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MHR Announces Submission of Revised Shelf Registration Statement for Issuance of Green Bonds

Mori Hills REIT Investment Corporation (hereinafter, “MHR”) announces that it today submitted a revised shelf registration statement (the original shelf registration statement was submitted on December 6, 2019) for the issuance of green bonds (unsecured investment corporation bonds) (hereinafter, “Green Bonds”) as described below.

1. Purpose and Background of Green Bonds Issuance

MHR and Mori Building Investment Management Co., Ltd. (hereinafter, “MIM”) aim to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by emphasizing ESG (Environment, Social and Governance) and investing in high-quality urban assets while striving to improve various environmental and social performance levels.

MHR’s main environmental initiatives include “CO₂ (climate change),” “resource recycling (water and waste),” “increasing greenery and biodiversity,” and “external assessment and green building certification.” MHR actively works to acquire green building certifications such as through CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Real Estate Certification System and DBJ Green Building Certification and the rate of owned properties that are certified (Note) as of today is 93.4% (of which, the rate of highest-rank certification is 71.5%), the highest among J-REITs.

These efforts have been evaluated, MHR received “Green Star” for the eighth consecutive year in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment conducted in 2019 while also receiving “4 Stars,” the second-highest rank, in “GRESB Rating” that reflects an applicant’s relative evaluation based on total GRESB Score on a global perspective.

In order to promote the above environmental initiatives and contribute to the realization of a sustainable society, MHR plans to procure investment funds for projects that are conscious of the environment through the issuance of Green Bonds. It is for this purpose that the revised shelf registration statement is being submitted.

(Note) The rate is calculated based on the acquisition price of assets (this refers to the transaction price indicated in the real estate transaction agreement or trust beneficiary interest transaction agreement of each asset (excluding the equivalent of consumption tax and local consumption tax); the same follows hereinafter). Furthermore, Laforet Harajuku (land) has been exempted from the total.

2. Structure of MHR’s Green Bonds

For the issuance of green bonds, MHR has formulated a green bond framework conforming to the Green Bond Principles 2018 stipulated by the International Capital Market Association and the Green Bond Guidelines, 2017 by the Ministry of the Environment. MHR conducts management based on this framework.

Funds procured through green bonds shall be allotted to funds for the acquisition of assets that meet the eligibility criteria (Note) (hereinafter, “Eligible Green Projects”) and which are selected by the Sustainability Committee of MIM and determined by the CEO, as well as for refinancing funds required in borrowings made for the acquisition of Eligible Green Projects and for funds for the redemption of previously issued investment corporation bonds (including green bonds). MHR will conduct management so that the green bond issue balance does not exceed the total acquisition price of Eligible Green Projects.

As of today, 8 properties with the total acquisition price of 355.9 billion yen fall under the category of Eligible Green Projects.

Moreover, as long as there is a green bond issue balance, MHR plans to disclose the property names, total acquisition price, and allocation amount of Eligible Green Projects as well as the issue balance of green bonds, the type and level of certification acquired by each Eligible Green Project, and the amount of CO₂ emissions and energy consumption on its website on an annual basis.

(Note) “Assets that meet the eligibility criteria” refers to assets for which either of the following certifications have been acquired or renewed within a 24-month period from the green bond payment date or as of either reporting, or for whom acquisition or renewal is scheduled in the future.

- Rank of A or S in CASBEE Real Estate/Building Certification System
- Four stars or five stars in the DBJ Green Building Certification
- Four stars or five stars in the BELS (Building-housing Energy-efficiency Labeling System) Certification

3. Evaluation by External Organization

MHR has obtained a second-party opinion from Sustainalytics, an ESG rating agency, for the eligibility of green bond framework. (Note 1)

For details of the second-party opinion, please refer to the following website.

<https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2020/10/Mori-Hills-REIT-Investment-Corporation-Green-Bond-Second-Party-Opinion.pdf>

Furthermore, in acquiring said second-party opinion, with regard to this being eligible for the granting of a subsidy from the Ministry of the Environment’s 2019 Financial Support Programme for Green Bond Issuance (Note 2), the issue supporter, Sustainalytics, has received a notice from the Green Finance Organization stating that the granting has been determined.

(Note 1) Being eligible for green bond framework means complying with the four requirements set by the Green Bond Principles: use of proceeds, project evaluation and selection process, management of proceeds and reporting.

(Note 2) The Financial Support Programme for Green Bond Issuance is a project that provides subsidies for the expenses that are required by registered parties who support companies, municipalities and other bodies who seek to issue green bonds, in the form of granting external reviews, consultation on establishing a green bond framework, etc.

For details of the Financial Support Programme for Green Bond Issuance, please refer to the following website.

The Green Bond Issuance Promotion Platform of the Ministry of the Environment website:

<http://greenbondplatform.env.go.jp/en/support/subsidy.html>

4. Future Plan

While the issue period, issue amount, and other conditions, etc. of the Green Bonds are yet to be determined, conditions for the issue are planned to be deliberated through marketing activities.

- MHR’s website address is <https://www.mori-hills-reit.co.jp/en/>