



CRE Logistics REIT

Explanatory Material based on TCFD Recommendations

- This material is a summary of the information announced on February 17, 2022, in the "Notice Concerning Support for TCFD Recommendations" and additional information incidental to the content of the Notice.
- While this material includes statements regarding future policies and results forecasts, these statements do not guarantee the future results and financial position of the Investment Corporation.

Awareness of Climate Change and Declaration of Support for the TCFD Recommendations, Etc.

Awareness of climate change

- The Paris Agreement adopted in 2015 set a common goal of limiting the global average temperature increase to less than 2°C compared with pre-industrial levels (non-binding target 1.5°C) and reducing greenhouse gas emissions to virtually zero by the second half of the 21st century. This is expected to result in a significant transition toward a decarbonization of society and the economy, including the strengthening of international frameworks to reduce greenhouse gas emissions and policies such as emission controls in Japan and overseas.
- In light of this growing interest in sustainability in society as a whole, CRE REIT Advisers, Inc. (“the Asset Manager”), the asset manager to which CRE Logistics REIT, Inc. (“CRE REIT”) entrusts the management of its assets, is focusing on efforts for ESG issues, believing that addressing sustainability and ESG issues, including the response to climate change, will contribute to the strengthening of CRE REIT's competitive edge and the enhancement of its unitholder value over the medium to long term.
- Above all, the Asset Manager recognizes that enhancing its resilience to socioeconomic changes brought about by climate change and physical changes in the global environment is essential for CRE REIT to secure sustainable and stable earnings over the long term.

Declaration of support for the TCFD recommendations and participation in the TCFD Consortium

- To promote the climate-related disclosure, the Asset Manager declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) in February 2022 and participates in the TCFD Consortium, in which many companies in Japan supporting the TCFD participate.
- In the TCFD Consortium, companies and financial institutions that support the TCFD recommendations are working together to pursue their efforts and discuss initiatives to promote effective corporate information disclosure and link disclosed information to appropriate investment decisions by financial institutions and others. Through its participation in the TCFD Consortium, the Asset Manager will engage in dialogue with companies that support the TCFD recommendations, gather information on good practices and promote climate-related financial disclosure in line with TCFD recommendations.



Governance

Sustainability promotion structure

- The Asset Manager has established the following framework to continuously and methodically promote initiatives for sustainability and ESG issues including the response to climate change.

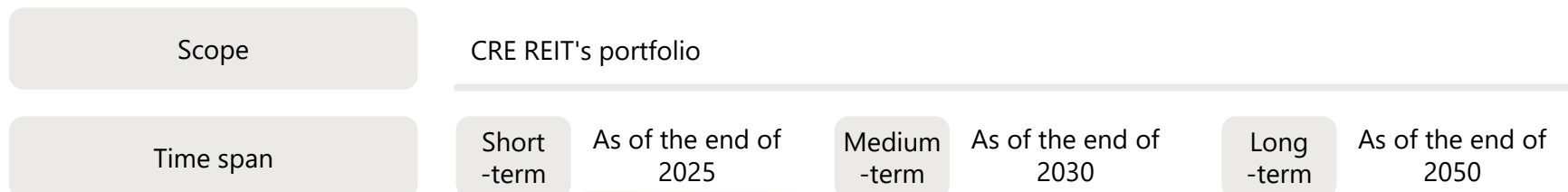
	Responsible persons and members	Roles, etc.
Chief Sustainability Officer	Representative Director and President	Overseeing establishment of frameworks for promoting sustainability and execution of various policies, targets and measures.
Sustainability Operating Officer	Head of the Corporate Planning Department	Implementing the establishment of frameworks and measures to promote sustainability.
Sustainability Promotion Committee	Chief Sustainability Officer Sustainability Operating Officer Full-time Directors Head of the Investment Management Department Compliance Officer	Holding a meeting at least once every three months, in principle, and implementing the following. <ul style="list-style-type: none"> Examining and devising various policies, targets and measures related to sustainability. Continuously following up on issues regarding unachieved targets and findings by incorporating them into targets for the next fiscal period, in principle. Reporting on policies, targets and measures to the Board of Directors of the Asset Manager and the Board of Directors of CRE REIT.

