

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

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

JCR Assigned Green 1 to 14th Unsecured Investment Corporation Bonds issued by Daiwa House REIT Investment Corporation

Subject	:	Daiwa House REIT Investment Corporation 14th Unsecured Investment Corporation Bonds (with limited inter-bond pari passu clause) (Green Bonds)
Type	:	Investment Corporation Bonds
Issue Amount	:	JPY 4 Billion
Interest Rate	:	0.500% (per annum)
Issue Date	:	April 15, 2021
Redemption Date	:	April 15, 2031
Method of Redemption	:	Bullet Redemption
Use of Proceeds	:	Refinancing of fund to acquire assets

<Green Bond Evaluation Results>

Overall Evaluation	Green 1
Greenness Evaluation (Use of Proceeds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

Daiwa House REIT Investment Corporation ("DHR") is a diversified J-REIT sponsored by DAIWA HOUSE INDUSTRY CO., LTD. ("DAIWA HOUSE INDUSTRY"). It was established in June 2005 as a "B-Life Investment Corporation" and was listed on the Tokyo Stock Exchange (real estate investment trust securities market) in March 2006. Following the absorption-type merger of New City Residence Investment Corporation in April 2010, the investment corporation changed its name to the (former) Daiwa House Residential Investment Corporation in December 2011, and then to the Daiwa House REIT Investment Corporation in September 2016 by merger with (former) Daiwa House REIT Investment Corporation. DHR has 227 properties worth a total of JPY 824.2 billion (on an acquisition price basis). The Asset Management Company of DHR is Daiwa House Asset Management Co., Ltd. ("DHAM"), and the DHR continues

to promote external growth by utilizing the pipeline support from the Daiwa House Group (the "Group"), to which DHAM belongs.

The Group, to which DHAM belongs, has a basic stance of "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to build trust relationships with stakeholders and contribute to society through its business, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts." DHAM shares the basic stance of the Group and believes that incorporating consideration for ESG contributes to ensure stable income over the medium to long term and steady growth of assets, which is the basic policy of DHR. DHAM formulated the Sustainability Policy and conducts business accordingly.

The bonds subject to this evaluation are investment corporation bonds (the "Investment Corporation Bonds") issued by DHR. The proceeds from the issuance of the Investment Corporation Bonds will be used to refinance the funds received by DHR for the acquisition of four logistics facilities (D Project Kakegawa, DPL Misato, D Project Urayasu III and D Project Tomisato) that have already acquired environmental certification.

In the Green Finance Framework, DHR defines eligible green assets as eligibility criteria for investment in Green Finance as properties that have been or will be acquired either DBJ Green Building certification 3 stars or more, CASBEE for Real Estate Certification B+ or more, or BELScertification or more. JCR evaluated that the definition of eligible green assets set by DHR is for buildings that have an environmental improvement effect. JCR confirmed that the target assets used to fund the Investment Corporation Bonds meet the criteria for eligible green assets as defined in DHR's Green Finance Framework. Based on the evaluation results of environmental certification and interviews with DHAM, it has been confirmed that there is little possibility that the four logistics facilities, which are the target assets, will have a serious negative impact on the environment that will exceed the environmental improvement effect. Based on the above, it was evaluated that the use of proceeds subject to this evaluation has an environmental improvement effect.

The process as green finance was discussed by the Sustainability Committee, which is attended by the chief executive officer/president, directors in charge of the Finance, IR, and Planning departments, all full-time directors, all general managers, a compliance officers and other members of the management team after examination by the Fund Planning Department of DHAM regarding the suitability of the eligibility criteria. The board of directors then made decisions on the process, and confirmed that the cash management was also appropriate after approval by the general manager, from deposit to appropriation of funds, and that the internal control and external audit systems were also in place.

DHAM has set annual targets (energy consumption, GHG emissions) and long-term targets for energy consumption, GHG emissions, water consumption and waste management, and is working to achieve their respective numerical targets. As a result of these efforts in part, DHR has earned the second four stars from the top of the five ratings on GRESB devaluation, as well as the "A" rating, which is the highest in GRESB disclosures rating. In addition, for the third consecutive year, DHR has acquired Green Star awarded to companies that excel in both the two assessment axes of sustainability assessment, the "Management Component" and the "Performance Component." It also participated in the CDP (Carbon Disclosure Project) evaluation and received a second "A-" rating from the top since the first year of participation. It participated in the CDP supplier engagement evaluation and were selected as the "supplier engagement leader board" for the first time as a list traded investment corporation. It have also received high marks from third parties.

