

July 29, 2022

Real Estate Investment Trust Unit Issuer:  
TOKYU REIT, Inc.  
1-12-1, Dogenzaka,  
Shibuya-ku, Tokyo, 150-0043, Japan  
Kazuyoshi Kashiwazaki  
Executive Director  
(Securities Code: 8957)

Investment Management Company:  
Tokyu Real Estate Investment Management Inc.  
Representative:  
Kazuyoshi Kashiwazaki  
Representative Director & President, Chief Executive Officer  
Inquiries:  
Yuji Shimizu  
General Manager, Finance and IR  
TEL: +81-3-5428-5828

## **Notice Concerning Formulation of Green Finance Framework and Acquisition of Green Finance Framework Evaluation**

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that it formulated the green finance framework (the “Framework”) and acquired third-party evaluation.

### 1. Purpose and Background of the Formulation of the Framework

TOKYU REIT aims to improve asset value and increase profits over the medium to long term by investing in highly competitive properties in areas with strong growth potential based on asset management that seeks to ensure growth, stability, and transparency. Since its listing in 2003, it has upheld the basic investment management strategy of “Capital Re-investment Model” through collaboration with the sponsor and aimed for ceaseless value enhancement of the portfolio and investment target area.

In addition, in terms of the environment, TOKYU REIT recognizes the importance of environmental consideration and appropriate disclosure. It established the “Environmental Policy” in 2014 and continues to make efforts contributing to the reduction of environmental impact, such as the acquisition of environmental certification, implementation of energy-saving-related work and introduction of renewable energy.

As part of such efforts, TOKYU REIT formulated the Framework in order to contribute to the realization of a sustainable environment and society through financing in investments contributing to the resolution of environmental issues (green financing) and to strengthen the financing base through the expansion of the investor base interested in ESG investments.

### 2. Overview of Green Finance Framework

#### (1) Use of funds

Funds procured through green finance (the “Procured Funds”) shall be allocated to funds for new acquisition of assets fulfilling the green eligibility criteria ① described in (2) (the “Green Buildings”), funds for renovation work, etc. fulfilling the green eligibility criteria ② described in (2) (the “Renovation Work, etc.”), or refinancing of borrowings or investment corporation bonds required for them (the “Refinancing of Borrowings, etc.”).

#### (2) Green eligibility criteria

##### ① Green Buildings

Structures that have acquired or are scheduled to acquire one of the environmental certifications from third-

party certification bodies in (i) to (iv) below that are effective as of the payment date of green bonds or the drawdown date of green loans.

- (i) DBJ Green Building Certification: 3, 4 or 5 Stars
- (ii) CASBEE Certification: Rank S, A or B+
- (iii) BELS Certification: 3, 4 or 5 Stars
- (iv) LEED Certification: Platinum, Gold or Silver (top three)

② Renovation Work, etc.

Renovation Work, etc. fulfilling one of the criteria in (i) to (iii) below

- (i) Renovation work intending to improve the number of starts or rank by one or more for one of the certifications in green eligibility criteria ①
- (ii) Renovation work capable of reducing energy consumption, greenhouse gas emission or water consumption by 30% or more
- (iii) Introduction or acquisition of facilities related to renewable energy

(3) Evaluation and selection process of projects

① Evaluation and selection process

Upon the evaluation and selection of Green Buildings and Renovation Work, etc., the Finance and IR Division considers the adequacy based on the sustainability policy and green eligibility criteria at Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), which is the investment management company of TOKYU REIT, and the President and Chief Executive Officer conducts evaluation and selection after confirmation by the Sustainability Promotion Committee. The details will be reported at Tokyu REIM’s Board of Directors and TOKYU REIT’s Board of Directors’ meeting.

② Countermeasures taken when there may be a negative impact on the environment and society

When acquiring Green Buildings, Tokyu REIM in advance conducts due diligence and confirms legal compliance, seismic resistance, environmental risks and status of acquisition of environmental certifications from third-party certification bodies for the to-be-acquired assets, after acquiring reports and hearing opinions from external experts. If there are concerns over negative impacts on the environment and society, countermeasures to avoid and alleviate such impact will be discussed and determined after comprehensively taking into consideration the degree of negative impact, necessity of correction, expenses, etc.

