

———— JCR 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 the Bonds of Daiwa House REIT Investment Corporation

S u b j e c t	:	Daiwa House REIT Investment Corporation's 9th Unsecured Investment Corporation Bond (with limited inter-bond pari passu clause) (Green Bonds)
T y p e	:	Investment Corporation Bonds
Issue Amount	:	JPY 6 Billion
Interest Rate	:	0.530% (per annum)
Date of Issuance	:	November 25, 2019
Redemption Date	:	November 22, 2029
M e t h o d o f R e d e m p t i o n	:	Bullet
Use of Proceeds	:	Refinancing of funds 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. DHR was established in June 2005 as a BLife Investment Corporation and 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 (former) Daiwa House REIT Investment Corporation in September 2016. DHR's asset size as of September 2, 2019 is JPY 739.0 billion for a total of 223 properties (based on acquisition prices). DHR is continuing to promote external growth by utilizing the pipeline support provided by Daiwa House Group.

Daiwa House Group, to which DHR belongs, has adopted a basic stance of "Creating Dreams, building Hearts." Guided by this stance, as a group that co-creates value for individuals, communities, and people's lifestyles, Daiwa House Group aims to build relationships of trust with stakeholders and contribute to society through its businesses, and to make a sustainable society by taking on the challenge of zero environmental impact. Daiwa House Asset Management Co., Ltd. (DHAM), which is the asset management company of DHR, also thinks that sharing the basic stance of Daiwa House Group and incorporating consideration for ESG will contribute to ensure stable earnings over the medium to long term and steady growth of assets. DHAM have formulated the "Sustainability Policy" and conducts business.

The bonds subject to evaluation is the Investment Corporation Bonds (the bonds) issued by DHR. The proceeds of the bonds are expected to use for refinancing the funds for the acquisition of the three environmentally certified logistics facilities (Green Building).

DHR defines its green eligible criteria as assets that DHR has acquired or plans to acquire any of three stars or more in DBJ Green Building certification, B+ rank or above in CASBEE for Real Estate Certification, or three stars or more in BELS certification. JCR evaluates that the definition of DHR's "Green Eligible Assets" targets buildings with environmental improvement effects.

JCR confirmed that the assets refinanced by the bonds meet the green eligible assets criteria defined in DHR's Green Finance Framework. According to the results of the environmental certification and interviews with DHAM, JCR confirmed that there is a low probability that the three logistics facilities subject to the evaluation will have a negative impact on the environment that exceeds the effects of environmental improvement effects. Based on the above, JCR evaluates that the use of proceeds of the bonds have environmental improvements effects, including reductions in CO₂ emissions.

DHAM sets annual targets (energy consumption, greenhouse gas (GHG) emissions) and long-term targets for energy consumption, GHG emissions, water use, and waste management and works to achieve these targets. As a result of these efforts, DHR has received three star ratings for GRESB Real Estate Assessment, which DHR has participated in since 2017 and also received the highest "A" rating among the five points in the GRESB Disclosure Assessment. In addition, DHR has been awarded "Green Star" to companies that excel in both "management and policy" and "implementation and measurement," which are the two criteria for evaluating sustainability for two years in a row.

DHR is promoting the acquisition of external certification by third parties, and DHR has announced that it will raise the ratio of properties owned by DHR that have external certification (on a floor area basis) to more than 50% in the future. JCR has confirmed the solid management and operation system and high transparency of DHR. For example, JCR conducts due diligence on the status of hazardous substances (asbestos, PCBs, etc.), such as geological ground and reserves, and soil contamination, by obtaining on-site inspections of properties and engineering reports, etc. and also conducts internal and external audits regularly.

Based on JCR Green bond Evaluation Methodology, JCR assigns "g1" for the evaluation of the "Greenness Evaluation (Use of proceeds)" and "m1" for the evaluation of the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" for the overall "JCR Green Bond Evaluation." Detailed evaluation results are described in detail in the next chapter.