Furthermore, DHR is promoting the acquisition of external certifications and evaluations by third parties, and the ratio of external certifications and evaluations (on a gross floor area basis) in the properties owned by DHR is over 60%, and it is actively pursuing environmental initiatives. Environmental surveys include conducting due diligence on the status of geological ground, reserves, soil contamination, hazardous substances (asbestos, PCBs, etc.) by conducting physical inspections of properties and obtaining engineering reports. On reporting, internal and external audits are regularly conducted, and appropriate contents on the status of appropriation of proceeds and the effects of environmental

improvements are regularly disclosed. On the ground of these, JCR confirmed a robust management and operation system and high transparency with respect to DHR.

Based on the JCR Green Finance Evaluation Method, JCR assigned "g1" for the "Greenness Evaluation (Use of proceeds)" and "m1" for the "Management, Operation, and Transparency Evaluation" for the Investment Corporation Bonds. Consequently, JCR assigned "Green1" for JCR Green Bond Evaluation. Detailed evaluation is discussed in the next chapter.

The Investment Corporation Bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan. ¹²

¹ ICMA(International Capital Market Association) Green Bond Principles 2018
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

² Ministry of the Environment Green Bond Guidelines 2020
<https://www.env.go.jp/press/files/jp/113511.pdf>

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

Evaluation Phase 1: Greenness Evaluation

JCR assigned "g1," the highest grade, to "Evaluation phase 1: Greenness Evaluation."

Rationale: 100% use of proceeds of the Bonds will be allocated to a green project, considering the factors described below.

(1) JCR's key consideration in this factor

In this section, JCR first 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 evaluation

Overview of Use of Proceeds

a. On the environmental improvement effects of the project

- i. 100% of the use of proceeds is the refinancing of funds to acquire "eligible green assets" with environmental improvement effects.

<Qualified Criteria in the Green Finance Framework>

DHR has established the following eligibility criteria to be eligible for green finance.

Daiwa House REIT Investment Corporation Green Finance Framework (excerpt)

Eligibility criteria for investment in green finance

1. Eligible green assets

Properties which have received or will receive certification from a third-party certification body under any of the following (1) to (3).

- (1) DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
- (2) CASBEE for Real Estate Certification: B+ Rating, A Rating or S Rating
- (3) BELS Certification: 3 Stars, 4 Stars or 5 Stars

2. Renovation work

Renovation work that makes it possible to reduce energy consumption, CO₂ emissions or water consumption by 10% or more.

According to the Energy White Paper 2020, when looking at the energy consumption intensity in logistics facilities and other sectors accounted for 54% of the total in fiscal 2018, unchanged from the previous fiscal year, indicating that the reduction continues to be important for achieving energy conservation in buildings. In order to realize reduction of electric power consumption, improvement of thermal insulation of buildings, improvement of heating and cooling efficiency, and efficiency improvement of lighting equipment are effective, but in addition, thorough energy management is important. As described below, the level of environmental certification established by DHR includes the aforementioned indicators for measuring energy conservation efforts in the

structural aspects and operation and management of buildings. Therefore, it can be said to be an effective indicator for maintaining and managing the aforementioned efforts for energy conservation.

JCR has assigned Green 1 (F) to DHR's Green Finance Framework.

<Effect of Environmental Improvement on Use of proceeds of the Investment Corporation Bonds>

The use of proceeds of the Investment Corporation Bonds is to refinance the funds for the acquisition of four logistics facilities (D Project Kakegawa, DPL Misato, D Project Urayasu III and D Project Tomisato) that meet the criteria for eligible green assets stipulated in the Green Finance Framework. Of the four properties, D Project Kakegawa, which is a property with particularly excellent energy conservation, has been highly evaluated with BELS Certification 5 stars and ZEB Ready. ZEB Ready is a name representing a building that conforms to a primary energy consumption reduction of 50% or more from the standard primary energy consumption. Other properties are also certified above certain levels by third-party certification bodies that are subject to eligible green assets, which JCR evaluated as being properties with environmental improvement effects.

