

———— Green Loan Evaluation by Japan Credit Rating Agency, Ltd. ————

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Loan Evaluation Results.

JCR Assigned Green 1 to Daiwa Green Finance Program Trust ABL for Iwamizawa and Kushiro Solar Power Generation Facilities

Subject	:	Daiwa Green Finance Program Trust ABL (Iwamizawa and Kushiro Solar Power Generation Facilities)
Type	:	ABL
Amount	:	JPY 2.2 billion
Date of Loan Execution	:	March 27, 2020
Final Repayment Date	:	June 30, 2036
Redemption Method	:	Schedule repayment
Use of Proceeds	:	Funds for the acquisition of solar power generation facilities

<Green Loan Evaluation Results>

Overall evaluation	Green 1
Greenness Evaluation (use of proceeds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

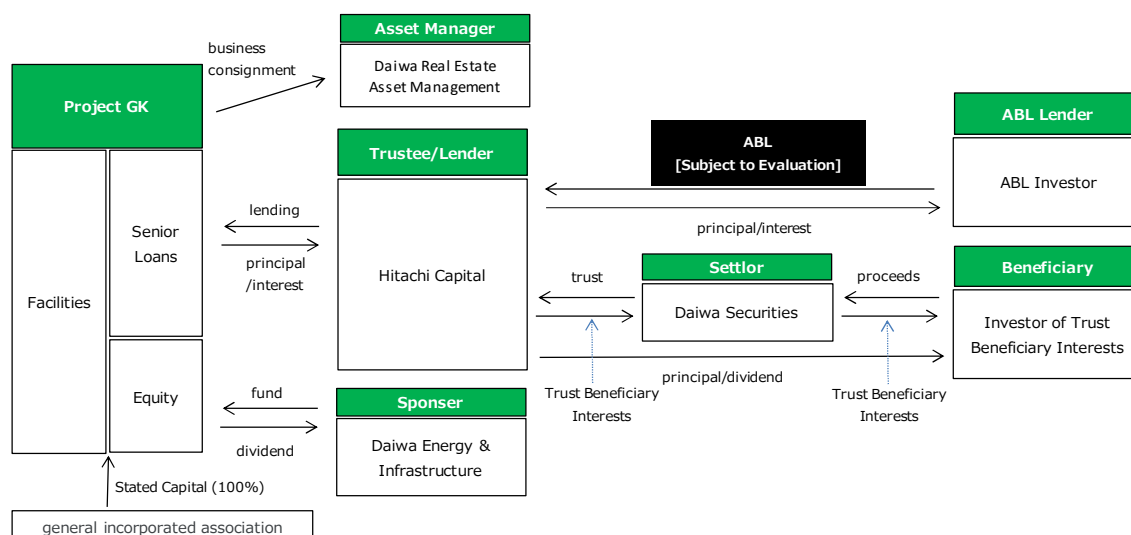
Daiwa Energy & Infrastructure Co. Ltd. (the “Company”), a wholly owned subsidiary of Daiwa Securities Group Inc., was established to support the creation of future societies by promoting energy investments and loans based on SDGs and technology. The Company started operations in 2018 with the Energy Investment Division of Daiwa PI Partners Co. Ltd. as its predecessor. The Company aims to provide “new value” and contribute to SDGs by investing in renewable energy, infrastructure, and resources. As of September 2019, about 50% of the Company’s investments are renewable energy, including domestic and overseas solar power generation facilities. The Company intends to continue to actively invest in this field. To date, it has developed approximately 103MW of solar power generation facilities and 13MW of biomass power plants and all completed renewable energy projects have been operating stably. The environmental initiatives through renewable energy have been steadily implemented.

The subject to be evaluated is the trust ABLs (the “ABLs”) backed by the loan for the fund for the acquisition of the solar power generation facilities. Hokkaido Renewable Energy Initiative Platform LLC (the “Project GK”), a joint venture company developed by the Company will acquire the facilities. The Company is a sponsor of the Project GK

and invests in silent partnerships. Project GK acquires the solar power generation facilities by borrowing loans from Hitachi Capital Trust Corporation (“Hitachi Capital”), a trustee of the ABLs, and by receiving fund by silent partnerships. Loans from Hitachi Capital are financed by funds raised through the money trust. Hitachi Capital executes loans to Project GK subject to predetermined conditions such as conclusion of the related agreements. During the loan period, principal and interest payment will be made to the ABL Lender in a manner predetermined by the loan agreement of the ABLs, funded by the revenue from the sales of the solar power generation facilities.