In addition, if there are concerns that noise, vibration, etc. may have a negative impact on the environment and society upon the implementation of Renovation Work, etc., Tokyu REIM shall implement countermeasures to avoid and alleviate such impact, such as giving sufficient explanation to the residents.

(4) Management of Procured Funds

① Allocation plan of Procured Funds

The Procured Funds shall be promptly allocated after confirming that they are associated with the acquisition of Green Buildings, implementation of Renovation Work, etc., or refinancing of borrowings, etc. required for them. Moreover, instructions to send the Procured Funds to the asset custodian will be given by the Business Planning & Development Division of Tokyu REIM at the above timing of allocation after the deposit into TOKYU REIT’s account, and the funds will then be sent to the seller or the refinancing destination of borrowings, etc. by the asset custodian.

② Method of tracking and management of Procured Funds

The Procured Funds will be deposited into TOKYU REIT’s account, and the Business Planning & Development Division will track and manage them by using the accounting system at Tokyu REIM. Upon the allocation of funds to the acquisition of Green Buildings, implementation of Renovation Work, etc. or refinancing of borrowings, etc. required for them, the Business Planning & Development Division will conduct payment or redemption/repayment by giving instructions on payment to the asset custodian.

③ Management method of unallocated funds

If there are unallocated funds, the Procured Funds shall be managed as cash or cash equivalents. If the assets subject to the use of funds are excluded from the target due to sale or damage, etc. by the date of redemption

or repayment of the targeted investment corporation bonds or borrowings even after the allocation of the entire amount, the unallocated funds which occur temporarily shall be managed through Portfolio Management (Note).

(Note) “Portfolio Management” refers to the management method of confirming that the total balance of green finance does not exceed the amount of green eligible debt in each fiscal period. Moreover, green eligible debt is calculated with the formula of total acquisition price of Green Buildings × total assets LTV ratio (as of the end of fiscal period) + amount invested in Renovation Work, etc., and is the maximum amount of the balance of green finance.

- ④ Internal audit and external audit on tracking and management  
Tokyu REIM conducts internal audit targeting all businesses including financing business. In addition, TOKYU REIT receives external audit from audit corporations regarding overall accounting including financing.

### (5) Reporting

- ① Reporting of the status of allocation of funds  
The status of allocation (including for each category fulfilling the green eligibility criteria for allocated amount and unallocated amount) is disclosed annually on TOKYU REIT’s website until the Procured Funds are allocated to the use of funds. In addition, if there are significant changes to the situation due to the sale of assets targeted in the use of funds even after the allocation of the entire amount of Procured Funds, such change will be disclosed on TOKYU REIT’s website.
- ② Reporting of the effect on environmental improvement, etc.  
As long as the balance of the Procured Funds exists, the effect of green finance on environmental improvement will be disclosed annually on TOKYU REIT’s website to the extent feasible in a reasonable manner.
- (i) Reporting of Green Buildings
- Type and rank of the acquired environmental certification
  - Energy consumption
  - Greenhouse gas emission
  - Water consumption
- (ii) Reporting of Renovation Work, etc.
- (a) The value or reduction rate before and after the renovation work for one of the following indicators in accordance with the status of compliance with the criteria in the case of renovation work related to energy conservation
- Energy consumption
  - Greenhouse gas emission
  - Water consumption
- (b) Either of the following values in the case of introduction or acquisition of facilities related to renewable energy
- Power generation
  - Greenhouse gas emission

### 3. Evaluation by External Organization

TOKYU REIT acquired Green1 (F), the highest rating in “Green Finance Framework Evaluation,” from Japan Credit Rating Agency, Ltd. (JCR) as a third-party evaluation of the Framework. For details of the “Green Finance Framework Evaluation”, please refer to the following website.

JCR Green Finance Framework Evaluation: <https://www.jcr.co.jp/en/greenfinance/green/>

This notice may contain forward-looking statements, such as current plans, strategies, and future performance. These forward-looking statements are based on judgments obtained from currently available information. Please be advised that, for a variety of reasons, actual results may differ materially from those discussed in the forward-looking statements. Events that might affect actual results include, but are not limited to, fluctuations of the real estate market in Japan, general conditions of the Japanese economy, competitive pressure, and relevant regulations.  
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