Property

1. D Project Kakegawa

Location	653-14, Oyabu, Sakagawa-aza, Kakegawa City, Shizuoka Prefecture
Application	Logistic facility
Land area	31,508.00 m ²
Total floor area	33,892.67 m ²
Number of stories	5-story building
Completion	August 2014
Acquisition value	JPY 6 billion
Environmental certification	DBJ Green Building Certification 3 stars, BELS Certification 5 stars (ZEB Ready)
Features and environmental performance	<ul style="list-style-type: none"> - In addition to regional delivery to the center of Shizuoka and Hamamatsu Cities through the National Route 1, it allows users to access the Kansai region from the Tokyo metropolitan area and the Chubu region by entering the Tomei Expressway Kakegawa IC. - In addition to using LED lights in both the interior and the office, it is working to achieve excellent environmental protection by adopting highly insulated exterior walls and roofs.

2. DPL Misato

Location	3-5, Minami 1-chome, Misato City, Saitama Prefecture
Application	Logistic facility
Land area	29,528.34 m ²
Total floor area	49,439.82 m ²
Number of stories	5-story building
Completion	July 2013
Acquisition value	JPY 16.831 billion
Environmental certification	DBJ Green Building Certification 4 stars, CASBEE for Real Estate S rank, BELS Certification 5 stars
Features and environmental performance	<ul style="list-style-type: none"> - The location is adjacent to Misato JCT, where the Shuto Expressway, the Joban Expressway and the Tokyo Gaikan Expressway intersect, and is highly evaluated as a logistics location as a cornerstone of transportation of the inland in the Tokyo metropolitan area. - It is actively working to reduce environmental loads by introducing photovoltaic power generation systems, LED lights in warehouses and offices, and adopting exterior walls and roofs with high thermal insulation. - In addition to considering the surrounding environment, such as dispersing entrances and exits, and securing on-site standby space, awareness-raising on energy saving is being carried out, and the operation is carried out in consideration of the environment together with the occupants.

3. D Project Urayasu III

Location	12-1, Chidori, Urayasu City, Chiba Prefecture
Application	Logistic facility
Land area	21,617.99 m ²
Total floor area	39,102.00 m ²
Number of stories	5-story building
Completion	November 2005
Acquisition value	JPY 8.5 billion
Environmental certification	DBJ Green Building Certification 3 stars
Features and environmental performance	<ul style="list-style-type: none"> - At a distance of 2 to 3 km from Maihama IC and Urayasu IC of the Shuto Expressway Bayshore Route, a main highway heading toward the central Tokyo, and the National Route 357, which runs on along the Bayshore Route, the location can be evaluated as a logistics facility for general consumer goods close to large consumption areas. It is also suitable for import logistics and is located about 20 km to the Tokyo Bay, and is best located as a large-scale delivery base with a view to the entire Tokyo metropolitan area. - In addition to concluding the green lease contract and paying attention to energy saving, consideration is also given to the recycling of garbage, such as using a melting machine for polystyrene foam.

4. D Project Tomisato

Location	7-2, Misawa, Tomisato City, Chiba Prefecture
Application	Logistic facility
Land area	18,791.02 m ²
Total floor area	36,335.21 m ²
Number of stories	6-story building
Completion	April 2015
Acquisition value	JPY 5 billion
Environmental certification	DBJ Green Building Certification 3 stars, BELS Certification 3 stars
Features and environmental performance	<p>- Located in a 50 km area from central Tokyo. By using the National Route 296, users can deliver cargoes to central Chiba Prefecture and take control of eastern Tokyo. By entering the National Route 16, central Saitama. It is also possible to cover a wide area of the Tokyo metropolitan area from Tomisato IC of the Higashi-Kanto Expressway, and serves as a transit point for air cargo at the nearby Narita Airport.</p> <p>- In addition to signing green lease contracts, consideration is being given to energy conservation by turning off lights using human sensors and installing automatic faucets.</p>

- ii. **The use of proceeds corresponds to "green buildings which meet regional, national or internationally recognised standards or certifications" and "energy efficiency" out of the use of proceeds exemplified in the Green Bond Principles as "green building projects" as well as in the Ministry of the Environment's Green Bond Guidelines.**³

According to a survey conducted by the World Green Building Council, carbon dioxide emissions from buildings account for 39% of total emissions. As a measure to prevent global warming in Japan, it is important to further promote green buildings with high energy efficiency performance that reduce CO₂ emissions from buildings. In the Basic Energy Plan approved by the Cabinet in July 2018, it is stated that "we will aim to realize the net zero energy building (ZEB) by the average of new buildings by 2030." In addition, under the "Green Growth Strategy Through Achieving Carbon Neutrality in 2050" announced in December 2020, the growth strategy for the housing and building industries states that the promotion of energy-saving renovations. will be as much as possible in order to achieve the aforementioned targets for 2030. Therefore, it is consistent with Japan's energy efficiency policy that DHR actively acquire and its maintenance and management with high environmental certification levels.