[Scheme Chart]

JCR confirmed that 100% of the funds procured by the ABLs will be used to finance the acquisition of the solar



power generation facilities, and that the annual CO₂ emissions reductions by the solar power generation facilities are expected to be 9,214 t-CO₂. In addition, JCR confirmed that the Company recognizes the negative environmental impact that could be anticipated in the implementation of the project under the supervision of the relevant internal department and external third-party organizations, and takes necessary avoidance and mitigation measures. From the above, JCR considers that the ABLs are for green projects with high environmental improvement effects.

JCR evaluates that the management of the fund raised through the ABLs has been established because of the funding allocation plan and the funding for the green projects, the implementation of tracking management, and the absence of any particular concerns regarding the operation of unallocated funds. In addition, as the appropriation of funds and the content of reports on the environmental improvement effects are appropriate, JCR evaluates that transparency of the ABLs to investors is high.

As a result, based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1" for the "Greenness Evaluation (use of proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation". Consequently, JCR assigns "Green1" for overall "JCR Green Loan Evaluation." Detailed evaluation results are discussed in the next chapter.

The ABLs meet the standards for the Green Bond Guidelines by the Ministry of the Environment and the standards for the Green Loan Principles¹².

¹ ICMA(International Capital Market Association) Green Bond Principles 2018
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² Ministry of the Environment Green Bond Guidelines 2017
http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

Chapter 2: Current Status of the project on each evaluation factor and JCR's evaluations

Evaluation Phase 1: Greenness Evaluation

Based on the current situation described in detail below and JCR's evaluation of the target areas, JCR evaluated 100% of the use of proceeds are allocated to green projects, and assigned "g1" for Phase 1: Greenness Evaluation, which is the highest.

(1) JCR's key consideration in this factor

In this section, JCR assesses whether the proceeds will be allocated to green projects that have explicit improvement effects on environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of evaluation targets and JCR's evaluation

a. The environmental improvement effects of the project

i. 100% of the funds are used to acquire solar power generation facilities, which is highly effective in improving the environment.

All of the ABLs are used to fund the acquisition of the three solar power generation facilities (the "Facilities") in Iwamizawa City, Hokkaido and Kushiro City, Hokkaido. The proceeds from the issuance of the ABLs will be fully appropriated to the loan to the Project GK through the Hitachi Capital. JCR confirmed from the agreements for this project that the loans to the Project GK will be used to fund the acquisition of the Facilities. Daiwa Real Estate Asset Management Co., Ltd. (a wholly owned subsidiary of Daiwa Securities Group Inc.) is expected to become the asset manager of the Facilities. Since all of the Facilities are in commercial operation, CO₂ reductions will be realized immediately from the time of acquisition. Annual CO₂ emission reductions were calculated by multiplying the annual power generation by the adjusted emission factor of the electric power company responsible for the business locations. Taking various conditions into account, the annual power generation by the Facilities is estimated to be about 13,591MWh, and the annual CO₂ emission reductions are estimated to be about 9,214 t-CO₂.

Based on the above, JCR considers that the projects are high environmental improvement effect.

(Summary of Projects)

Project Name	Location	Power Generation Output(kW)* ¹	Annual Power Generation (MWh/ year) * ²	Annual CO ₂ Emission Reductions (t-CO ₂ /year) * ³
Iwamizawa Solar Power Plant	Iwamizawa City, Hokkaido	8,970	9,268	6,283
Kushiro Solar Power Plant * ⁴	Kushiro City, Hokkaido	3,600	4,323	2,931

* 1: Based on the output scale.

* 2: Based on materials provided by the Company.

* 3: Methodology of calculating CO₂ emissions reductions = Annual Power Generation × Adjusted emission factor for FY2018 (latest figures)

* 4. Sum of Kushiro-Masuura Solar Power Plant and Kushiro-Boyo Solar Power Plant.

ii. The Use of Proceeds falls under the category of "renewable energy" as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

The Fifth Strategic Energy Plan approved by the Cabinet in 2018 states that "Japan contributes to the development of the Japanese economy and society, and the sustainable development of the world by providing stable, sustainable and independent energy over the long term." Renewable energy is positioned as an important low-carbon energy source. The plan considers renewable energy to be important for energy security, regional revitalization, and reduction of environmental negative impact, focusing on the fact that renewable energy is produced domestically and does not emit CO₂, while there are various issues such as stable supplies and costs at present. The plan aims to convert renewable energy sources to mainstay domestic power sources with benchmarks for 2030 and 2050, and to actively promote the introduction of renewable energy sources.

