



Hankyu Hanshin REIT

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REIT Issuer

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

Hankyu Hanshin REIT, Inc. (hereafter “HHR”) announces it has submitted today a revised shelf registration statement for issuance of green bonds (unsecured investment corporation bonds) (hereafter the “Green Bonds”).

**1. Content of the revised shelf registration statement for issuance of the Green Bonds**

HHR today submitted a revised shelf registration statement for investment corporation bonds to the Director-General of the Kanto Local Finance Bureau to enable issuance of the Green Bonds. HHR plans to appoint SMBC Nikko Securities Inc. (the green bond structuring agent) <sup>(Note)</sup>, Nomura Securities Co., Ltd. and Mizuho Securities Co., Ltd. as lead managers to consider the viability of issuance and the terms of issuance such as interest rates of the Green Bonds and perform other tasks regarding the issuance of the Green Bonds.

HHR plans to use all the proceeds from the Green Bonds to fund the acquisition or renovation work, etc. of specified assets that meet the eligibility criteria (hereafter the “Green Eligible Assets”) (to be described in “3. Overview of the Green Finance Framework” below), or repayment of loans (including green loans) and redemption of investment corporation bonds (including green bonds) required for them.

(Note) “Green bond structuring agent” refers to a party that supports the issuance of green bonds by advising on the formulation of a green bond framework and on obtaining second-party opinions, among other matters.

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

HHR and Hankyu Hanshin REIT Asset Management, Inc. (hereafter the “Asset Management Company”) as its asset management company believe that proper consideration paid to environment, social and governance (hereafter “ESG”) is indispensable for medium-to-long-term competitive edge and sustainable growth of unitholder value. Through our real estate investment and management business, we endeavor to practice the “Sustainability Policy” which we formulated in line with the management philosophy and the criteria on social contribution and environmental preservation of the Hankyu Hanshin Holdings Group.

Under the above-mentioned policy, HHR has participated in the Global Real Estate Sustainability Benchmark (“GRESB”) Real Estate Assessment since 2019, and received a rating of “Green Star,” which is granted to companies that were highly evaluated in both “Management & Policy” and “Implementation & Measurement,” which are two evaluation axes for sustainability assessment. HHR has also received a rating of “3 Star” on a scale of one to five in the GRESB Rating based on relative evaluation in the comprehensive score.

HHR also publishes the Sustainability Report and other documents for the purposes of proactively obtaining green certificates and helping our stakeholders become aware of our efforts. Toward the realization of a sustainable society, HHR promotes activities to solve the issues stated in the Sustainability Policy.

Through procurement of funds by issuing the Green Bonds, HHR will further promote its initiatives concerning sustainability, and procure funds by issuing green bonds with the aim of expanding the investor base while stimulating demand of bond investors who have a strong interest in ESG investment and diversifying fund procurement methods. Thus, HHR decided to submit a revised shelf registration statement for issuance of the Green Bonds.

### **3. Overview of the Green Finance Framework**

HHR formulated a green finance framework (hereafter the “Green Finance Framework”) in line with the Green Bond Principles 2018 <sup>(Note 1)</sup>, Green Bond Guidelines 2020 <sup>(Note 2)</sup>, Green Loan Principles <sup>(Note 3)</sup>, and Green Loan and Sustainability-Linked Loan Guidelines 2020 <sup>(Note 4)</sup> for the implementation of green finance including the issuance of the Green Bonds.

The content of the Green Finance Framework is described below.

#### ***Content of the Green Finance Framework***

##### **(1) Use of proceeds from green finance**

HHR plans to apply the proceeds from green bonds or green loans as funds for acquisition or renovation work of specified assets that meet the eligibility criteria as described in (2) below (hereafter “Eligible Green Assets”), and as funds for repayment of existing loans or redemption of investment corporation bonds that were procured for the acquisition of Eligible Green Assets.

##### **(2) Eligibility criteria**

###### **A) Eligible Green Assets**

The criteria apply to assets for which any of the following green building certifications was obtained or renewed within 36 months prior to the payment date of green bonds or the execution date of green loans or the reporting date based on the Green Finance Framework, or will be obtained or renewed in the future.

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

###### **B) Renovation Work**

The criteria apply to renovation work aiming to meet any of the following standards which were completed within 36 months prior to the payment date of green bonds or the execution date of green loans, or will be completed in the future.

- Improvement of 1 step or higher in the number of Star or the Rank of any of the above-mentioned green building certifications.
- Reduction of 10% or more in any of carbon dioxide emissions, energy consumption or water consumption.
- Any other renovation work pursuing effective improvement in terms of the environment (in which a reduction of 10% or more in the volume of consumption or emissions is expected compared with conventional methods).
- Introduction or acquisition of renewable energy-related facilities.

(3) Process for project evaluation and selection

At the Asset Management Company, the Financial and IR Department drafts the selection of Eligible Green Assets or renovation work projects to which the proceeds from the green finance will be applied. The President and Representative Director will be the Committee Head and the Director in charge of this duty will be the Committee's Operating Officer. The Sustainability Promotion Committee comprising full-time Directors and Directors of Departments and Offices will verify conformity with the eligibility criteria. Then, approval will be given by the Investment Management Committee, of which the President and Representative Director serves as chairman.

(4) Management of procured funds

HHR plans to immediately apply the funds procured through green finance to expenditure that meets the eligibility criteria.