b. Negative impact on the environment

DHAM conducts due diligence on the incorporation of properties into its portfolio by conducting environmental surveys, including on-site inspections of properties and acquiring engineering reports on the status of hazardous substances (asbestos, PCBs, etc.) such as geological and deposits, soil contamination, etc. Through hearings with DHAM, JCR confirmed that there is little likelihood of a negative impact on the environment from four logistics facilities that are expected to be appropriated the funds raised by the Investment Corporation Bonds, and that no negative impact on the environment has been realized to date for the four logistics facilities. In addition, JCR

³ A project to acquire and renovate green buildings that meet not only energy-saving performance but also a wide range of considerations such as water consumption and waste management, and that meet domestic standards or demonstrate high-performance environmental certification under environmental certification systems such as CASBEE certification and LEED certification.

confirmed that, if there is a concern about a negative impact on the environment, as a means of avoiding or mitigating the impact, the seller must make a correction, etc. as an acquisition condition.

c. Consistency with SDGs goals and Targets

This project is a project classified as "green buildings which meet regional, national or internationally recognised standards or certifications," "energy efficiency" and "green building project" among the green projects defined in the Green Bond Principles and the Green Bond Guidelines of the Ministry of the Environment. While referring to SDGs mapping of ICMA, JCR evaluated that it would contribute to the following SDGs goals and targets.



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

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



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

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 town 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.

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

(Reference) Certification System for each Green Building

(1) DBJ Green Building Certification

A certification system provided by DBJ (Development Bank of Japan) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "Buildings with consideration for the environment and society." Each is represented by 5 stars (the best class in Japan), 4 stars (exceptionally high), 3 stars (excellent), 2 stars (high), and 1 star (satisfactory). Although this is not an evaluation specializing, the recognition in Japan is high, evaluation items are revised in February, 2019, such as the tightening of items for quantitatively evaluating energy conservation, and environmental performance has the same evaluation items as other environmental certifications. Therefore, JCR has evaluated this certification as equivalent to "green buildings which meet regional, national or internationally recognised standards or certifications" in the Green Project categories as defined in the Green Bond Principles. However, since the certification is not limited to environmental performance, JCR believes that it is desirable to confirm the evaluation of environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property, but also on comprehensive evaluations, including the comfort of tenants, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and

communities, and cooperation with stakeholders. The scoring system integrates and designs specific "excellent initiatives" for the environment and society, and there are many properties that do not reach the evaluation target in the real estate market. High evaluation requires that buildings be designed with appropriate consideration not only for the environment but also for all stakeholders involved in buildings.

(2) CASBEE

CASBEE is an acronym for the English name of Comprehensive Assessment System for Built Environment Efficiency.

This is a method for evaluating and rating the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for buildings was established as a joint project with industry, government, and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. Since then, the committee has been continuously conducting development and maintenance. In addition to CASBEE for Buildings and CASBEE for Urban Development, assessment tools include CASBEE for Real Estate developed to provide easy-to-understand environmental performance to the real estate market.

The evaluation results are divided into five grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), Rank B (Slightly Poor), and Rank C (Poor) (CASBEE for Real Estate scoring has four grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), and Rank B (Satisfaction of mandatory items)). CASBEE for Real Estate used by DHR as an eligibility criteria was developed with the aim of making use of the results of the environmental evaluation of buildings in CASBEE for the purpose of real estate evaluation. The evaluation standards have been established with a focus on items that are strongly related to real estate evaluation. CASBEE for Real Estate are evaluated in five categories: 1. energy/greenhouse gases, 2. water, 3. materials, 4. biodiversity/sustainable site, and 5 indoor environment.

Evaluation methods are as follows: (1) Consistency of weighting of major global evaluation tools; (2) Added point method; (3) 5 essential items and 16 added points, with a score of 100 at the time of full score; and (4) Not eligible for evaluation unless mandatory items are met.

Buildings with a score of 60 or higher, which are obtained by taking the standard level 3 (3 points) for all points added by DHR, are eligible for B+ or higher, which is equivalent to B+ in CASBEE for Buildings, etc.