Solar power generation can be used not only as distributed power system for large-scale development, in-house consumption and local consumption, but also as emergency power sources in times of disaster. It is expected to overcome issues such as stable supplies and costs and demonstrate the potential of renewable energy. Not only does solar power generation not emit CO₂ at the time of power generation, it also accounts for a few tenth of thermal power generation in terms of life-cycle CO₂ emissions that take into account CO₂ in the production of power generation equipment, and its CO₂ emissions reductions are significant.

Renewable energy is emphasized as a policy issue in Japan from various viewpoints, and it is regarded as a high-quality social capital that should be truly passed on to the next generation. The solar power generation business, for which the Company is used to allocate the ABLs, contributes to the introduction of such renewable energy sources, falls under "renewable energy" defined in the Green Bond Principles and the Green Bond Guidelines, and contributes to resolving policy issues in Japan.

b. Negative impact on the environment

In selecting projects subject to green loans, the Company conducts preliminary surveys through technical due diligence reports by external organizations, assuming risks with negative impacts on the environment. When selecting projects, The Company also confirmed that CO₂ emission reduction effects from the installation of solar power generation facilities exceed from the land development. Based on the above, JCR evaluates that the Company recognizes the negative impact of projects on the environment through internal departments and external third-party organizations, and takes necessary avoidance and mitigation measures.

c. Consistency with SDGs goals and targets

The projects are classified as renewable energy. JCR evaluated the project contributes to the following SDGs objectives and targets, referring to the SDGs mapping of ICMA.



Objective 3: Health and Welfare for All

Target 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.



Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.



Goal 8: Job satisfaction and economic growth

Target 8.2. Achieve high levels of economic productivity through diversification, technical improvements and innovation, including through a focus on high-value added and labour-intensive sectors.



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transboundary infrastructure, to support economic development and human welfare with a focus on affordable and equitable access for all.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

Target 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.



Objective 13: Specific Measures for Climate Change

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on the current status detailed below and JCR's evaluation of the status, JCR evaluated that the management and business system was well developed, transparency was extremely high, and that the planned implementation of the project and the appropriation of the proceeds could be sufficiently expected. JCR assigned “m1” to Phase 2: Management, operation and transparency evaluation, which is the highest.

1. Validity and Transparency of the Criteria for Selection of use of proceeds and their Processes

(1) JCR's key consideration in this factor

In this section, JCR confirms that the objectives to be achieved through the green loan, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current status of evaluation targets and JCR's evaluation

a. Goal

Daiwa Securities Group announced three environmental policies, which outline its stance toward resolving environmental issues. Under these policies, the Company aims to reduce CO₂ emissions by investing in renewable energy and contribute to the provision of renewable energy, and the execution of the ABLs is positioned as part of efforts to contribute to these goals.

Three Environmental Policies

Environmental Vision

The Group is dedicated to protecting the precious global environment and preserving it for future generations by leveraging financial core business activity.

Environmental Philosophy

The Group recognizes the importance of environmental principles such as the effort to combat global warming, recycling and reuse of raw materials, and preserving biodiversity, in order to create a sustainable society for the 21st century. The Group pledges to contribute to solving environmental issues through its as a financial services company and, to constantly seek new ways to reduce its environmental impact as a responsible corporate citizen.

Basic Environmental Policies

1. Make positive environmental contributions through our core business activities

We shall seek to develop and provide finance products and services that promote a low-carbon, recycling-oriented, and symbiotic society.

2. Implement an environmental management system

We shall implement an environmental management system and constantly seek new ways to improve environmental activities. In addition, we shall support environmental education and publicity efforts, while promoting environmental protection efforts by employees.

3. Take steps to save natural resources, reducing energy consumption, and promote biodiversity system

We shall continue to progress in our efforts to reduce the use of natural resources and energy, and

seek ways to improve materials and energy efficiency (including efforts to improve business efficiency). We shall also take steps to reduce water use and reduce, reuse, and recycle other materials to contribute to a more environmentally friendly society. Furthermore, considering the importance of biodiversity, we shall seek a symbiotic relationship with the environment and use safe, clean methods of materials procurement.

4. Promote environmental communication

Working in concert with business partners, the local community, NGOs and NPOs, we shall actively disseminate information about environmental issues, and communicate our concern for the environment to consumers and society at large.

5. Strictly observe environmental regulations

We shall always endeavor in environmental preservation, observing environmental laws and regulations in addition to the Group's environmental policies.

b. Selection Criteria

The standards for selecting the uses of proceeds under the Green Finance Framework of the Company are as follows.

