

For Translation Purposes Only

Real Estate Investment Trust Securities Issuer:  
Samty Residential Investment Corporation  
1-8-3 Marunouchi, Chiyoda-ku, Tokyo  
Masafumi Takahashi, Executive Director  
(Securities Code: 3459)

Asset Management Company:  
Samty Asset Management Co., Ltd.  
Masafumi Takahashi, Representative Director  
Inquiries: Hidekazu Nizawa  
Director  
Head of Business Management Division  
Phone: + 81-3-5220-3841

Notice Concerning Formulation of Green Finance Framework and Acquisition of Third-Party Evaluation  
for Green Finance Framework

Samty Residential Investment Corporation (“Samty Residential”) hereby announces that it has formulated a Green Finance Framework (the “Framework”) and obtained a third-party evaluation as follows.

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

The basic philosophy of Samty Residential is “revitalizing Japan’s economy starting with its regional cities by investing in high-quality residential assets in a wide range of regional cities throughout Japan in accordance with the actual conditions and characteristics of each area.” Through these investment activities, we have been striving to secure stable income and increase unitholder value. Based on this philosophy, Samty Asset Management Co., Ltd. (the “Asset Management Company”), which manages the assets of Samty Residential, has established and strives to put into practice its “Sustainability Policy” under the recognition that environmental, social and governance considerations and carrying out initiatives for the promotion of sustainability in asset management would serve to maximize the interest of customers over the medium to long term.

As part of our ESG initiatives, we have been promoting environmentally friendly and energy-saving initiatives in our owned properties through participation in the GRESB Real Estate Assessment since 2021 and acquisition of certification and evaluation by external evaluation organizations such as DBJ Green Building Certification. Samty Residential has formulated the Framework in order to further promote sustainability initiatives and contribute to the realization of a sustainable environment and society through financing investments that contribute to solving environmental issues (green finance), as well as to strengthen its financing base by expanding a base of investors who are interested in ESG investment. Daiwa Securities Co. Ltd. has been appointed as the green finance structuring agent.

**2. Overview of the Framework**

(1) Use of Procured Funds

The funds procured through green finance (the “Procured Funds”) will be used to acquire assets that meet the green eligibility criteria listed in ① below (“Green Buildings”), conduct renovation work, etc. that meets the green eligibility criteria listed in ② below (“Renovation Work, etc.”), or refinancing of borrowings or investment corporation bonds required for such acquisition or renovation (“Refinancing of Borrowings, etc.”).

Green Eligibility Criteria

① Green Buildings

Buildings that have acquired or are scheduled to acquire any of the following environmental certifications by the respective third-party certification bodies (i) through (iii), that are valid as of the payment date of green bonds or as of the drawdown date of green loans

- (i) DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
- (ii) CASBEE Evaluation Certification: Rank S, Rank A, or Rank B+

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- (iii) BELS Certification: 3 Stars, 4 Stars or 5 Stars
  - ② Renovation Work, Etc.  
Renovation Work, etc. that fulfills any of the following conditions (i) through (iii)
    - (i) Renovation work intended to improve the number of stars or ranks by one or more for any of the certifications listed in ① in the green eligibility criteria
    - (ii) Renovation work with the potential of reducing either energy use or greenhouse gas emissions by 30% or more
    - (iii) Installation or acquisition of equipment related to renewable energy
- (2) Evaluation and Selection Process of Projects  
The Sustainability Promotion Office of the Asset Management Company will verify and evaluate the compliance with the green eligibility criteria for the projects for which the Procured Funds will be used, in accordance with the Sustainability Policy and the rules on the Sustainability Promotion System. Based on such verification and evaluation, the Asset Management Company's Board of Directors and other appropriate bodies will resolve to implement green finance pursuant to the Asset Management Company's internal rules.
- (3) Management of Procured Funds  
The Procured Funds will be allocated promptly after the Asset Management Company confirms that they are linked to the acquisition of a Green Building, conducting of Renovation Work, etc., or Refinancing of Borrowings, etc. required for such.  
Any unallocated Procured Funds will be managed by the Asset Management Company in cash or cash equivalents. In the event that, even after full allocation, the asset for which the funds were intended to be used becomes no longer the subject of the funds due to sale, damage, etc. before the redemption of the subject investment corporation bonds or repayment of the borrowings, the temporary unallocated funds will be managed through portfolio management<sup>(Note)</sup>.
- (Note) "Portfolio management" is a management method to ensure that the total amount of green finance outstanding does not exceed the upper limit amount of green eligible debt (total acquisition price of Green Buildings x total-asset based LTV (as of the end of the fiscal period) + the total amount allocated for Renovation Work, etc.) for each fiscal period.
- (4) Reporting
- ① Reporting of Funds Allocation Status  
Until the Procured Funds are allocated to the specified use, allocation status (including the amounts allocated and unallocated for each category of the green eligibility criteria) will be disclosed on an annual basis on Samty Residential's website. Even after the full amount of the Procured Funds has been allocated, any major changes in circumstances, such as the sale of assets for which the funds were used, will be disclosed on Samty Residential's website.
  - ② Reporting on Environmental Improvement Effects, Etc.  
As long as there is an outstanding green finance balance, and to the extent reasonably practicable, Samty Residential will disclose on its website on an annual basis environmental improvement effects for the following.
    - (i) Green Building Reporting
      - (a) Type and rank of acquired environmental certification
      - (b) Energy use
      - (c) Greenhouse gas emissions
    - (ii) Reporting on Renovation Work, Etc.
      - (a) For renovation work intended to improve the number of stars or ranks by one or more for any of the certifications listed in (1) in the green eligibility criteria, the following indicator values
        - Type and rank of acquired environmental certification
      - (b) For renovation work with the potential of reducing either energy use or greenhouse gas emissions by 30% or more, the values or the reduction percentage before and after the renovation work for one of the following two indicators, in accordance with the status of compliance with the criteria
        - Energy use
        - Greenhouse gas emissions

- (c) For installation or acquisition of equipment related to renewable energy, the values or the reduction percentage for one of the following two indicators
- Amount of electricity generated
  - Greenhouse gas emissions

**3. Assessment by External Institutions**

In a third-party assessment of the Framework, Samty Residential obtained a Green 1 (F) rating, the highest rating in the JCR Green Finance Framework Evaluation from Japan Credit Rating Agency, Ltd. (JCR). Please refer to the following website for details regarding the JCR Green Finance Framework Evaluation.

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

- \* Samty Residential Investment Corporation website: <https://samty-residential.com/en/>