(3) BELS

"BELS" is an acronym for the English name of Building-housing Energy-efficiency Labeling System.

BELS is English acronym for Building-housing Energy-efficiency Labeling System. BELS is a building energy efficiency performance indicator system under which third-party assessment bodies evaluate and accredit the energy efficiency performance of new and existing buildings. The outer skin performance (performance standards and specification standards) and primary energy consumption (performance standards and specification standards) are subject to evaluation, and the evaluation results are expressed in stars according to the achievement values of the energy efficiency standards. High evaluation requires excellent energy-efficiency performance. In BELS, the number of stars is ranked from 1 to 5 by Building Energy Index (BEI). BEI is a measure of energy efficiency performance that uses the designed primary energy consumption as the molecular weight and the standard primary energy consumption as the denominator, and is compared with the standard value. Since 1 star is the existing energy saving standard, 2 stars are the current energy saving standard, and 3 stars are the guidance standard, the 3 stars, which are the qualification level defined by this investment corporation, have a clear environmental improvement effect.

Evaluation Phase 2: Management, Operations and Transparency Evaluation

JCR assigned "m1", the highest rating on JCR evaluation Phase 2: Evaluation on Management and Operation and Transparency.

Rationale: The project has allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

(1) JCR's key consideration in this factor

In this section, JCR confirms that the objectives to be achieved through the green bond, 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 evaluation

a. Goal

The Group, to which DHAM belongs, has a basic stance of "Creating Together and Living Together." As a group that co-creates value for people, communities and lifestyles, it aims to build relationships of trust with stakeholders and contribute to society through our business, and to realize a sustainable society by taking on the challenge of "zero environmental impacts." DHAM shares the basic stance of the Group and considers that incorporating consideration for ESG contributes to ensure stable income over the medium to long term and steady growth of assets, which is the basic policy of DHR, and formulates the Sustainability Policy and conducts its business.

DHAM Sustainability Policy

1. Prevention of global warming
 2. Harmony with the environment (preservation of biodiversity)
 3. Conservation of natural resources (reducing waste, protecting water resources)
 4. Prevention of chemical pollution
 5. Establishment of an internal framework and initiatives for employees
 6. Building of trust relationships with external stakeholders
 7. Promotion of communication through information disclosure
 8. Compliance with laws and regulations, and risk management
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The issuance of the Investment Corporation Bonds is consistent with the above sustainability policies: 1. Prevention of global warming; 2. Harmony with the environment (preservation of biodiversity); 3. Conservation of natural resources (reducing waste, protecting water resources); and 7. Promotion of communication through information disclosure.

The use of proceeds from the issuance of the Investment Corporation Bonds is the refinancing of funds for the acquisition of four logistics facilities (D Project Kakegawa, DPL Misato, D Project Urayasu III and D Project Tomisato), which are eligible green assets with environmental improvement effects. JCR evaluated that the above target setting to be realized through the issuance of green bonds is appropriate.

In addition, as specific examples of the implementation of the Sustainability Policy through the issuance of the Investment Corporation Bonds, regarding 1. Prevention of global warming, the targeted four properties are reducing CO₂ emissions by adopting solar power generation, LED lighting, and motion-detector, and adopting exterior walls

with a high degree of insulation, and regarding 2. Harmony with the environment (preservation of biodiversity), DPL Misato selects planting and trees that serve as prey for insects/birds considering indigenous vegetation (local species). For 3. Conservation of natural resources, efforts are being made to thoroughly sort garbage and to reduce the volume of polystyrene foam by the melting machine at the D Project Urayasu III, and to bring the wrap together to recyclers. In addition, in each of the four properties subject to 7., external environmental certifications have been obtained by a third party, and these are disclosed to investors.

b. Selection criteria

The eligibility criteria in DHR's Green Finance Framework are DBJ Green Building Certification 3 stars or more, CASBEE for Real Estate Certification B+ rank or more, and BELS Certification 3 stars or more. As mentioned in Phase 1 of the evaluation, JCR evaluated that these selection criteria are targeting for buildings with environmental improvement effects.

c. Processes

In DHAM, the eligibility criteria for green finance shall be first deliberated by the Sustainability Committee, which consists of the chief executive officer/president of DHAM, executive officers in charge of the Administration and Accounting Department, all the full-time directors, all general managers, a compliance officer, and selected officers and employees. Then it shall be determined by the Management and Finance Committee.