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

¹ ICMA(International Capital Market Association) Green Bond Principles 2018 Edition
<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 2017
http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

Chapter 2: Current Status of the Project on Each Evaluation Factors and JCR's Evaluations

Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1", the highest grade, to "Evaluation Phase 1: Greenness Evaluation."

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

(1) JCR's Key Consideration in this Factor

In this section, JCR confirms whether the proceeds are used for green projects that have a clear environmental improvement effect. Next, JCR confirms 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, if there are any possibilities that the use of proceeds has 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

Overview of Use of Proceeds

a. On the environmental improvement Effects of projects

- i. **100% of the proceeds are refinancing acquired green eligible assets that has the environmental improvement effect.**

<Environmental Improvement Effects of Eligible Criteria>

DHR stipulates the following eligible criteria for green finance:

Daiwa House REIT Investment Corporation's Green Finance Framework (excerpt)

Eligible Criteria for Investment in Green Finance

1. Green Eligible Assets

Properties that have acquired or planned to acquire any of the following third-party certification

1. Three to five stars in DBJ Green Building Certification
2. B+ to S rank in CASBEE for Real Estate Certification
3. Three to five stars in BELS Certification

2. Renovation

Renovation work that can reduce at least 10% of one of three indicators; energy consumption, CO₂ emissions, or water-related consumption

According to the 2019 White Paper on Energy, in terms of energy consumption per unit of business and other sectors, including logistics facilities, electricity accounted for 54% of the total in FY2017. It is indicating that this reduction is important in improving energy efficiency of buildings. In order to reduce the electricity consumption, it is effective to strengthen the insulation of buildings, to improve the air conditioning and heating efficiency and to increase the efficiency of lighting equipment. In addition, it is also important to thoroughly implement energy management. As described below, the environmental certification levels set forth by DHR as eligible criteria includes indicators that measure the structural aspects of buildings and energy saving efforts in their operation and management. Consequently, the certification levels can be said to be an effective indicator for maintaining and managing the above-mentioned energy saving efforts.

1. CASBEE

CASBEE is Abbreviation of Comprehensive Assessment System for Built Environment Efficiency.

CASBEE is a method to evaluate and grade the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for Buildings was established as a joint project between industry, government and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, and since then it has been continuously developing and maintaining buildings. In addition to CASBEE for New Construction and CASBEE for Urban Developments, assessment tools include CASBEE for Real Estate developed with the purpose of clearly showing environmental performance for the real estate market.

The Evaluation is ranked in five grades: S (Superior), A (Very Good), B+ (Good), B-(Slightly Poor), and C (Poor). CASBEE for Real Estate is classified into four grades: S (Superior), A (Very Good), B+ (Good), and B (Satisfactory). CASBEE for Real Estate used by DHR as eligible criteria has been developed with the purpose of utilizing the results of the environmental evaluation of buildings in CASBEE in the appraisal of real estate. Evaluation criteria have been formulated focusing on items that are strongly related to the appraisal of real estate. CASBEE for Real Estate is assessed in five issues: 1) energy/greenhouse gas, 2) water, 3) materials, 4) biodiversity/sustainable site and 5) indoor environment.

The evaluation methods include 1) Consistency with the weights assigned in other major assessment tools in the world, 2) Use of a point scoring system, 3) Include five required items and 16 additional items, for a total of 100 points, and 4) The tool has prerequisite items for each main categories.

B+ grade or above, which DHR has recently set as eligible criteria, are subject to buildings with a score of 60 or more obtained by taking the standard level 3 (3 points) for all additional items, which corresponds to B+ for CASBEE for New Construction.

