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REIT Issuer

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Notice Concerning Acquisition of Third-Party Evaluation of Green Finance Framework

NTT UD REIT Investment Corporation (the “NUD”) announces that it has acquired a third-party evaluation for the green finance framework (the “Framework”) it formulated for the implementation of green finance (Note) as described below.

(Note) Green finance refers to borrowings as well as issuance of investment corporation bonds aimed at allotting all proceeds to funds for the acquisition of green eligible assets or for the refinancing of said funds.

1. Summary of Acquired Third-Party Evaluation

NUD acquired a “Green 1 (F)” rating, the highest assessment in the JCR Green Finance Framework Evaluation (Note 1), for the following Framework from the Japan Credit Rating Agency, Ltd. (“JCR”), a third-party evaluation institution.

2. Purpose of Formulation and Background of the Framework

The NTT Urban Solutions Group, to which NUD and its asset management company NTT Urban Development Asset Management Corporation (the “UDAM”) belong, aims to fulfill its corporate social responsibility (CSR) through operations based on the CSR basic policy stipulated by NTT Urban Solutions, Inc.

Moreover, in view of prioritizing the interest of investors in the medium to long term, NUD and UDAM have recognized the importance of ESG considerations and have incorporated such into real estate investment management operations in general.

As part of these efforts, NUD has participated in GRESB Real Estate Assessment (<https://gresb.com/>) since 2015, and in 2020, it was selected as a Sector Leader, which is awarded to participants who achieved the highest GRESB Overall Score (and those who are within 1.0 point from the top performer), for the diversified (office/residential) sector in Asia. NUD also received “4 Stars” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. Moreover, NUD earned a Green Star designation for the fifth consecutive year, indicating the participant had been highly evaluated in both organizational and performance aspects with regard to activities for environmental consideration and sustainability.

Furthermore, in the GRESB Public Disclosure Level Evaluation Scheme, NUD has acquired a rating of “A,” the highest level of assessment.

The formulation of the green finance framework for implementing green finance and the acquisition of the third-party evaluation aim to promote further ESG activities going forward as well as further expand the investor base and secure stable methods of fund procurement.

3. Summary of the Green Finance Framework**(1) Competence of the Framework**

The Framework was formulated in conformity to the following principles and guidelines.

- (1) Green Bond Principles 2018 (Note 2)
- (2) Green Loan Principles 2020 (Note 3)
- (3) Green Bond Guidelines 2020 (Note 4)
- (4) Green Loan and Sustainability Linked Loan Guidelines 2020 (Note 5)

(2) Use of Proceeds

All proceeds from green finance are scheduled to be allotted to funds for the acquisition of "green eligible assets" which satisfy the eligibility criteria,* funds for the refinancing of borrowings made for the acquisition of said assets or funds for the redemption of outstanding investment corporation bonds required for the acquisition of said assets.

* The eligibility criteria is satisfied when a property acquired by or scheduled to be acquired by NUD meets the conditions of (1) or (2) below.

(1) Green Building

Either of the following four certifications by third-party evaluation institutions has been acquired for the property acquired/scheduled to be acquired.

- a. 3 to 5 stars of the DBJ Green Building Certification
- b. B+ to S rank of CASBEE for Buildings (New Construction/Existing Buildings/Renovation) or CASBEE Real Estate Certification
- c. 3 to 5 stars of BELS Certification
- d. Silver to Platinum rank of LEED Certification

* Properties for which BOMA360 Performance Program (BOMA360) is acquired are included, assuming acquisition of the above certifications.

(2) Energy-Saving Capabilities

The property has an energy reduction rate (ERR) of 30% or more.

(3) Management of Proceeds

Proceeds from green finance are scheduled to be allotted to funds for the acquisition of green eligible assets or to refinancing of said assets promptly after procurement of the proceeds or at an early stage. The proceeds will be managed as cash or cash equivalents until their allotment is determined.