In addition, the process leading up to the issuance of green bonds is reviewed and evaluated by the person in charge of the Fund Planning Department of DHAM for conformity to the eligibility criteria, and draft. After deliberation by the Sustainability Committee, decisions are made by the board of directors.

DHAM's Sustainability Committee was established in 2017 and consists of the chief executive officer/president of DHAM executive officers in charge of the Finance, IR and Planning Departments, all full-time director, all general managers, a compliance officer, and selected officers and employees. The Sustainability Committee is open to discuss sustainability objectives and other topics, and the content of discussions by the Sustainability Committee is reported twice a year to DHR's board of directors. In principle, the Sustainability Committee meets once every three months, but JCR confirmed that activities are being actively conducted through interviews with asset management companies, such as the Committee meeting once every two months.

DHR's goals, selection criteria, and process are to be disclosed in supplementary documents for shelf registration of the Investment Corporation Bonds and in the outline in this evaluation report, thereby ensuring transparency to investors.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

It is generally assumed that the methods of managing procurement proceeds vary widely among issuers, but it is necessary to confirm that proceeds procured through the issuance of green bonds are appropriated for green projects, and that mechanisms and internal systems are in place to easily track and manage the appropriations.

JCR also considers the evaluation of asset management of unallocated money. It also attaches importance to evaluating the management and operation of the unallocated proceeds, as well as to confirming that the proceeds procured from the bond will be allocated to the green projects at an early stage.

(2) Current status of evaluation targets and JCR evaluation

- a. The property of proceeds of the Investment Corporation Bonds is to refinance the proceeds for the acquisition of the four logistics facilities (D Project Kakegawa, DPL Misato, D Project Urayasu III and D Project Tomisato) described in this report, and there are no plans to use them for any other purposes.
- b. With regard to account management, after funding with the Investment Corporation Bonds, the Fund Planning Department of DHAM confirms that the redemption date, use of proceeds, and outstanding balances will be managed through media such as internal electronic files. JCR confirmed that the proceeds raised by the Investment Corporation Bonds will be used to refinance the funds for the acquisition of four logistics facilities by the end of April, after the fundraising, and that they will be sufficient by conducting tracking management in a lump sum at the time.
- c. Regarding account management, after the proceeds raised are deposited into the account, the general manager of the Business Administration Department, who actually transfers the proceeds from the Fund Planning Department, gives instructions on remittance to the trust bank, which is the asset custodian, and the asset custodian subsequently repays the loans by the asset custodian.
- d. DHAM regularly conducts internal audits, and forms related to Investment Corporation Bonds are also subject to audits. In addition, auditing firms conduct external audits of asset management companies, and internal and external controls are functioning.
- e. Proceeds raised by the Investment Corporation Bonds will be used to refinance the funds for the acquisition of four logistics facilities by the end of April after the procurement, so any unused proceeds are planned to incur.
- f. DHR's Finance Framework provides for so-called portfolio management, in which the amount of eligible green debt is calculated based on the total amount of eligible green assets acquired and set it as the maximum amount of green finance. When four logistics facilities subject to the current use of proceeds are to be sold or excluded from the eligibility criteria for eligible green assets, DHR confirms that the proceeds procured by the Investment Corporation Bonds are within the upper limit of green financing procurement. JCR believes that there are no problems with the treatment of DHR in light of the fact that at the time of fund procurement by the Investment Corporation Bonds, the properties to be appropriated are linked and portfolio management is conducted by other investment corporations, and that there is no problem as a market practice.

With regard to fund management, JCR evaluated that the adequacy and transparency of fund management is appropriate because it is reliably used for the refinancing of funds for the acquisition of four logistics facilities, that account management is managed by DHAM in an appropriate manner, and that the system for internal audits and external audits is established.

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 issuance of green bonds is planned in a detailed and effective manner at the time of the issuance of green bonds

(2) Current status of evaluation targets and JCR evaluation

a. Reporting on the proceeds allocation

The use of the proceeds of the Investment Corporation Bonds will be published in supplementary documents for shelf registration and on DHR's website. In addition, as confirmed in the previous section, the proceeds raised by the Investment Corporation Bonds will be used to refinance the funds for the acquisition of four logistics facilities by the end of April after the issuance, and therefore no reporting for the period related to unused proceeds is currently anticipated. In the event of a major change in circumstances, such as the occurrence of unappropriated proceeds due to the sale of the study assets, the disclosure of proceeds to be allocated periodically (once a year is assumed) will include the these facts.

b. Reporting on environmental improvement effects

DHR plans to report on the website in accordance with the Green Finance Framework, the amount of water used, electricity used, and CO₂ emissions, as well as the number and types of environmental certifications of acquired assets.