2. DBJ Green Building Certification

DBJ Green Building Certification is a certification system provided by the Development Bank of Japan (DBJ) for evaluating the real estate of environmentally and socially awareness. The evaluation results are expressed in stars, and the evaluation axis is "buildings that have environmental and social perspectives." It is represented by five stars (Best Class), four stars (Exceptionally High), three stars (Excellent), two stars (High), and one star (Satisfactory). Although this is not an evaluation that specializes in environmental performance, it has a high level of recognition in Japan and a certain level of evaluation items regarding environmental performance. Therefore, JCR evaluates this certification as equivalent to the green project classification defined in the Green Bond Principles, "green buildings which meet regional, national or internationally recognised standards or certifications." However, this certification is not limited to environmental performance. We think that it is desirable to confirm the evaluation of environmental performance on a case-by-case basis.

DBJ Green Building certification is based not only on the environmental performance of the subject property, but also on a comprehensive evaluation that includes Tenant's comfort and convenience, Disaster prevention and anticrime measures, Harmony with the surrounding environment and Collaboration with stakeholders. Scoring model is designed by consolidating concrete "excellent initiatives" for the environment and society, and there are many properties that do not reach the scope of appraisal in the real estate market. Obtaining high

appreciation requires that buildings be appropriately considered not only for the environment, but also for all stakeholders related to buildings.

3. BELS

BELS is abbreviation of Building-Housing Energy-efficiency Labeling System.

BELS is the system which evaluates and certifies the energy conservation performance of new and existing buildings by a third-party assessment organization. The exterior performance (performance standards and specifications standards) and primary energy consumption (performance standards and specifications standards) are subject to evaluation, and the evaluation results are expressed in star numbers according to the energy conservation standards achieved. High evaluation requires superior energy-saving performance. In BELS, the number of stars is ranked from one to five according to the BEI (Building Energy Index). The BEI is a scale for achieving energy conservation performance in comparison with the standard value with the design primary energy consumption as a numerator and the standard primary energy consumption as a denominator. As one star is the existing energy conservation standard, two stars are the current energy conservation standard, and three stars are the guidance standard, the three stars, which are the eligible criteria set by DHR, have a clear effect on environmental improvement.

<Environmental benefits from this use of the proceeds>

All the bonds are allocated to refinance the acquisition of three logistics facilities (D Project Machida, D Project Hachioji, D Project Urayasu II) that meet the standards for green eligible assets set forth in the Green Finance Framework. Regarding the environmental performance of the facilities, D Project Machida received four stars (Exceptionally High) for DBJ Green Building Certification, five stars for BELS Certification, four stars (Exceptionally High) for DBJ Green Building Certification for D Project Hachioji, and three stars (excellent) for DBJ Green Building Certification for D Project Urayasu II each. Three logistics facilities are making efforts to conserve energy, while D Project Machida and D Project Urayasu II are taking measures to reduce waste. Based on the above, JCR evaluates this property as having an environmental improvement effect.

<Property 1>

Project Name	D Project Machida
Location	1-6, Oyamagaoka 2-chome, Machida, Tokyo
Principal Uses	Logistics facility
Land Area	33,860.49m ²
Total Floor Area	50,490.34m ²
Number of Stories	Five floors
Building Year, Month	Oct. 2006
Acquisition value	JPY 9.2 billion
Environmental Certification	Four stars for DBJ Green Building Certification, Five stars for BELS Certification
Features and Environmental Performance	A logistics facility centered on the southeastern part of the Tokyo metropolitan area, near Route 16 linked to the Tomei Expressway "Yokohama-Machida" IC and the Chuo Expressway "Hachioji" IC. In addition to having a large-scale green area on its premises, it has a water-storage paving system on its roadways and is implementing measures against heat islands. LED lighting is adopted for the entire warehouse, and energy-saving measures are being implemented.