Strategy (1) Conditions for Scenario Analyses

Conducting scenario analyses

- To identify and assess the impacts (risks and opportunities) of climate change-related risks on CRE REIT's portfolio and take them into account in its business strategy, the Asset Manager conducted a scenario analysis under two scenarios of 1.5°C and 4°C.

Conditions for scenario analyses



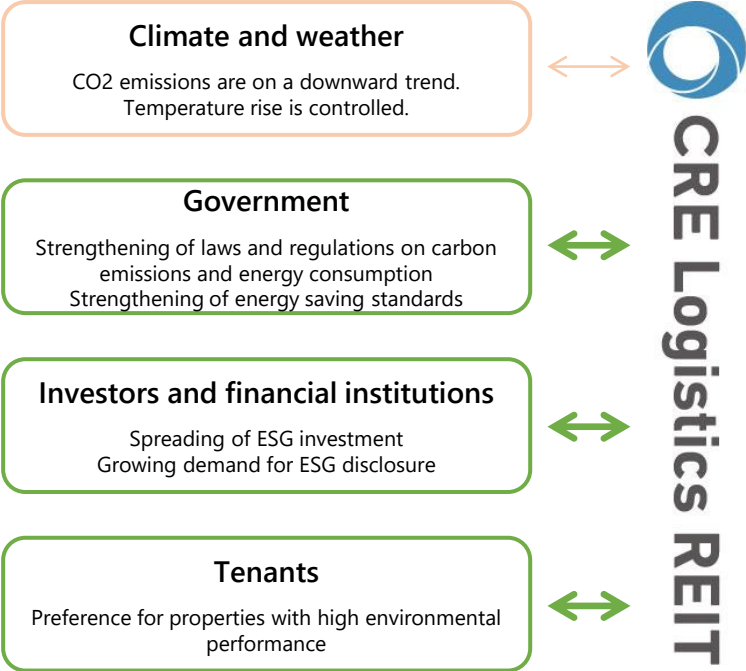
Categories of climate change-related risks		Major sources of information referenced	
		1.5°C scenario	4°C scenario
Transition risks	Risks arising from new regulations, taxation, technologies, etc. associated with the decarbonization of society and economy	IEA (International Energy Agency) World Energy Outlook 2020 NZE2050	IEA World Energy Outlook 2020 STEPS
Physical risks	Risk of direct business damage caused by climate change, such as intensified natural disasters and long-term shifts in climate patterns	IPCC (Intergovernmental Panel on Climate Change) the Fifth Assessment Report RCP2.6	IPCC the Fifth Assessment Report RCP8.5

