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For Immediate Release

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Notice Concerning Submission of Revised Shelf Registration Statement
for Issuance of Green Bonds

Daiwa House REIT Investment Corporation (“DHR”) hereby announces that it submitted a revised shelf registration statement for issuance of Daiwa House REIT Investment Corporation 9th Unsecured Investment Corporation Bonds (with pari passu conditions among specified investment corporation bonds) (green bonds) (the “Green Bonds”) (nickname: DHR Green Bonds) to the Director-General of the Kanto Local Finance Bureau as of today.

1. Content of the revised shelf registration statement

DHR today submitted a revised shelf registration statement for issuance of the Green Bonds to the Director-General of the Kanto Local Finance Bureau. DHR plans to appoint SMBC Nikko Securities Inc. (green bond structuring agent) (Note), Mizuho Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as the lead managers for the issuance of the Green Bonds and to examine the viability of issuing the Green Bonds and the issue terms such as interest rates. Furthermore, DHR plans to use all the proceeds from the Green Bonds to fund the acquisition of eligible green assets that meet the eligibility criteria (to be described in “3. Mechanism of the issuance of the Green Bonds (green finance framework)” below) and refinance the funds, or to fund renovation work and refinance the funds.

(Note) “Green bond structuring agent” refers to a party who supports the issuance of green bonds through the establishment of a green bond framework and advice on obtaining second-party opinions.

2. Purpose and background of the issuance of the Green Bonds

The basic approach of Daiwa House Group, which DHR’s sponsor Daiwa House Industry Co., Ltd. as well as DHR’s asset manager Daiwa House Asset Management Co., Ltd. (the “Asset Manager”) fall under, is “Creating Dreams, Building Hearts.” As a group that co-creates value for individuals, communities and people’s lifestyles, Daiwa House Group aims to build trust relationships with stakeholders and contribute to society through its businesses in addition to realizing a sustainable society by meeting the challenge of achieving “zero environmental impacts.”

The Asset Manager shares the Daiwa House Group’s basic approach, and considers that including consideration for environment, society, and governance (“ESG”) in its real estate investment management operations contributes to DHR’s basic policy of ensuring stable revenue and steady growth of assets over the long term. Therefore, it has established the “Sustainability Policy” to guide its real estate investment and management.

DHR has participated in the Global Real Estate Sustainability Benchmark (“GRESB”) Real Estate Assessment since 2017, and in 2019, it received for the second consecutive year a rating of “Green Star,” which is granted to companies that were evaluated highly in both the “Management & Policy” and “Implementation & Measurement” evaluation axes for the sustainability assessment. DHR has also received a rating of “3 Stars” on a scale of one to five in the GRESB Rating based on relative evaluation, and a rating of “A,” the highest rating on a scale of one to five in the GRESB Public Disclosure. In addition, DHR has sought external certification and evaluation of its properties by third parties and plans to increase the ratio of properties externally certified and evaluated in its portfolio to 50% or more (on a gross floor area basis).

DHR decided to submit a revised shelf registration statement for issuance of the Green Bonds as it seeks to further promote ESG initiatives with an aim to expand the investor base as well as ensure stable fundraising methods.

3. Mechanism of the issuance of the Green Bonds (green finance framework)

(1) Eligibility as green bonds

DHR formulated a green finance framework in line with the Green Bond Principles 2018, the 2017 Green Bond Guidelines and Green Loan Principles for the implementation of green finance including the issuance of green bonds. As a third-party assessment on the Green Bonds, DHR received a preliminary evaluation rating of “Green 1,” the highest rating in the JCR Green Bond Evaluation (Note 1), from the Japan Credit Rating Agency, Ltd. (“JCR”). Furthermore, upon the acquisition of the third-party assessment for the Green Bonds, JCR received notification stating that it shall be targeted for subsidies from the Ministry of the Environment’s 2019 Financial Support Programme for Green Bond Issuance (Subsidy Project) (Note 2) from general incorporated association Green Finance Organisation.