<Property 2>

Project Name	D Project Hachioji
Location	21-1, Minami-Osawa 3-chome, Hachioji, Tokyo
Principal Uses	Logistics facility
Land Area	45,285.43m ²
Total Floor Area	58,678.15m ²
Number of Stories	Four floors
Building Year, Month	December 2008
Acquisition Value	JPY 15.4 billion
Environmental Certification	Four stars for DBJ Green Building Certification
Features and environmental performance	<p>Near Route 16, which is linked to the Tomei Expressway "Yokohama-Machida" IC and the Chuo Expressway "Hachioji" IC, a logistics facility serves as a regional delivery hub in the suburban Tokyo metropolitan area.</p> <p>2011 Tohoku Earthquake prompted the introduction of new seismic control dumpers, and the implementation of disaster prevention measures in both the hardware and software aspects, such as maintaining close communication with tenants regarding BCPs in the event of a disaster.</p> <p>The site uses LED lighting in more than half of the warehouse, operates control systems to cut lights and reduce lights using human sensors, installs automatic faucets, and takes other measures to save energy consumption in the building facilities.</p>

<Property 3>

Project Name	D Project Urayasu II
Location	11-5 Chidori, Urayasu, Chiba
Principal Uses	Logistics facility
Land Area	38,456.00m ²
Total Floor Area	72,320.01m ²
Number of Stories	Five floors
Building Year, Month	April 2007
Acquisition price (Note)	JPY 26.0 billion
Environmental Certification	Three stars for DBJ Green Building Certification
Features and Environmental Performance	<p>Logistics facilities located 2to 3 kilometers from the Bayshore route of Shuto Expressway and the Route 357, and approximately 20 kilometers from Tokyo Port, suitable for import logistics.</p> <p>Consideration is being given to energy saving in building facilities and the recycling of garbage, such as the operation of lights-off and extinguishing light control by human sensors, installation of automatic faucets, and introduction of waste packaging compressors.</p>

- ii. Proceeds of the bonds are allocated for green projects defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines, including "green buildings which meet regional, national or internationally recognised standards or certifications" and "energy efficiency."

According to a survey by the World Green Building Association, carbon dioxide emissions from buildings account for 39% of the total emissions. As a measure to prevent global warming in Japan, further promotion of energy-efficient green buildings that reduce carbon dioxide emissions from buildings is important. In the Strategic Energy Plan approved by the Cabinet in July 2018, new housing and buildings will be required to comply with energy efficiency standards in stages by 2020. Therefore, DHR's proactive acquisition and maintenance of buildings with a high level of environmental certification are consistent with its energy efficiency policy in Japan.

b. Negative impact on the environment

When incorporating properties into a portfolio, DHAM conducts due diligence by obtaining on-site inspections of properties and engineering reports on the status of hazardous substances (asbestos, PCBs, etc.), such as geological grounds, reserves, and soil contamination, as an environmental survey. Through BELS Certification, DBJ Green Building Certification data, and interviews with DHAM, JCR confirmed that the likelihood of negative environmental impacts of the three logistics facilities, which are expected to be funded by the bonds, is small. In addition, JCR confirms that if there are concerns about negative impacts on the environment, as a measure to avoid or mitigate such negative impacts, the terms of acquisition are to be corrected by the seller.

c. Consistency with SDGs

This project is a green project defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines, classified as "energy efficiency" and "green buildings which meet regional, national or internationally recognised standards or certifications." While referring to ICMA's SDGs mapping, JCR evaluated this project as contributing to the following SDGs objectives and targets.



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

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



Goal 9: Build resilient infrastructure, promote 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 cities inclusive, safe, resilient and sustainable

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

Evaluation Phase 2: Management, Operation and Transparency Evaluation

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

Rationale: These projects will be 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 Bonds, the criteria for selecting green projects, the appropriateness of the process and the processes are appropriately disclosed to investors

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Goal

Daiwa House Group, to which DHR belongs, has adopted a basic stance of "Creating Dreams and Building Hearts." Guided by this stance, as a group that co-creates value for individuals, communities and people's lifestyles, Daiwa House Group aims to build relationships of trust with stakeholders and contribute to society through its businesses, and to build a sustainable society by taking on the challenge of zero environmental impact. DHAM also thinks that sharing the basic stance of the Daiwa House Group and incorporating consideration for ESG will contribute to securing stable earnings over the medium to long term and steady growth of assets, which is the basic policy of DHR, and DHAM has formulated the Sustainability Policy and conducts business.