With regard to the management of the balance during the period prior to redemption or repayment of green finance and unallocated proceeds in case of sale of asset targeted for use of proceeds or temporary unallocated proceeds generated due to damage, etc., portfolio management* will be applied.

* Portfolio management refers to a method of management in which it is confirmed in each fiscal period that the total green finance balance does not exceed the upper limit of green eligible liabilities (total acquisition price of assets satisfying eligibility criteria multiplied by total assets LTV)

(4) Reporting

- (1) If there are unallocated proceeds when green bonds are to be issued or green loans are to be made, NUD will disclose the balance of unallocated proceeds and its plans for allocation on its website.
- (2) If an asset targeted for the use of proceeds is sold before the redemption date or the repayment date, the green finance balance and upper limit of green eligible liabilities will be disclosed through the news release concerning the sale of the asset, as the balance is being managed through portfolio management.
- (3) With regard to the periods after the implementation of green finance, the following items will be disclosed in the form of impact reporting (reporting on environmental improvement effects) on NUD's website at the end of April every year.

- Number of green eligible assets
- Number, type and level of environmental certifications of acquired assets
- The following quantitative indices concerning green eligible assets
 - Energy consumption
 - CO₂ emissions
 - Water consumption

* Disclosed within the scope of PIC's energy management rights

(Note 1) The JCR Green Finance Framework Evaluation is a third-party evaluation by JCR on the policy for the issuance of green bonds or the borrowing of green loans (green finance policy) of an issuer or a borrower based on the Green Bond Principles formulated by the ICMA, the Green Loan Principles formulated by the LMA and the APLMA and the Green Bond Guidelines and the Green Loan and Sustainability Linked Loan Guidelines formulated by the Ministry of the Environment.

In this evaluation, JCR conducts a "greenness evaluation" to assess whether the projects stated in the green finance policy of the issuer or the borrower fall under green projects, as well as a "management, operation and transparency evaluation" to assess the management and operation structure and transparency of the issuer or the borrower. Then, as the overall evaluation results of these assessments, the JCR Green Finance Framework Evaluation is determined.

To differentiate the JCR Green Finance Framework Evaluation from the evaluation of individual bonds and borrowings, the JCR Green Finance Framework Evaluation is indicated by adding (F) to the tail end of the evaluation symbol.

The JCR Green Finance Framework Evaluation of NUD is posted on the following website of JCR:
(Japanese) <https://www.jcr.co.jp/greenfinance/>

- (Note 2) The Green Bond Principles 2018 is guidelines for issuance of green bonds, formulated by the Green Bond Principles Executive Committee, a private organization administered by the International Capital Market Association (ICMA).
- (Note 3) The Green Loan Principles 2020 are principles for green loans formulated by the Loan Market Association (LMA) and others in light of the ICMA's Green Bond Principles. Green loans refer to various types of loans in which all proceeds are allotted to the initial investment or refinancing of all or part of new or existing green projects.
- (Note 4) The Green Bond Guidelines 2020 are guidelines established and announced by the Ministry of the Environment in March 2017, and revised in March 2020 in consideration of consistency with the Green Bond Principles, provide illustrative examples of specific approaches and interpretations which are tailored to Japan's bond market to aid with decision-making regarding green bonds for the purpose of further increasing issuance of green bonds in the domestic market.
- (Note 5) The Green Loan and Sustainability Linked Loan Guidelines 2020 refers to the guidelines formulated and published by the Ministry of the Environment in March 2020. The guidelines provide examples of concrete responses that can be used by borrowers, lenders, and other officials of relevant organizations when examining concrete responses to green loans, and interpret them in accordance with the characteristics of Japan, in order to further promote green loans in Japan, while giving consideration to the consistency of green loans with the principles of green loans.

* NUD's website is <http://www.nud-reit.co.jp/en/>

** Neither NUD nor UDAM makes any assurance or warranty with respect to the completeness or accuracy of this English translation. For more complete and accurate information, please refer to the original announcement in Japanese.