

## Environment

# Sustainability Finance

### Policy and Concept

Sustainability finance refers to bonds and loans to raise funds specifically for the purpose of promoting sustainability by addressing environmental issues such as climate change or social issues such as poverty, health, and economic disparity.

The Tokyo Tatemono Group promotes urban development that contributes to solving social issues. We strive to improve the attractiveness of the areas in which we develop and to increase the value of our entire portfolio of owned office buildings. We aim to channel these efforts toward our sustainable growth as a company.

In this era of dramatic change and increasing uncertainty, we will accelerate the cycle of allocating the funds we raise to sustainable projects. We will help build a low carbon, sustainable society by balancing, at a high level across our operations, the need to address social issues with the need for business growth.

### Sustainability Finance Framework

Tokyo Tatemono has established the Sustainability Finance Framework, which applies the four requirements defined in the Green Bond Principles and Social Bond Principles referred to in the International Capital Markets Association's (ICMA) Sustainability Bond Guidelines: Use of Proceeds; Process for Project Evaluation and Selection; Management of Proceeds; and Reporting.

#### ■ Use of Proceeds

Proceeds will be allocated to projects that meet eligibility criteria such as the acquisition or construction of green buildings, social projects addressing social problems, or will be used for refinancing such projects.

#### ■ Process for Project Evaluation and Selection

The Finance and Corporate Communications Departments select projects that meet the eligibility criteria. The final decision is made by the president or a director in charge of the Finance Department.

#### ■ Management of Proceeds

The status of the allocation of proceeds is tracked and managed by the Finance Department using an internal control system. The results are confirmed by the director in charge of the Finance Department or the head of the Finance Department on a quarterly basis. The proceeds are managed as cash or cash equivalents until they are allocated. For unallocated proceeds, should they arise, projects will be selected from among projects that meet the eligibility criteria. The unallocated

proceeds will be managed in cash or cash equivalents until their reallocation is decided.

#### ■ Reporting

- We report the allocation status of proceeds on our website once a year until all proceeds classified for allocation reporting are fully allocated.
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### Environmental Improvement Impact

During construction period	Progress of certification acquisition procedures
After completion	List of effective environmental certifications, energy consumption*, CO <sub>2</sub> emission levels*, water consumption*

\* Actual levels for all Tokyo Tatemono facilities whose data is covered by the Act on the Rational Use of Energy, including green buildings that meet the eligibility criteria. Indicates data that has received third-party certification by Lloyd's Register Quality Assurance Limited (LRQA) to ensure its integrity.

### Social Benefits (Outcomes)

Project maintenance status	» Project maintenance status (progress for projects under development) Project Description ■ Space for receiving stranded commuters ■ Disaster prevention stockpiling for stranded commuters ■ Cogeneration system (CGS) ■ Barrier-free pedestrian network ■ Comprehensive initial medical treatment facilities and childcare support facilities for foreign nationals
	» Number of events held » Number of companies using the facility

### Eligibility Criteria

Green Project	Eligible properties are those that have already acquired or are scheduled to be certified/recertified as one of the top two ranks in any of the third-party certification bodies, listed in (1) to (3) below. (1) 4 or 5 stars in the DBJ Green Building Certification (2) A or S rank in the CASBEE building assessment (new buildings) (3) 4 or 5 stars in the BELS Evaluation Certification
Social project	Projects that contribute to any of the following (1) to (3) (1) Basic infrastructure development and access to essential services (2) Socioeconomic improvement and empowerment (3) Food safety

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### Sustainability Finance

#### Impact

Urban development that contributes to solving social issues	» Respecting local history and culture while contributing to addressing issues in a wider area and issues that will affect future generations
	» Contributing to the realization of a sustainable society by reducing environmental impact and strengthening countermeasures against natural disasters
	» Creating new value through collaboration with diverse partners and through the use of advanced technology
	» Providing barrier-free and universal design for ease of use by a variety of customers

#### Achievements in Sustainability Finance

##### ■ Issuance of Green Hybrid Bonds

In March 2019, we issued Japan's first (and the world's first for the real estate sector) green hybrid bond with an issue size of 50 billion yen. As the largest green bond issue in Japan and with a record number of investment commitments, it also won the Silver Prize (Minister of the Environment's Prize) in the bond category of the first ESG Finance Awards Japan for its environmental improvement effects and high level of transparency in the use of funds.