Strategy (2) Overview of Each Scenario

Overview of each scenario

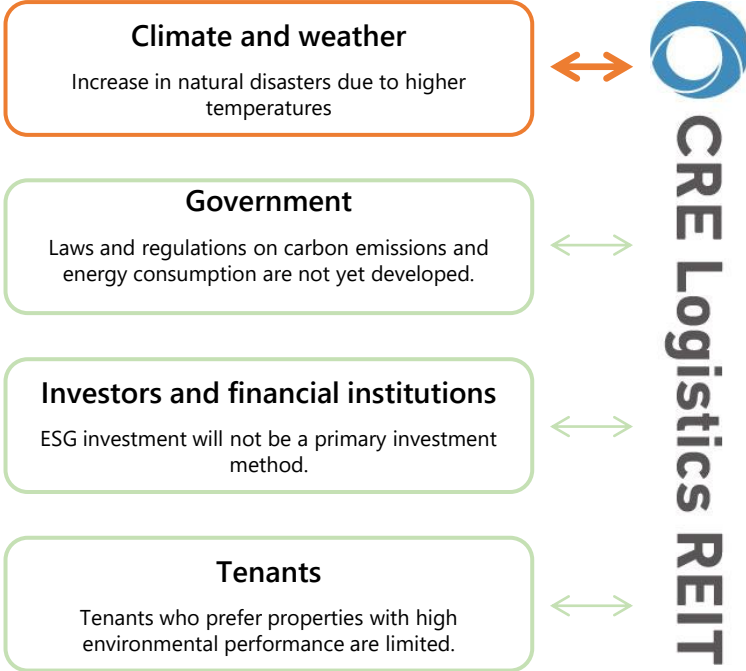
1.5°C scenario

- To achieve a decarbonized society, strict laws, regulations and taxation systems are implemented.
- Transition risk is high, and physical risk is low.



4°C scenario

- Strict laws, regulations and taxation systems are not implemented, and no progress is made toward achieving a decarbonized society.
- Transition risk is low, and physical risk is high.



Strategy (3) Identification and Assessment of Risks and Opportunities

- Based on the scenario analyses, the Asset Manager has identified risks and opportunities and assessed their impact on CRE REIT's portfolio as shown in the table below.

	Events	Category	Financial impact	Degree of financial impact				
				1.5°C scenario		4°C scenario		
				Short term	Medium to long term	Short term	Medium to long term	
Transition risks and opportunities	Policies and Legal	Risks	<ul style="list-style-type: none"> Increase in tax burden costs Increase in costs for promoting the conversion of properties to renewable energy Increase in the purchase of emission credits and emission control costs 	Medium	Large	Small	Small	
	Technology	Risks	<ul style="list-style-type: none"> Increase in costs for introducing new technologies 	Small	Small	Small	Small	
		Opportunities	<ul style="list-style-type: none"> Reduction of expenses for externally procured utilities through the introduction of new technologies Increase in revenue due to sales of renewable energy 	Small	Medium	Small	Small	
	Market	Changes in tenant behavior	Risks	<ul style="list-style-type: none"> Decline in rent levels due to lower demand for properties with poor environmental performance 	Medium	Large	Medium	Medium
			Opportunities	<ul style="list-style-type: none"> Improvement in rent levels due to increased demand for properties with high environmental performance 	Medium	Medium	Small	Medium
		Changes in investor and lender behaviors	Risks	<ul style="list-style-type: none"> Increase in financing costs due to a declining reputation for ESG initiatives 	Small	Large	Small	Small
			Opportunities	<ul style="list-style-type: none"> Decrease in financing costs due to an improving reputation for ESG initiatives 	Small	Medium	Small	Small
	Reputation	Change in reputation from the local community	Risks	<ul style="list-style-type: none"> Compensation for damages caused by damage to the local brand Compensation for damages caused by the suspension of operations associated with a deterioration in the property image 	Large	Large	Small	Small
			Opportunities	<ul style="list-style-type: none"> Rising rent levels due to an increased advantage in securing employment as a result of an improved property image 	Medium	Large	Medium	Medium
	Physical risks	Acute	Increase in property damage due to natural disasters	Risks	<ul style="list-style-type: none"> Increase in repair expenses and insurance premiums, etc. Loss of sales opportunities due to property damage 	Medium	Medium	Medium
Damage to third parties due to property damage caused by natural disasters			Risks	<ul style="list-style-type: none"> Occurrence of claims for damages 	Small	Medium	Large	Large
Chronic		Higher average temperatures and an increase in extreme climate such as extremely hot and cold days	Risks	<ul style="list-style-type: none"> Increase in utilities and repair expenses, etc. due to the increased use of air conditioning 	Small	Small	Small	Medium

Strategy (4) Measures to Address Climate-related Risks

Measures to address climate-related risks

Transition risks and opportunities

- Selection and acquisition of properties that meet energy saving standards
- Expansion of photovoltaic power generation
- Reduction in external electricity consumption through the installation of storage batteries
- Purchase of emission credits and non-fossil certificates, etc.
- Promotion of including of Green Lease Clauses
- Understanding of needs and expectations regarding ESG
- Acquisition of green building certifications
- Promotion of green finance
- Building of relationships with local communities
- Appealing of ESG initiatives to tenant employees



