as a high priority for management and whether the sustainability policy, processes and selection criteria for green/social projects have been clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has highly evaluated that KDXR has positioned sustainability issues as key management challenges, has had a council on sustainability issues and has dealt with issues from a practical and administrative perspective while taking in the knowledge and expertise of both internal and external experts.

KDXR has acknowledged the importance of ESG consideration in real estate management and identified the enhancement of sustainability as one of the material topics for its business to realize a sustainable society as a corporate responsibility, and KDXR is committed to reducing its environmental impact through collaboration and cooperation with its stakeholders. KDXR, as one of the largest REITs in Japan, is strongly aware of its social responsibility and aims to be a leading company in sustainability initiatives by integrating and elevating respective expertise of the 3 REITs prior to their mergers.

KDXR and the Asset Management Company have formulated their sustainability and environmental policies to promote specific initiatives that address the materialities of the Kenedix Group. KDO was the first J-REIT to participate in the "GRESB Real Estate Assessment," an annual benchmarking assessment for real estate companies and funds. Since then, the Asset Management Company has been awarded "Green Star" for 12 consecutive years by achieving high performance both in "Management Component," which evaluates policies or organizational structures for ESG promotion and the "Performance Component," which assesses environmental performance or tenant engagement at properties owned.

Reduction of energy consumption and CO₂ emissions is one of the material issues in the Asset Management Company who is to make a contribution to environmental sustainability by using its business activities or property management operations for continuously cutting energy consumption and CO₂ emissions so as to lower its environmental impact. KDXR has set GHG emission targets as its goals on this materiality and has obtained Science Based Targets (SBT) certification.

In October 2021, the Asset Management Company expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter referred to as "TCFD") and also joined the TCFD consortium, a group of domestic companies that support TCFD recommendations, based on which it has been working on disclosure. The Asset Management Company has conducted a scenario analysis to identify the short-, medium- and long-term climate change risks and

opportunities of KDXR and to discuss and handle their potential impacts based on the world outlook of respective scenarios. Specific risks and opportunities include increases in carbon tax costs while decreases in costs due to energy-saving or conversion to ZEB/ZEH at properties owned, low environmental performance properties becoming stranded with tenant behavior changes due to environmental orientation, and conversely, maintaining and improving occupancy rates of properties with high environmental burden. The concrete measure for these risks and opportunities refers to green buildings for which the proceeds will be used in this Framework.

The Asset Management Company has contributed to the diversity of society by considering the social impact of the properties held by KDXR and the Asset Management Company, and it also strives to ensure the safety, confidence, health and comfort and diversity of its tenant and local communities. The Asset Management Company has been making various initiatives to be prepared for emergency situations in its properties for the safety and security of tenants' employees, visitors and local communities. KDXR entered into agreements with Yoshikawa City, Ina Town and Konosu City in Saitama Prefecture and Ashikaga City in Tochigi Prefecture under which some properties held can be used as temporary shelters at times of emergency.

Initiatives for an aging society with fewer children are one of the material issues for the Asset Management Company who have been making efforts to satisfy the needs of aging population by investing in residential facilities with healthcare and childcare facilities, and healthcare facilities. Acquisitions include fee-based homes for the elderly and serviced housing for elderly as well as investments in senior living intermediate nursing home, which is a first among all J-REIT. The Asset Management Company aims to grow together by mutually understanding the operator's management philosophy or business/facility operations and its investment philosophy or management policies, building a relationship of trust as business partners that goes beyond the relationship between a landlord and a tenant and providing optimal solutions to the challenges or needs on business and facility operations faced by the operators.

These initiatives for sustainability have been promoted under the leadership of the Sustainability Committee organized by the Asset Management Company. Chaired by the president & CEO of the Asset Management Company, the Sustainability Committee consists of Head of each REIT Department and Head of each Department. The Sustainability Committee is held, in principle, every three months and gathers, analyzes and examines the policies, targets, activity plans, various initiatives, risk management and other important sustainability or ESG related matters for KDXR and the Asset Management Company and shares these with related parties. The discussions made in such Committee are reported to the Asset Management Company's Board of Directors or to KDXR's Board of Directors with independent supervisory directors. JCR has confirmed that external institutions have advised or verified the efforts for sustainability of the Asset Management Company.

Accordingly, JCR has highly evaluated that KDXR has positioned sustainability issues as key management challenges, has had a council on sustainability and has made efforts from a practical and administrative perspective while taking in the knowledge and expertise of both internal and external experts.