Eligibility Criteria

Expenditures related to the development, construction, and management of renewable energy power generation projects (including projects implemented by affiliated companies). Eligible projects are solar, wind, geothermal, hydropower (excluding large projects with capacity greater than 20MW) and biomass power (waste-derived biomass resources).

JCR evaluates these selection criteria as covering projects with environmental benefits.

c. Process

The process for selecting projects within the Company's Green Finance Framework is set out as follows.

Project Selection Process

1. Project Selection Participants

Projects for which funds are to be raised are reviewed, evaluated and selected by the person in charge of the Investment Business Division 1 to 3 for conformance to the eligibility criteria.

2. Project selection process

The projects were deliberated and finalized by the Investment Committee, an internal investment decision-making body. The members of the investment committee are our boards of directors.

JCR evaluates that the management of the Company is appropriately involved in the project selection process.

The objectives, criteria, and processes described above are disclosed in this evaluation report to ensure transparency to investors.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

It is usually assumed that the management of the proceeds varies widely depending on the borrower. JCR assesses whether the proceeds are securely appropriated to the green project and whether a mechanism and internal system are in place to enable easy tracking and management of the appropriation of funds.

JCR also attaches importance to evaluating the management and operation of the unallocated funds, as well as to confirming that the proceeds will be allocated to the green projects at an early stage.

(2) Current status of evaluation targets and JCR's evaluation

The entire proceeds from the execution of the ABLs will be allocated in a lump sum to the loans from Hitachi Capital to the Project GK. The loans will be used to acquire the Facilities in accordance with a trust agreement and loan agreement. Unallocated funds (undisbursed funds to project GK) are managed in a trust account as cash or cash equivalents.

Funds are tracked and managed by Hitachi Capital based on documents submitted by the Project GK. Fund management until the repayment of the ABLs is stipulated in various agreements and the management status of the trust assets is scheduled to be periodically reported to the investors. From this JCR considers that controls are in place regarding fund management.

There are no initial unallocated funds for the execution of the ABLs since the entire amount is to be allocated to the loans for the Project GK in a lump sum. When the Facilities are lost or sold, the project GK prepays the loan, and the ABLs are redeemed using the repayment money. As a result, no unallocated funds will be generated during the repayment period.

With regard to fund management for the ABLs, JCR evaluates that the fund is expected to be appropriated to the green projects in accordance with the fund allocation plan, and that the fund management system has been appropriately established in light of the fact that follow-up management is implemented. Methods of fund management are disclosed in this report to ensure transparency to investors.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the disclosure system for investors, etc. before and after the execution of green loans is planned in a detailed and effective manner at the time of the execution.

(2) Current status of evaluation targets and JCR's evaluation

a. Reporting on the funds allocation

The appropriation of funds procured from the ABLs will be reported semiannually in the Trust Assets Status Report issued by Hitachi Capital. In addition, no unallocated funds will be incurred because the entire amount of procured fund will be appropriated to the fund for the acquisition of the Facilities through the loans to the project GK at once, the loans will be repaid before the deadline when the Facilities are lost or sold, and the same amount will be appropriated for the repayment of the ABLs.

b. Reporting on environmental improvement effects

The environmental improvement effects of the ABLs are expected to be reported to borrowers as follows:

- List of the Projects
- Reductions in CO₂ Emissions from the Projects
- Amount of Power Generation Output by the Projects

JCR evaluates that reporting on the ABLs is transparent as it plans to disclose to investors in detail and in an effective manner, both in terms of the appropriation of funds and the environmental improvement effects.

4. Organization's environmental initiatives

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the issuer's management positions environmental issues as a high priority management issue, and whether the green loan policy, process and the criteria for selecting green projects are clearly defined through the establishment of a department specializing in the environmental field or through the assistance of external organizations.

(2) Current status of evaluation targets and JCR's evaluation

The Company was established as a wholly owned subsidiary of the Daiwa Securities Group to promote energy investment and financing. The environmental initiatives of the Company are positioned as part of the Daiwa Securities Group's efforts. The following discusses the environmental efforts of the organization of the Daiwa Securities Group and the Company.

a. Environmental Initiatives of the Daiwa Securities Group

The Daiwa Securities Group, entitled "Passion for SDGs: The Daiwa Securities Group's SDGs Declaration," recognizes that SDGs is a key objective that drives the global economy. Based on this recognition, the Daiwa Securities Group has embarked on an aggressive stance of pursuing economic value through its group businesses while resolving social issues in order to realize an affluent society and a better life for the people. The Group has established SDGs Promotion Committee chaired by the President and Chief Executive Officer and has put in place a system for SDGs initiatives. Several experts from outside the group participate in the committee, and a system has been established for reflecting external expertise in discussions. The committee discusses group-wide responses to SDGs, including identifying detail, and also reports regularly to the Board of Directors and the Board of Executive Officers. Among the "materiality of the Daiwa Securities Group" decided by the committee, those related to the environment are linked to SDGs from the viewpoints of "initiatives to reduce the environmental impact (environmental initiatives to support business activities)" and "contributions to a sustainable society using financial functions (environmental initiatives through business activities)", and activities that contribute to the achievement of SDGs are carried out.