JCR believes that the above reporting is planned to be disclosed appropriately to investors, etc. in terms of both the appropriation of proceeds and the effects of environmental improvement.

4. Organization's environmental activities

(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 bond 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 evaluation

The Group, to which DHR belongs, has a basic stance of "Creating Dreams, Building Hearts." The Group's long-term social vision is "As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to build trust relationships with stakeholders and contribute to society through its business." It aims to contribute to society through strengthening relationships with stakeholders. In addition, DHR's long-term environmental vision of "Challenge ZERO 2055" states that it aims to achieve "zero environmental impacts" in 2055, which marks the 100th anniversary of DAIWA HOUSE INDUSTRY's founding, and that it intends to contribute to the environment and society over the medium to long term. DHAM shares the basic stance of the Group and believes that incorporating consideration for ESG contributes to ensure stable income over the medium to long term and steady growth of assets. Accordingly, DHAM formulates Sustainability Policy and conducts its business.

In order to promote consideration for ESG based on the Sustainability Policy, DHAM has established the "Regulations Concerning the System for Promoting Sustainability" to ensure an appropriate system to promote sustainability. The Sustainability Committee of DHAM generally holds meetings at least once every three months for the purpose of planning and reporting on environmental measures. The Sustainability Committee met six times during the most recent year (April 2020 to March 2021) and is held more frequently than usual given the timing (April to July 2020) during which it was unable to hold due to the outbreak of COVID-19. According to the interview, DHAM discussed sustainability initiatives in 2021, as well as GRESB assessments and content on CDPs to be described later. DHAM recognizes energy conservation and reduction of greenhouse gas emissions as important environmental issues in asset management operations. It has set annual targets (energy consumption and GHG emissions) and long-term targets for energy consumption, GHG emissions, water consumption, and waste management, and are working to achieve their respective numerical targets.

DHR is actively promoting the acquisition of external certification and evaluation by third parties in an attempt to improve objectivity and reliability of its efforts to reduce the environmental impact of real estate and to improve asset value over the medium to long term. As of March 2021, the percentage of properties owned by DHR that have acquired external certification or evaluation was 63% (based on total floor space), which reached the target of at least 50%. Accordingly, DHR changed its policy to raise this percentage to at least 70% by fiscal 2030 as a new target. It has reached around 60%. JCR evaluated this as a result of DHR's efforts to increase objectivity in relation to the environmental improvement effects of real estate.

In addition, DHR, together with DAIWA HOUSE INDUSTRY, has been promoting the conclusion of green lease contracts aimed at reducing the environmental impact of real estate, such as the conversion of lighting to LED, in cooperation with tenant companies. As of the end of March 2021, the number of contracts had rapidly increased to 195 properties, or 88.2% of the total floor area. As a result of the revision of the Civil Code in April 2020 and a change in the items related to the lease agreement for residential facilities, DHR switched to a model contract that includes a green lease, and confirmed that many residential facilities owned became properties for which green lease agreements had been concluded. DHR also confirmed at a hearing that the tenant's understanding of the initiatives to reduce the environmental impact of a single tenant's large BTS (Build To Suite) logistics facility had been obtained and that the conclusion of the green lease agreement had progressed. In the property ownership, DHR have adopted

LED lighting and daylight by adopting large-scale window surface as energy-saving measures, large-scale open space, rooftop greening, outdoor greening, and water-permeable pavement as measures for greening and heat island and properties with a photovoltaic power generation system. Thereby DHR is working with the sponsor group to take the environment into consideration.

DHR has been participating in GRESB Real Estate Assessment since 2017, and in the assessment in 2020, the above-mentioned efforts were highly evaluated, and it has earned 4 stars. In GRESB Disclosure Assessment as well, DHR received the "A" rating, which is the highest rating, in recognition of the excellence of disclosing information on ESG initiatives. In addition, for the third consecutive year, it has acquired Green Star awarded to companies that excel in both the two assessment axes of sustainability assessment, the "Management Component" and the "Performance Component."⁴

In addition, DHR has participated in the CDP Climate Change Program since this fiscal year. CDP is an abbreviation for Carbon Disclosure Project and is a projects in which institutional investors work together to require companies to publicize their strategies for climate change and specific CO₂ emissions.