The upper limit of the amount to be procured through green finance (hereafter "Eligible Green Debt Amount") shall be calculated by multiplying the ratio of interest-bearing debt to total assets by the total acquisition price of the Eligible Green Assets owned and the total amount spent for renovation work which meets the eligibility criteria. The total amount of funds procured through green finance shall be managed not to exceed the Eligible Green Debt Amount.

(5) Reporting

As long as the funds procured through green finance are outstanding, HHR will disclose on its website the balance of funds procured through green finance and the Eligible Green Debt Amount on a yearly basis.

Furthermore, as long as the funds procured through green finance are outstanding, HHR will disclose and update once a year the following indicators on its website within the scope that is practicable.

A) Eligible Green Assets

- Name of subject property
- Status of acquisition of green building certification (certification type and rating)
- Energy consumption volume
- Greenhouse gas (CO<sub>2</sub>) emissions volume
- Water consumption volume

B) Renovation work

One of the following quantitative indicators before and after renovation work will be disclosed together with the name of subject property based on purposes for renovation work.

- Status of acquisition of green building certification (certification type and rating)
- Volume of electricity generated by renewable energy and estimated reduced volume of greenhouse gas (CO<sub>2</sub>) emissions
- Estimated reduced volumes of energy consumption, greenhouse gas (CO<sub>2</sub>) emissions or water consumption

(Note 1) "Green Bond Principles 2018" are the guidelines for green bond issuance formulated by the Green Bond Principles Executive Committee, a non-government organization whose secretariat is the International Capital Market Association (ICMA), and are hereafter referred to as "Green Bond Principles."

(Note 2) "Green Bond Guidelines 2020" refers to the guidelines formulated and published in March 2017 and revised

in March 2020 by the Ministry of the Environment of Japan (hereafter “Green Bond Guidelines”). The Green Bond Guidelines, in accordance with the Green Bond Principles, seek to provide market participants with illustrative examples of specific approaches and interpretations tailored to the Japanese market to aid with decision-making regarding green bonds, thereby spurring green bond issuance and investment in Japan.

(Note 3) “Green Loan Principles” are the guidelines for loans formulated by Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA) that limit the uses of proceeds to projects with environmental objectives, and are hereafter referred to as the “Green Loan Principles.”

(Note 4) “Green Loan and Sustainability-Linked Loan Guidelines 2020” refer to the guidelines formulated and published in March 2020 by the Ministry of the Environment of Japan, and are hereafter referred to as the “Green Loan and Sustainability-Linked Loan Guidelines.” The Guidelines, in accordance with the Green Loan Principles for green loans, seek to provide borrowers, lenders and other market participants with illustrative examples of specific approaches and interpretations tailored to the Japanese market to aid with decision-making regarding green loans, thereby spurring utilization of green loans in Japan.

#### 4. External review

For eligibility of the Green Finance Framework <sup>(Note 1)</sup>, HHR has been assigned “Green 1 (F),” the highest evaluation grade in the JCR Green Finance Framework Evaluation by Japan Credit Rating Agency, Ltd. (hereafter “JCR”). For the content and other details of the JCR Green Finance Framework Evaluation, please refer to the following website.

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

Furthermore, as an issuance supporter under the Ministry of the Environment of Japan’s Fiscal 2020 Financial Support Program for Green Bond Issuance <sup>(Note 2)</sup>, JCR has received notification of decision to grant the subsidy from the Green Finance Organization, making the assignment of third-party evaluation of the Green Finance Framework of HHR eligible for grant of the subsidy.

(Note 1) The eligibility of the Green Finance Framework will be secured subject to the acquisition of third-party evaluation to the effect that the Green Finance Framework is in conformity with the relevant principles and guidelines stated in the above-mentioned “3. Overview of the Green Finance Framework.”

(Note 2) “Financial Support Program for Green Bond Issuance” refers to a program providing subsidies for the expenses incurred by those who support companies, municipalities and other bodies who seek to issue green bonds, etc. in the form of granting external reviews, consultation on establishing a green bond or other framework, etc. The requirements for green bonds, etc. to be eligible are that the total amount of proceeds in the case of the issuance of green bonds, and 50% or more of the proceeds in the case of issuance of sustainability bonds, are applied to green projects and that all of the following requirements are met at the time of issuance.

(1) One of the following criteria is met at the time of issuance of green bonds, etc.:

1. Contributes mainly to domestic decarbonization (renewable energy, energy efficiency, etc.)
  - Projects for which not less than half of the procured amount, or of which not less than half of the number of projects target domestic and decarbonization-related projects
2. Has high effects on decarbonization and vitalization of the local economy:
  - Decarbonization effects: Those whose subsidy amount per ton of domestic CO<sub>2</sub> reduction is less than the specified amount
  - Effects on vitalization of local economy: Projects that are expected to contribute to vitalization of the local economy as part of the ordinance and plan, etc. decided by the municipality; and projects for which investment by municipalities can be anticipated, etc.

(2) Compliance of the green bond or other framework with the Green Bond Guidelines has been confirmed by an external review organization before issuance.

(3) Not so-called “green wash bonds” (which means bonds inappropriately called green bonds, etc. even though such bonds have no effect of environmental improvement or the funds procured are not appropriately applied to environment-related projects).

- HHR website: <https://www.hankyuhanshinreit.co.jp/eng/>