#### Overview of Green Bonds

Name	2nd Series Subordinated Bonds (Green Bond)
Pricing date	March 8, 2019
Issue date	March 15, 2019
Redemption date	March 15, 2059
Issue amount	50 billion yen
Use of proceeds	Funding for acquisition, construction and refinancing of Hareza Ikebukuro Refinancing of the acquisition and construction of Nakano Central Park South
External evaluation	Green 1 (JCR)

#### Green Bond Reporting

Funding Allocation Status	<ul style="list-style-type: none"> <li>» Hareza Ikebukuro: 20,000 million yen (fully allocated)</li> <li>» Nakano Central Park South: 29,516 million yen (fully allocated)</li> </ul> <small>* as of December 31, 2020</small>
Environmental Improvement Impact	<ul style="list-style-type: none"> <li>» Hareza Tower (Hareza Ikebukuro)                             <ul style="list-style-type: none"> <li>■ DBJ Green Building Certification: 5 stars</li> <li>■ CASBEE-Buildings (New Construction): Class S</li> <li>■ BELS certification: 5 stars (ZEB Ready)</li> </ul> </li> <li>» Nakano Central Park South:                             <ul style="list-style-type: none"> <li>■ DBJ Green Building Certification: 5 stars</li> <li>■ Energy consumption/CO<sub>2</sub> emissions:                                     <ul style="list-style-type: none"> <li>📖 <a href="#">Responding to Climate Change P.24</a></li> </ul> </li> <li>■ Water consumption:                                     <ul style="list-style-type: none"> <li>📖 <a href="#">Water Resources P.31</a></li> </ul> </li> </ul> </li> </ul>

#### TOPICS

### Received the Gold Award (Minister of the Environment Award), the highest award in the ESG Finance Awards Japan

The ESG Finance Awards Japan recognizes and commends the efforts of investors and financial institutions that have made an outstanding impact on the environment and society through proactive efforts in ESG finance and green projects. The Awards also recognize and commend companies that have enhanced their corporate value and worked to have a positive impact on the environment by incorporating environment-related opportunities and risks into their management strategies. The Awards were established by Japan's Ministry of the Environment with the aim of celebrating these achievements and sharing them with society as a whole.



Our sustainability financing has been recognized in the fundraiser category of the awards, with the Green Hybrid Bond (issued in 2019) winning the Silver Award (Minister of the Environment Award) in the first round, and the Sustainability Bond (issued in 2020) winning the Gold Award (Minister of the Environment Award), the highest award in the second round. In the second round, the Sustainability Bond (issued in 2020) received the highest award, the Gold Award (Minister of the Environment Award). Tokyo Tatemono Group is the only company in the fundraiser category to have received this award in consecutive years.



Award Ceremony for the inaugural ESG Finance Awards Japan  
Hitoshi Nomura, Representative Director, President and CEO (left)  
Shinjiro Koizumi, Minister of the Environment (right)

Note: At the second award ceremony, photography was cancelled due to social distancing measures during the coronavirus pandemic.

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#### ■ Issuance of Sustainability Bonds

In July 2020, in a first for a real estate sector company in Japan, Tokyo Tatemono issued a sustainability bond worth a total of 40 billion yen. The sustainability bond issued this time is not limited to a single building, but instead involves a package of funds to cover the overall urban development of the Yaesu-Nihonbashi-Kyobashi area of central Tokyo. In an initiative that

is groundbreaking even by global standards, the proceeds will be allocated to developing this area as a seeding ground for comprehensive solutions to social issues, from combating climate change, strengthening disaster prevention and mitigation, and medical cooperation, to addressing food issues and building an innovation ecosystem.

