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For Immediate Release

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Notice Concerning Submission of Revised Shelf Registration Statement for Issuance of Sustainability 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 Unsecured Investment Corporation Bonds (with pari passu conditions among specified investment corporation bonds) (sustainability bonds) (the “Sustainability Bonds”) (nickname: DHR Sustainability 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 Sustainability Bonds to the Director-General of the Kanto Local Finance Bureau. DHR plans to appoint SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd. as the sustainability bond structuring agents (Note) and the lead managers for the issuance of the Sustainability Bonds and to examine the viability of issuing the Sustainability Bonds and the issue terms such as interest rates. Furthermore, the entire amount of the proceeds from the Sustainability Bonds will be allocated towards the acquisition of eligible sustainability assets that meet the eligibility criteria (to be described in “3. Mechanism of the issuance of the Sustainability Bonds (Sustainability Finance Framework)” below) or towards refinancing of the borrowings and investment corporation bonds funded to acquire these assets.

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

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

The basic approach of the 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 environmental, social, and governance (“ESG”) considerations in its real estate investment management operations contributes to DHR’s basic policy of ensuring stable revenue and steady asset growth over the long term. Therefore, it has established the “Sustainability Policy” to guide its real estate investment management.

Amid increasing interest in sustainability such as ESG issues in recent years, the Asset Manager has established the Sustainability Committee to promote ESG-focused management based on the Sustainability Policy and implements various measures to achieve sustainability targets. DHR also creates and releases a Sustainability Report to create broad awareness on the ESG initiatives and approaches that DHR and the Asset Manager have implemented to date.

As it tackles these ESG issues, to promote ESG initiatives in the financial realm, DHR believes that creating a “Sustainability Finance Framework” (the “Framework”) will contribute to higher medium- to long-term investor value, and therefore decided to create the Framework.

DHR has submitted a revised shelf registration statement for issuance of the Sustainability 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 Sustainability Bonds (Sustainability Finance Framework)

(1) Eligibility as sustainability bonds

DHR formulated the Framework for the implementation of sustainability finance including the issuance of sustainability bonds in line with the Sustainability Bond Guidelines 2021 (Note 1), the Green Bond Principles 2021 (Note 2), the Social Bond Principles 2021 (Note 3), the Green Loan Principles 2021 (Note 4), the Green Bond Guidelines 2020 (Note 5), and the Green Loan and Sustainability Linked Loan Guidelines 2020 (Note 6). As a third-party assessment on the Framework and Sustainability Bonds, DHR received a final evaluation rating of “SU1 (F)” and a preliminary evaluation rating of “SU1,” the highest ratings in the JCR Sustainability Finance Framework Evaluation (Note 7) and JCR Sustainability Bond Evaluation (Note 8), from the Japan Credit Rating Agency, Ltd. (“JCR”).

(Note 1) The “Sustainability Bond Guidelines” are sustainability bond issuing guidelines created by the International Capital Market Association (ICMA).

(Note 2) The “Green Bond Principles” are green bond issuing guidelines created by the Green Bond Principles and Social Bond Principles Executive Committee, a private sector group whose organizing functions are the responsibility of ICMA.

(Note 3) The “Social Bond Principles” are social bond issuing guidelines created by the Green Bond Principles and Social Bond Principles Executive Committee, a private sector group whose organizing functions are the responsibility of ICMA.

(Note 4) The “Green Loan Principles” are guidelines for loans limited to uses in the environmental field created by the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA).

(Note 5) The “Green Bond Guidelines” were created and released by Japan’s Ministry of the Environment in March 2017 with a focus on compatibility with the Green Bond Principles to further popularize green bonds in Japan. The guidelines provide examples of specific responses and interpretations based on the unique characteristics of the Japanese market as a reference for market participants responsible for green bond issuance to evaluate specific responses related to green bonds. The guidelines were revised in March 2020.

(Note 6) The “Green Loan and Sustainability Linked Loan Guidelines” were created and released by Japan’s Ministry of the Environment in March 2020 with a focus on compatibility with the Green Loan Principles to further popularize green loans in Japan. The guidelines provide examples of specific responses and interpretations based on the unique characteristics of the Japanese market as a reference for borrowers, lenders, and those responsible for green loan issuance at financial institutions to evaluate specific responses related to green loans.