Sustainability Policy of Daiwa House Asset Management

1. Global Warming Prevention
2. Harmonization with Environment (Biodiversity Conservation)
3. Resource Conservation (Waste Reduction and Water Resource Protection)
4. Preventing pollution by chemical materials
5. Establishment of Internal Systems and Initiatives for Employees
6. Building relationships of trust with internal stakeholders
7. Promoting Communication through Information Disclosure
8. Compliance with laws and regulations and risk management

The issuance of the bonds is consistent with four of the above Sustainability Policy: 1. Global Warming Prevention, 2. Harmonization with Environment (Biodiversity Conservation), 3. Resource Conservation (Waste Reduction and Water Resource Protection) and 7. Promoting Communication through Information Disclosure.

JCR evaluates the use of the proceeds for refinancing to the for the acquisition of green eligible assets (D Project Machida, D Project Hachioji and D Project Urayasu II) that have environmental benefits, and the above target setting to be achieved through the issuance of Green Bonds is appropriate.

Examples of the implementation of the sustainability policy through the issuance of the bonds mentioned above can be raised as the followings; (1). Properties contributing to the reduction of CO₂ emissions are subject to funding, (2) Properties with large-scale green sites are subject to funding for harmony with the natural environment and (3) Properties that are actively working to reduce wastes for resource conservation are part of the use of proceeds.

b. Selection standard

In the Green Finance Framework, the eligible criteria consist of three stars or above of DBJ Green Building Certification, B+ rank or above of CASBEE for Real Estate Certification and three stars or above of BELS Certification. As described in detail in Evaluation Phase 1, JCR evaluates these selection criteria to be applied to buildings that have environmental benefits.

c. Processes

In DHAM, the eligible criteria for green finance shall be first deliberated by the Sustainability Committee, which consists of the President of DHAM, the executive officer in charge of the Finance, IR and Planning Department, all the full-time directors, the general managers, the Compliance Officer, and selected officers and employees. Then it shall be determined by the Management and Finance Committee, which consists of the Finance Director, Directors, Department Managers, and the Compliance Officer.

Regarding the decision-making process for issuing green bonds, first, the person in charge of the Financial Planning Department of DHAM review and evaluate whether the proceeds are aligned with eligible criteria and drafted. After deliberation by the Sustainability Committee, decisions are made by the Board of Directors.

The Sustainability Committee of DHAM, which was established in 2017, consists of the President of DHAM, the executive officer of the Finance, IR and Planning Department, all standing directors, all general managers, the Compliance Officer, and selected officers and employees. The Sustainability Committee is held for the purpose of considering sustainability targets, etc. The content of discussions at the Sustainability Committee is reported twice a year to the Board of Directors of DHR. In principle, the Sustainability Committee meets once every three months. JCR confirms through interviews with asset management companies that the Committee meets once every two months.

The above targets, selection criteria, and processes of DHR are to be disclosed in the amended supplementary shelf registration statement and the Supplementary Documents for Issuance and Registration for the Issuance of the Bonds and the Summary of the Evaluation Report, in order to ensure the transparency to investors.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in this Factor

Management of the funding money varies with the issuer. In this section, JCR assesses whether the proceeds firmly allocated to the green project, the projects have internal systems to easily track the allocation of the proceeds and the money funded by the issuing the green bond will be allocated to the green bond at once. JCR also considers the evaluation of asset management of any unallocated money.