As part of its environmental efforts to support its business activities, the Group has formulated the three Environmental Policies (see page 7) to clarify its stance of contributing to the resolution of environmental issues. Based on these policies, the Group is working to reduce its environmental impact through specific measures such as introducing environmental accounting and designating products according to the Top Runner Standard when renewing equipment at the Head Office and Branch Offices.

As part of its environmental efforts through its business activities, the Group has established new companies to invest in growth that solves social issues, while leveraging the Group's strengths in the securities and financial businesses. Such a new company was positioned as a support for the creation of a future society, and the Company, which was established to promote investment and financing for energy, is one of the new companies.

b. Environmental Initiatives at the Company

The Company is engaged in the development and investment of renewable energy projects utilizing the Group's network, and aims to contribute to the transformation of the global energy supply structure through its business activities. With regard to investment and loan strategies, the Company has accumulated assets mainly in the environmental field through flexible investment and loan utilizing self-funding, and offered

diverse investment opportunities through a variety of means that utilize the know-how of the security and financial businesses. As a result, the Company operates businesses aimed at integrating the security and financial fields, which are the strengths of the Group, with the environment.

As of September 2019, the Company has invested about 50% of its investment in renewable energy, including domestic and overseas solar power generation facilities, and intends to continue to actively invest in this field. The total number of solar power generation facilities developed and invested by the Company is approximately 148MW, and the total number of biomass power plants is approximately 13MW. All completed renewable energy projects, including the Iwamizawa Solar Power Plant, which is one of the uses of proceeds of the ABLs, are operating stably, and efforts to address the environment through renewable energy have been steadily implemented.

In the development and investment of renewable energy projects, the Company collaborates with outside expert organizations such as technology consulting companies as necessary and makes use of their knowledge. The expertise is also fully reflected in the process of selecting the uses of proceeds of the ABLs.

From the above, JCR evaluates that the Group and the Company's management regard environmental issues as high-priority issues, and that green loan procurement policies and processes, green project selection standards, etc. are clearly identified through cooperation with departments with specialized knowledge and external organizations.

■Evaluation Result

Based on JCR Green Finance Evaluation Methodology, JCR assigns “g1” for the “Greenness Evaluation (use of proceeds)” and “m1” for the “Management, Operation and Transparency Evaluation”. Consequently, JCR assigns “Green1” as overall "JCR Green Loan Evaluation." The ABLs meet the standards for the Green Bond Guidelines by the Ministry of the Environment and the standards for the Green Loan Principles

[JCR Green Loan Evaluation Matrix]

		Management, Operation, and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

■Scope of Evaluation

[Assignment]

Subject	Amount	Date of Loan Execution	Final Repayment Date	Evaluation
Daiwa Green Finance Program Trust ABL (Iwamizawa and Kushiro Solar Power Generation Facilities)	JPY2.2 billion	March 27, 2020	June 30, 2036	JCR Green Loan Evaluation :Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

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Important explanation of the Green Loan Evaluation

1. Assumptions, Significance, and Limitations of JCR Green Evaluation

The JCR Green Loan Evaluation, which is granted and provided by the Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured green loans, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green loans are ensured. The JCR Green Loan Evaluation does not fully indicate the extent to which the funds procured from such green loans are allocated and the management, operation, and transparency of the use of the funds are ensured.

The JCR Green Loan Evaluation evaluates the planning and status of the appropriation of funds at the time of the green loan procurement plan or procurement, and does not guarantee the appropriation of funds in the future. In addition, the JCR Green Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loan on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

The JCR Green Loan Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party nature of JCR's Green Finance Evaluation

There are no conflicts of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■Disclaimers

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■Glossary

JCR Green Loan Evaluation: The JCR Green Loan Evaluation evaluates the extent to which the funds procured from the Green Loan are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■Status of registration as an external assessor of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- CBI Approved Verifier

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization). (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If such disclosure is subject to disclosure under Section 17g-7(a) of the U.S. Securities and Exchange Commission Regulations, such disclosure is attached to the press releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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