Evaluation Phase 3: Evaluation Result (Conclusion)

SU 1(F)

JCR assigned "gs1(F)" for the "Green and Social Evaluation (Uses of Proceeds)", "m1(F)" for the "Management, Operation and Transparency Evaluation" and "SU 1(F)" for the "JCR Sustainability Finance Framework Evaluation" based on its JCR Sustainability Finance Evaluation Methodology. This Framework meets the standards for the items required in the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, the Green Loan Principles, the Social Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines and the Social Bond Guidelines.

		Management, Operation and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Green and Social Evaluation	gs1(F)	SU 1(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU 5(F)
	gs2(F)	SU 2(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU 5(F)
	gs3(F)	SU 3(F)	SU 3(F)	SU 4(F)	SU 5(F)	N/A
	gs4(F)	SU 4(F)	SU 4(F)	SU 5(F)	N/A	N/A
	gs5(F)	SU 5(F)	SU 5(F)	N/A	N/A	N/A

(Responsible analysts for this evaluation) Rieko Kikuchi and Tomohiko Inamura

Important Explanations of this Evaluation

1. Assumptions, Significance and Limitations of JCR Sustainability Finance Framework Evaluation

JCR Sustainability Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Sustainability Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green Project and/or Social Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of proceeds and other matters. Therefore, JCR Sustainability Finance Framework Evaluation is not intended to evaluate the effects of specific environmental and social benefits and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a sustainability finance evaluation, a separate evaluation is needed. JCR Sustainability Finance Framework Evaluation does not prove the environmental and social benefits of individual bonds or borrowings implemented under this Framework, and does not assume responsibility for their environmental and social benefits. JCR confirms the environmental and social benefits of proceeds procured under the Sustainability Finance Framework measured quantitatively and qualitatively by the issuer/borrower or by a third party nominated by the issuer/borrower, but in principle it does not directly measure such effects.

2. Method used to conduct this evaluation

The methodologies used in this assessment are described in "JCR Sustainability Finance Evaluation" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en>).

3. Relationship with Acts Concerning Credit Rating Business

JCR Sustainability Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not assure to provide or browse a predetermined credit rating.

5. Third-Party Evaluation of JCR Sustainability Finance Framework Evaluation

There are no capital and/or personnel relationships that may result in a conflict of interests between the subject of this evaluation and JCR.

■Matters of Attention

The information contained in this document was obtained by JCR from the issuer/borrower and from accurate and reliable sources; however, such information may be mistaken for human and/mechanical errors or other reasons. Therefore, JCR makes no representation or warranty, whether express or implied, as to the accuracy, result, appropriateness, timeliness, completeness, marketability or fittingness for any particular purpose of such information, and assumes no responsibility for any errors, omissions or consequences of using such information. JCR shall not be liable for any loss of opportunity and extraordinary, indirect, incidental or consequential damages of any kind, including any loss of money, which may result from any use of such information under any circumstances, whether contractual liability, tort liability, negligence or other causes of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Sustainability Finance Framework Evaluation does not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to sustainability finance based on the sustainability finance framework, which is the target of the evaluation. Furthermore, it is an expression of JCR's opinion at the present time and does not represent facts nor does it make any recommendation regarding risk assessment or decisions on the purchase, sale or holding of individual bonds, commercial paper, etc. JCR Sustainability Finance Framework Evaluation may be modified, suspended or withdrawn due to changes in information, lack of information or other reasons. All rights pertaining to this document, including data from JCR Sustainability Finance Framework Evaluation, are held by JCR. All or part of this document, including data from JCR Sustainability Finance Framework Evaluation, is prohibited from being reproduced, modified or otherwise altered without the permission of JCR.

■ Glossary

JCR Sustainability Finance Framework Evaluation: This evaluates the extent to which the proceeds procured through Sustainability Finance are appropriated for green projects and/or social projects as defined by JCR and the degree to which the management, operation and transparency of the Sustainability Finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the SU 1(F), SU 2(F), SU3 (F), SU4 (F), and SU5 (F) symbols.

■ Status of Registration as an External Evaluator of Sustainability Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)
- UNEP FI Positive Impact Financial Principles Working Group Member
- Climate Bonds Initiative Approved Verifier

■ Status of registration as a credit rating agency or others

- 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 U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers; (2) insurance companies; (3) general business corporations; and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

■For all other inquiries, please contact us below

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