In CDP evaluation, the scoring method is used, and the questionnaire is prepared for Level 4 (Disclosure, Awareness, Management and Leadership). If the level above a certain level of the respective score bands listed in the table below is not met, the system will not go up to the next level.

Level	Climate change	Score band
Disclosure	1-44%	D-
	45-79%	D
Awareness	1-44%	C-
	45-79%	C
Management	0-44%	B-
	45-69%	B
Leadership	1-59%	A-
	60-100%	A

(Prepared by JCR from CDP material materials)

DHR responded for the first time this year and has received a second "A-" rating from above. Similarly, it has participated in the CDP Supplier Engagement Rating, which evaluates companies' efforts across the value chain to climate change based on responses to questions in the four areas of "collaboration with suppliers," "governance," "scope 3 emissions," and "target setting," as well as the scores of CDP Climate Change Programme. As the first publicly traded investment corporation to be selected as a Supplier Engagement Leader Board.

As mentioned above, DHR's efforts have been highly evaluated by third parties.

DHAM has also signed the Principles for Responsible Investment (PRI), which advocates incorporating ESG issues into investment decision-making. It is also working on management with an awareness of the environment, such as acquiring certification for Eco- Action 21, a unique Japanese management system formulated by the Ministry of the Environment. Moreover, DHAM has in-house CASBEE evaluator and cooperates with related departments of the Group. DHAM also ask outside expert companies to provide consulting services on employee Training and acquisitions CDP scale of GRESB and signs to PRI on ESG of employees. It cooperate with experts from inside and outside the corporation to conduct business operations.

⁴ From the 2020 evaluation, it was changed from the previous "Management and Policies" and "Implementation and Measurement."

Furthermore, JCR confirmed that DHR plans to publish reports on ESG initiatives in Japanese and English in the future and disseminate the information to investors and others.

JCR considers environmental issues as a high priority for the management of these organizations, and that departments with expert knowledge are clearly involved as organizations in the selection of green bond procurement policies and processes and green projects.

(Reference) GRESB Real Estate Assessment

Established in 2009, GRESB refers to benchmarks and organizations that measure and evaluate the asset of ESG consideration of companies that holding and operate real estate and infrastructure. GRESB is an acronym for Global Real Estate Sustainability Benchmark. From 2016, the evaluation-results are shown on a five-star scale (5 stars, 4 stars, 3 stars, 2 stars and 1 star). Companies that have made excellent efforts are given Green Star separately from the five-star evaluation. From J-REIT, 46 corporations participated in the 2020 evaluation.

■ Evaluation result

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1" for "Greenness Evaluation (Use of proceeds)" and "m1" for "Management, Operation, and Transparency Evaluation." Consequently, JCR assigned "Green 1" as an overall "JCR Green Finance Evaluation" to the bonds. The Investment Corporation Bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

[JCR Green Bond 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

■ Subject

Issuer: Daiwa House REIT Investment Corporation (Security code: 8984)

[Assignment]

Subject	Issue Amount	Issue Date	Redemption Date	Interest rate	Evaluation
14th Unsecured Investment Corporation Bonds (with limited inter-bond pari passu clause) (Green Bonds)	JPY 4 Billion	April 15, 2021	April 15, 2031	0.500%	JCR Green Bond Evaluation :Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

(Responsible analysts for this evaluation): Rieko Kikuchi and Kosuke Kajiwara

Important explanation of the Green Bond Evaluation

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

JCR Green Bond Evaluation, which is assigned and provided by Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the proceeds of green bonds, 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 bonds are ensured. This does not perfectly disclose all the efforts taken by the issuer/borrower to ensure the use of proceeds, administration, management of the proceeds and the transparency.

JCR Green Bond Evaluation is to evaluate the plan or status of the proceeds to green projects at the time of issuing green bonds or planning to issue, and does not guarantee the future actual allocation of the proceeds. JCR does not guarantee the positive environmental effects of green bonds nor is liable for their expected impacts. JCR confirms that the environmental impacts, which will be realized by the allocated proceeds, are calculated quantitatively and qualitatively by the issuer or by a third party requested by the issuer, but in principle JCR does not calculate them by itself.

2. Methodologies used in the conduct of this evaluation

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

3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond 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 Evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

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

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■Glossary

JCR Green Bond Evaluation: JCR Green Bond Evaluation evaluates the extent to which the funds procured from the Green bond are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Bond 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 reviewer 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
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