Despite a historically high supply of bonds at the time of the

issuance, demand for the bond was strong. Many investors were impressed by the significance of the issuance, the issuance scheme, and the expected impact. The bonds have the largest-ever issue amount and gained the largest number of investors as sustainability bonds issued by a Japanese company not operating in finance.

#### Overview of Sustainability Bonds

<b>Name</b>	31st and 32nd Unsecured Corporate Bonds (Sustainability Bonds)
<b>Pricing date</b>	July 10, 2020
<b>Issue date</b>	July 16, 2020
<b>Redemption date</b>	July 16, 2025 (31st), July 16, 2030 (32nd)
<b>Issue amount</b>	20 billion yen (31st issue), 20 billion yen (32nd issue)
<b>Use of proceeds (framework)</b>	Urban development of the Yaesu/Nihonbashi/Kyobashi area next to Tokyo station, as a contribution to solving social issues (1) Yaesu 1-chome East District Urban Redevelopment Project in front of Tokyo Station (Yaesu Project) (2) Yaesu 1-chome North District Urban Redevelopment Project (Gofukubashi Project) (3) Tokyo Square Garden (4) Tokyo Tatemono Nihonbashi Building (5) City Lab TOKYO (6) TOKYO FOOD LAB (7) xBridge-Tokyo / xBridge-Tokyo Next (8) Kitchen Studio SUIBA (9) TOKYO IDEA EXCHANGE
<b>External evaluation</b>	SU1 (F) (JCR)

#### Sustainability Bonds Reporting

<b>Status of allocation of proceeds</b> (as of December 31, 2020)		<ul style="list-style-type: none"> <li>&gt;&gt; Yaesu Project: 15,000 million yen (fully allocated)</li> <li>&gt;&gt; Tokyo Square Garden: 14,000 million yen (fully allocated)</li> <li>&gt;&gt; Tokyo Tatemono Nihonbashi Building: 3,912 million yen</li> <li>&gt;&gt; Social projects (5) to (9): 798 million yen (fully allocated)</li> </ul>
<b>Environmental Improvement Impact</b>	<b>Certifications in progress</b>	None
	<b>Certified</b>	<ul style="list-style-type: none"> <li>&gt;&gt; Tokyo Square Garden                             <ul style="list-style-type: none"> <li>■ DBJ Green Building Certification: 5 stars</li> </ul> </li> <li>&gt;&gt; Tokyo Tatemono Nihonbashi Building                             <ul style="list-style-type: none"> <li>■ DBJ Green Building Certification: 4 stars</li> <li>■ Energy consumption/CO<sub>2</sub> emissions:  Responding to Climate Change P.24</li> <li>■ Water consumption:  Water Resources P.31</li> </ul> </li> </ul>
<b>Social benefit</b>	<b>Status of project development</b> (as of December 31, 2020)	<ul style="list-style-type: none"> <li>&gt;&gt; Yaesu Project / Demolition in progress</li> <li>&gt;&gt; Tokyo Square Garden / Development of space for receiving stranded commuters, disaster prevention stockpiling for stranded commuters, comprehensive initial medical treatment facilities and childcare support facilities for foreign nationals</li> <li>&gt;&gt; Tokyo Tatemono Nihonbashi Building / Development of space for receiving stranded commuters, disaster prevention stockpiling for stranded commuters, and barrier-free pedestrian network</li> </ul>
	<b>Project Usage</b> (January – December 2020)	<ul style="list-style-type: none"> <li>&gt;&gt; Number of events held: 165</li> <li>&gt;&gt; Number of companies using the facility: 173</li> </ul>

\* Project usage: The sum of usage at City Lab TOKYO, TOKYO FOOD LAB, xBridge-Tokyo, xBridge-Tokyo Next, Kitchen Studio SUIBA, and TOKYO IDEA EXCHANGE.