(Note 1) JCR Green Bond Evaluation denotes the third-party evaluation by JCR to issuers of green bond issuance in accordance with the Green Bond Principles established by ICMA and the Green Bond Guidelines established by the Ministry of the Environment. In this evaluation, JCR evaluates “greenness,” as to whether the proceeds of the bonds are used for green projects, in addition to evaluating the management, operation and transparency of the issuers, and the JCR Green Bond Evaluation is decided comprehensively taking into account these evaluations. The JCR Green Bond Evaluation for the Green Bonds may be found on JCR’s website. <https://www.jcr.co.jp/en/greenfinance/>

(Note 2) Financial Support Programme for Green Bond Issuance (Subsidy Project) refers to a program providing subsidies for expenses incurred by registered issuance supporters that support companies, municipalities and other bodies which seek to issue green bonds by granting external review, consultation on establishing a green bond framework, etc. The requirements for the eligible green bonds are that the full amount of proceeds from the bonds is used for green projects and the bonds also fulfill the following requirements at the time of issuance.

- (i) The green bond falls under (one of) the following items at time of issuance:
 - 1) A project that contributes mainly to domestic decarbonization (renewable energy, energy efficiency, etc.)
 - A project/projects of which half of the proceeds or more, or of which half of the number of projects or more, are for domestic decarbonization-related projects.
 - 2) The green bond has a significant effect on decarbonization and vitalization of local economy
 - Decarbonization – A project/projects whose subsidy amount per ton for domestic CO₂ reduction is less than the specified amount.
 - Vitalization of local economy - Projects that are expected to contribute to vitalization of local economy as part of the ordinance and plan, etc. decided by the municipality, projects for which investment by municipalities can be anticipated, etc.
- (ii) The green bond framework has to be confirmed by an external review organization for compliance with the Green Bond Guidelines before issuance.
- (iii) It is not a so-called greenwashing bond.

(2) Eligibility criteria

The proceeds from green bonds or green loans are planned to be used to fund the acquisition of eligible green assets that meet the following eligibility criteria and refinancing of such funds, or to fund renovation work and refinancing of such funds.

A) Eligibility criteria 1 (eligible green assets)

Properties which have received or will receive certification from a third-party certification body under any of the following 1) to 3).

- 1) DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
- 2) CASBEE for Real Estate Certification: B+ Rating, A Rating or S Rating
- 3) BELS Certification: 3 Stars, 4 Stars or 5 Stars

Status of DHR’s external certifications:

<https://www.daiwahouse-reit.co.jp/en/sustainability/certification.html>

B) Eligibility criteria 2 (renovation work)

Renovation work which is able to reduce energy consumption, CO₂ emissions or water consumption by 10% or more.

4. Upper limit of green bonds issue amount

The upper limit of the amount to be procured through green finance shall be calculated by multiplying the ratio of interest-bearing debt (as of the end of the most recent fiscal period) by the amount that is the sum of the total acquisition price of eligible green assets which meet eligibility criteria 1 and funds for renovation work which meet eligibility criteria 2. The amount, which is to be referred to as the eligible green debt amount, shall be managed so the balance of green finance does not exceed the eligible green debt amount.

5. Reporting

In the event there are unallocated proceeds upon issuance of green bonds, DHR will announce the status of allocation of proceeds on its website once a year until all of the concerned unallocated proceeds are allocated. As long as the funds procured through green finance are outstanding, DHR will confirm twice a year that the balance of funds procured through green finance does not exceed the eligible green debt amount. Furthermore, as long as the funds procured through green finance are outstanding, DHR will disclose the following indicators on its website once a year.

- Number and type of environmental certification that owned properties have received
- Water consumption
- Energy consumption
- CO₂ emissions

DHR plans to receive Green Bond Evaluation or green loan review from JCR mainly pertaining to the status of reporting on the content of disclosures, which include the status of allocation of proceeds and the effects of environment improvement, until its green bonds are redeemed or green loans are repaid.

* Distribution of this material: This material is distributed to “Kabuto Club” (media correspondents’ club of the Tokyo Stock Exchange), the press club of the Ministry of Land, Infrastructure, Transport and Tourism and the press club for construction trade newspapers of the Ministry of Land, Infrastructure, Transport and Tourism.

* DHR’s website: <https://www.daiwahouse-reit.co.jp/en/>