(2) Current Status of Evaluation Targets and JCR's Evaluation

- a. The proceeds will be used to refinance the funds for the acquisition of the three logistics facilities described in this report (D Project Machida, D Project Hachioji and D Project Urayasu II), and there are no plans to use these funds for other purposes.
- b. About the account management, the Finance Planning Department of DHAM confirms that after procurement by green finance, repayment dates, uses of proceeds, and balances are managed by internal electronic files and other format. JCR confirms that the funds procured through the bonds will be used to refinance the funds for the acquisition of three logistics facilities within a few days after the fund procurement, so that tracking and management will be conducted at the time of the lump-sum allocation.
- c. With regard to account management, after the companies procured have been deposited into the account, at the time of refinancing, the loans procured to acquire the property, the General Manager of the Management Administration Department decides to actually send the funds from the Financial Planning Department, and then instructs the trust banks, which are the asset custodian, to send the funds to the buyers or refinancing destinations.
- d. The internal audit department of DHAM regularly conducts internal audits, and this report on the Green Bonds is also subject to audits. In addition, an auditing firm conducts external audits of the asset management company, which shows internal and external checks are functioned.
- e. Since the proceeds will be immediately used to refinance the funds for the acquisition of the three logistics facilities after the fund-raising, DHR does not intend to generate unallocated funds.
- f. DHR's Green Finance Framework will implement so-called portfolio management, in which the amount of green eligible liabilities is calculated from the total amount of green eligible assets acquired, and the amount of Green Eligible Liabilities is set as the upper limit of the procurement of green finance. Even if three logistics facilities are sold or excluded from eligible criteria as green eligible assets, they will continue as green finance if the funds procured under the Green Bond remain within the green finance procurement limit. JCR considers that there are reasonable with the treatment of portfolio management for green eligible liabilities because other investment corporations also manage their portfolios as the way DHR conducts and thought it as market practice. This is because JCR considers that there is no problem with the treatment of DHR because of the linkage of properties to which funds are allocated at the time of fund raising from green bonds.

JCR evaluates the appropriateness and transparency of management of proceeds appropriate as it is reliably allocated for the refinancing of funds for the acquisition of three logistics facilities, its account management is managed by DHAM in an appropriate manner, and its internal and external audit systems are in place.

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's Evaluation

a. Reporting on the proceeds allocation

The use of proceeds for the bonds is scheduled to be published in the modified shelf registration statement, the shelf registration supplements and the website of DHR. As was confirmed in the previous section, the funds raised through the bonds are allocated to refinance the funds for the acquisition of three logistics facilities within a few days, so at present no reporting is expected for unallocated funds during the period. In the event of a major change in circumstances, such as the occurrence of unallocated funds due to the sale of the target asset, the disclosure of fund appropriation conducted periodically (once a year is assumed) is expected to include these facts.

b. Reporting on environmental improvement effects

In the future, DHR plans to report not only the number and type of environmental certification for acquisition assets but also water consumption, electricity consumption, and CO₂ emissions on its website in accordance with the Green Finance Framework.

JCR plans to review the reporting which includes funds allocation status and environmental improvement effects until the redemption of the Green Bonds. JCR evaluates that the reporting is planned to appropriately disclose to investors, etc. both the allocation status and the environmental impact indicators.

4. Environmental Initiatives of the Organization

(1) JCR's Key Consideration in this Factor

In this section, JCR evaluates whether 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's Evaluation

Daiwa House Group, to which DHR belongs, has adopted a basic stance of "Creating Dreams and Building Hearts." Guided by this stance, as a group that co-creates value for people, communities, and people's lives, Daiwa House Group aims to build relationships of trust with stakeholders and contribute to society through its businesses, and to build a sustainable society by taking on the challenge of zero environmental impact. DHAM also considers that sharing the basic stance of Daiwa House Group and incorporating consideration for ESG will contribute to ensure stable earnings and steady asset growth over the medium to long term, which is the basic policy of DHR, and has formulated the above-mentioned "Sustainability Policy" and conducts business.