(Note 7) The “JCR Sustainability Finance Framework Evaluation” is a third-party evaluation performed by JCR on the proportion of the funds allocated to social projects or green projects as defined by JCR, as well as on the level of management, operation, and transparency associated with the use of funds in the sustainability finance initiative in question. The overall evaluation is composed of two evaluations. The first, the “Sustainability Evaluation,” evaluates whether the project categories listed in the sustainability finance guidelines of the issuer or borrower correspond to sustainability projects. The second, the “Management, Operation, and Transparency Evaluation,” evaluates the management and operating system as well as the transparency of the issuer or borrower. These two evaluations are used to decide the comprehensive evaluation in the JCR Sustainability Finance Framework Evaluation. Furthermore, to distinguish the JCR Sustainability Finance Framework Evaluation from evaluations on individual bonds or loans, an “F” is added to the end of the evaluation notation. The JCR Sustainability Finance Framework Evaluation may be found on JCR’s website:

<https://www.jcr.co.jp/en/greenfinance/sustainability/>

(Note 8) The “JCR Sustainability Bond Evaluation” is JCR’s third-party evaluation of the sustainability bond issuance of issuers who have accepted the Sustainability Bond Guidelines 2021, the Green Bond Principles 2021, the Social Bond Principles 2021, the Green Loan Principles 2021, the Green Bond Guidelines 2020, and the Green Loan and Sustainability Linked Loan Guidelines 2020. The overall evaluation is composed of two evaluations. The first, the “Sustainability Evaluation,” evaluates whether the use of the funds procured through sustainability bonds corresponds to sustainability projects. The second, the “Management, Operation, and Transparency Evaluation,” evaluates the management and operating system as well as the transparency of the issuer. These two evaluations are used to decide the comprehensive evaluation in the JCR Sustainability Bond Evaluation. The JCR Sustainability Bond Evaluation for the Sustainability Bonds may be found on JCR’s website:

<https://www.jcr.co.jp/en/greenfinance/sustainability/>

(2) Eligibility criteria

The proceeds from sustainability bonds or sustainability loans will be allocated towards the acquisition of eligible sustainability assets that meet the following sustainability criteria, or towards refinancing of the borrowings and investment corporation bonds funded to acquire these assets.

Sustainability eligibility criteria

Assets meeting the green eligibility criteria and social eligibility criteria below

A) Green eligibility criteria

Properties which have received or will receive certification from a third-party certification body under any of the following 1) to 4).

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

Status of DHR's external certifications:

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

B) Social eligibility criteria

New and existing properties that meet two or more of the following four criteria (however, this does not apply to properties with high social importance such as senior living facilities)

- 1) Regional disaster prevention and resilience
Properties with capabilities to provide evacuation sites for disaster victims, disaster stockpiles, and emergency power, as well as to provide lifelines such as running water to local disaster victims through the conclusion of agreements with local governments and disaster cooperation registrations.
- 2) Care and medical services for the elderly and persons with disabilities
Inviting housing designed for elderly people, nursing homes, and medical facilities as tenants and contributing to the healthy, cultured lifestyles of neighborhood residents. Alternatively, barrier-free facilities.
- 3) Child rearing support
Inviting nursery schools and other childcare facilities as tenants and contributing to the promotion of social welfare activities among neighborhood residents.
- 4) Creating employment in projects to resolve regional social issues
Employment that prioritizes the hiring of neighborhood residents as employees at facilities. Alternatively, creating region-wide employment by investing in facilities that have implemented broad-based development to benefit their community.

4. Upper limit of sustainability bonds issue amount

The upper limit of the amount to be procured through sustainability finance shall be calculated by multiplying the ratio of interest-bearing debt (as of the end of the most recent fiscal period) by the total acquisition price of eligible sustainability assets. The amount, which is to be referred to as the eligible sustainability debt, shall be managed so that the balance of unredeemed, outstanding sustainability finance does not exceed the upper limit in question. In addition, eligible sustainability assets are excluded from eligible green assets based on the DHR's Green Finance Framework.

5. Reporting

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

a) Environmental improvement results

- Number and type of environmental certification that owned properties have received
- Specific usage volume
 - Water usage (water consumption)
 - Electric power consumption (energy consumption)
- CO₂ emissions (GHG emissions)

b) Social benefits

Output indicators	Number of eligible sustainability assets
Outcome indicators	<ol style="list-style-type: none"> 1) Regional disaster prevention and resilience <ul style="list-style-type: none"> • Number of facilities that have concluded disaster prevention agreements with local governments • Number of facilities that can provide evacuations sites during a disaster • Other facilities that contribute to disaster prevention. 2) Care and medical services for the elderly and persons with disabilities <ul style="list-style-type: none"> • Number of units that can accept elderly people at facilities for elderly citizens • Number of medical facility tenants 3) Child rearing support <ul style="list-style-type: none"> • Number of people that can be received by certified childcare facilities 4) Creating employment in projects to resolve regional social issues <ul style="list-style-type: none"> • State of employment of local residents at corresponding facilities
Impact	Co-creating value for individuals, communities and people's lifestyles through the revitalization of local environments and the creation of safe and secure regional communities

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