Physical risks

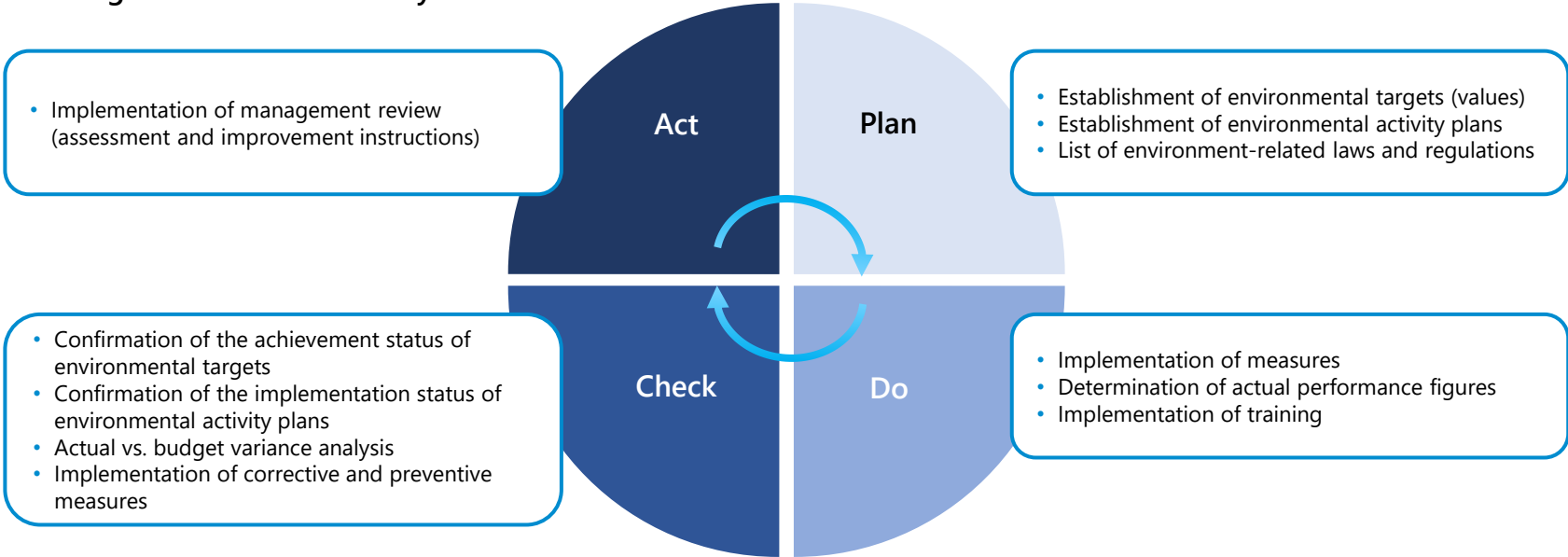
- Selection and acquisition of properties with low disaster risk
- Periodic review of disaster response manuals and thorough familiarization through drills
- Purchase and periodic review of appropriate insurance coverage
- Reduction of utilities expenses by installing high-efficiency air conditioning

Risk Management

Risk management system

- The Asset Manager has established framework to continuously and methodically promote initiatives for sustainability and ESG issues including the response to climate change. At the Sustainability Promotion Committee, which is held at least once every three months, in principle, the Asset Manager evaluates and manages overall sustainability-related risks, including climate-related risks, and manages progress against various targets and response measures.
- The Asset Manager has also established individual bylaws concerning important environmental issues to provide for practical measures to mitigate environmental burden.
- In addition, the Bylaws for EMS Operations provide for system and processes to implement the "Sustainability Policies" and other rules and detailed regulations on sustainability promotion. Through the Sustainability Promotion Committee, which includes the Representative Director and President as a member, the Asset Manager is working to deepen each measure, etc.