In order to promote consideration for ESG based on the Sustainability Policy, DHAM has established the Sustainability Promotion System Regulations and is working to ensure an appropriate sustainability promotion system. At the same time, the Sustainability Committee is held at least once every three months in principle to consider sustainability targets and measures, and is working for setting targets and various measures. In particular, DHAM recognizes energy efficiency and reduction of greenhouse gas emissions in asset management operations as important environmental issues. It sets annual targets of these two indicators and also sets long-term targets for energy consumption, greenhouse gas (GHG) emissions, water consumption, and waste management, with the aim to achieve their respective numerical targets.

DHR is trying to acquire external certification by the third party, aiming to increase the objectivity and reliability of its efforts to reduce the environmental burden of its real estate holdings, and to improve its asset value over the medium to long term. As of September 2019, the ratio of properties owned by DHR that have obtained external certification and evaluation was 47.0% (on a floor area basis), and DHR has announced its policy of increasing this ratio to 50% or more in the future.

In addition, DHR is working with tenant companies to conclude green lease contracts aimed at reducing the environmental burden of real estate, such as by converting lighting to LEDs. As of the end of March 2019, DHR is rapidly working to increase the number of properties by 22 from the end of September 2018 to 28.

DHR also takes environmentally friendly measures. For example, DHR adopts LED lighting and daylight through the adoption of large windows as energy-saving measures, and adopts large-scale greenery areas, rooftop greenery, and outdoor greenery and water-penetrating paving as energy-saving measures for greenery and heat islands.

DHR has participated in the GRESB Real Estate Evaluation since 2017. In 2019, DHR obtained three stars that was one rank higher than the last year. In addition, DHR also received the "A", which is the highest evaluation among the five steps, in recognition of the excellent disclosure of information on ESG-related initiatives in GRESB Disclosure Evaluation. In addition, DHR has been awarded "Green Star" for the second consecutive year, to companies that excel in both "management and policy" and "implementation and measurement," which are the two criteria for evaluating sustainability.

In ESG-related activities, DHAM has a CASBEE evaluator and collaborates with relevant departments of the Daiwa House Group, which is the sponsor of DHAM. DHAM also asks outside experts to provide consulting on

ESG-related training and GRESB for employees, and collaborate with experts from inside and outside the company to conduct business.

JCR evaluates that environmental issues are one of the top priorities for them, and recognizes that departments with high knowledge are clearly involved in the selection of Green Bond Procurement Policies and Processes and Green Projects.

(Reference) GRESB Real Estate Assessment

GRESB is an acronym for Global Real Estate Sustainability Benchmark. GRESB is a benchmark established in 2009 that measures and evaluates the degree of consideration given to ESG by companies that holding and manages real estate and infrastructure. From 2016, the evaluation-results are shown on a five-star scale (five stars, four stars, three stars, two stars, and one star). Companies that have made excellent efforts are given "Green Star" separately from the five-star evaluation. As of 2019, 44 Investment Corporations from J-REIT have participated in the evaluation.

■ Evaluation Result

Based on the JCR Green Bond Evaluation Methodology, JCR assigns “g1” for the evaluation of the “Greenness Evaluation (Use of Proceeds)” and “m1” for the evaluation of the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns “Green1” for overall "JCR Green Bond Evaluation" to the Bonds. The 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

■ Scope of Subject

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

[Assignment]

Subject	Issue amount	Issue Date	Redemption Date	Interest Rate	Evaluation
9th Unsecured Investment Corporation Bonds (with limited inter-bond pari passu clause) (Green Bonds)	JPY 6 Billion	November 25, 2019	November 22, 2029	0.530%	JCR Green Bond Evaluation :Green1 Greenness Evaluation :g1 Management, Operation, and Transparency Evaluation :m1

(Responsible analysts for this evaluation) Atsuko Kajiwara 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.

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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

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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)
- Climate Bonds Initiative Approved Verifier

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

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