EMS diagram based on PDCA cycle



Metrics and Targets

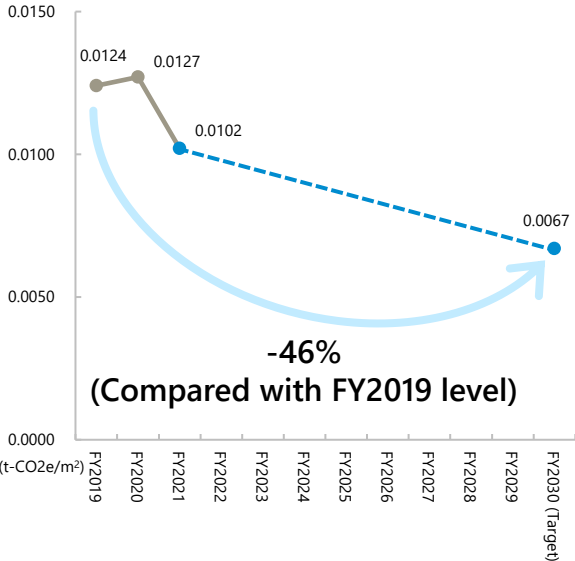
Target setting and performance monitoring

- To manage and monitor risks and opportunities, the Asset Manager has set the following new targets, etc. and monitors performance.

Greenhouse gas emissions

The Asset Manager will reduce annual emissions intensity related to energy consumption of CRE REIT's portfolio (market basis) (t-CO₂e/m²) by 46% from the fiscal year 2019 level by fiscal year 2030.

Greenhouse gas emissions (intensity)



Coverage rate for environment-related data

The target of CRE REIT's portfolio coverage rate for energy consumption, renewable energy production, annual greenhouse gas emissions and water consumption is 100% continuously until the fiscal year 2027.

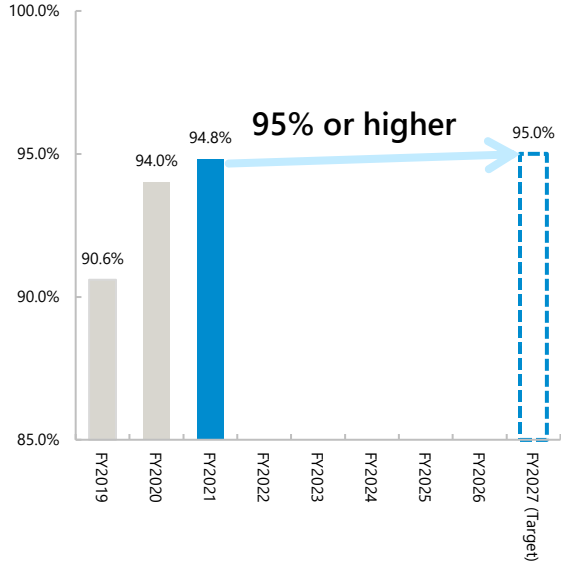
Coverage rate for environment-related data

	FY2021 coverage rate results	Coverage rate targets
Energy consumption (based on floor area)	100%	100%
Renewable energy production	100%	100%
Greenhouse gas emissions (based on floor area)	100%	100%
Water consumption (based on floor area)	100%	100%

Percentage of green building certifications acquired

The Asset Manager will increase green building eligibility criteria (Note 2) properties to at least 95% of CRE REIT's portfolio (based on total floor area) by fiscal year 2027.

Percentage of green building certifications achieved (based on total floor area)



Note 1: Fiscal year is April 1 until March 31. For example, fiscal year 2019 is from April 1, 2019 to March 31, 2020.

Note 2: The eligibility criteria for green buildings in CRE REIT are DBJ Green Building Certification (5 Stars or 4 Stars), CASBEE Certification (S Rank or A Rank), or BELS evaluation (5 Stars or 4 Stars), and properties that have acquired or renewed, or will acquire or renew any of the relevant certifications will fall under the green buildings.