

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Daiwa House REIT Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Daiwa House REIT Investment Corporation 10th Unsecured Investment Corporation Bond 11th Unsecured Investment Corporation Bond 12th Unsecured Investment Corporation Bond
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	May 21, 2020
Publication date of review publication:	May 21, 2020

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF Independent External REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

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 was listed on the Tokyo Stock Exchange (Real Estate Investment Trust Stock Exchange) in March 2006. Following the absorption-type merger of New City Residence Investment Corporation in April 2010, DHR changed its name to (former) Daiwa House Residential Investment Corporation in December 2011, and then to (former) Daiwa House REIT Investment Corporation in September 2016. As of April 3, 2020, its assets totaled JPY 816.4 billion (based on acquisition prices) for a total of 227 properties. The Asset Management Company of DHR is Daiwa House Asset Management Co., Ltd. ("DHAM"), and DHR continues to promote external growth by utilizing the pipeline support from the Daiwa House Group, to which DHAM belongs.

The Daiwa House Group, to which DHAM belongs, adopts the basic stance of "Creating Dreams, Building Hearts." and aims to build a trust relationship with stakeholders and contribute to society through its business as a group that co-creates value for people, communities, and lifestyles, and to realize a sustainable society by taking on the challenge of "zero environmental impact." DHAM shares the basic stance of the Daiwa House 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 formulates the "Sustainability Policy" and conducts business accordingly.

The bonds subject to this evaluation are investment corporation bonds (the "Bonds") issued by DHR. The issuance proceeds for the Bonds will be used for the refinancing of the acquisition funds for the additional portion (70%) of the quasi-co-ownership interest of one retail facility (iias Tsukuba) acquired by DHR that has acquired environmental certification.

DHR defines Green Eligible Assets of eligible criteria to be invested in the green finance in its Green Finance Framework (the "Framework") as properties that have acquired or are scheduled to acquire DBJ Green Building certification for three stars or more, CASBEE for Real Estate for B+ or higher, or BELS certification for three stars or more. JCR evaluates that the definition of "Green Eligible Assets" set by DHR is for buildings that have an environmental improvement effect. JCR has confirmed that the target asset which is subject to the use of proceeds of the Bonds meets the criteria for "Green Eligible Assets" defined in the Framework. Based on the evaluation material of environmental certification and interviews with DHAM, JCR has also confirmed that there are few possibilities of serious negative impact on the environment impacts that outweigh the environmental improvement effect. Based on the above evaluation, JCR evaluates that the use of proceeds has environmental improvement effects, including CO2 emissions reduction.

DHAM has set annual targets (energy consumption and 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. In light of these efforts, DHR has obtained the "A" rating, which is the highest rating among the five grades in GRESB Disclosure Evaluation. In addition, DHR has been awarded "Green Star" for the second consecutive year, which is granted to companies that excel in both "management and policy" and "implementation and measurement," which are the two criteria for evaluating sustainability. DHR is also promoting the acquisition of external certification and evaluation by third parties. DHR is actively addressing environmental issues, such as achieving the target of 50% or more of the total floor area of properties that it owns and that it has acquired external certification. As an environmental survey, DHAM obtained actual audits and engineering reports on properties to conduct due diligence on the status of hazardous substances (asbestos, PCBs, etc.), such as geological soil, reserves, and soil pollution. For audits, internal and external audits were conducted on a regular basis. For reporting, DHAM plans to disclose appropriate details on funding appropriations and environmental improvement effects on a regular basis. For these reasons, JCR confirmed DHR's strong management, operating system and high transparency. As a result, based on JCR Green Bond Evaluation Methodology, JCR assigns "g1" for the preliminary evaluation of the "Greenness Evaluation (Use of proceeds)" and "m1" for the preliminary evaluation of the "Management, Operation and Transparency Evaluation."

Consequently, JCR assigns "Green 1" for the overall "JCR Green Bond Preliminary Evaluation."

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.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. 100% of the funds are used for the refinancing of funds to acquire "Green Eligible Assets" that have the effect of improving the environment.
- ii. Proceeds are used for "Green Buildings Which Meet Regional, National or Internationally Recognised Standards or Certifications" and "Energy Efficiency." under the Green Bond Principles, as well as for "Green Buildings Businesses" as exemplified in the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on 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. JCR confirms through CASBEE Certification, BELS Certification, DBJ Green Building Certification documentation and interviews with DHAM that it is unlikely to have a negative environmental impact due to iias Tsukuba. JCR also confirms 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.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify) : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.

Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

- a. The use of proceeds of the Bonds is for the refinancing of the acquisition funds (70%) for the additional portion of the quasi-co-ownership interest of the retail properties (iias Tsukuba) described in this report, and is not expected to be applied for any other purposes.
- b. With regard to account management, after funding with the Bonds, the Financial Planning Department of DHAM confirms that the redemption date, fund use, balance, etc. are managed by the internal electronic file, etc. JCR confirmed that the procurement of funds through the Bonds would be promptly used to refinance the acquisition fund for the additional portion (70%) of the quasi-co-ownership interest of iias Tsukuba after the procurement of funds, and that it would be sufficient to implement tracking management at the time of the lump-sum allocation.
- c. With regard to account management, after the fund procured is deposited into the account, after approval by the head of the Management Administration Department who transfers the funds actually from the Finance Planning Department, a remittance instruction is given to the trust bank, which is the asset custodian company, and after that, DHAM accomplishes the refinancing.
- d. DHAM regularly conducts internal audits, and forms related to the Bonds are also subject to audits. In addition, auditing firms conduct external audits to DHAM, so internal and external controls are functioning.
- e. Since the funds raised through the Bonds will be allocated immediately after the procurement to refinance the acquisition fund for the additional acquisition part (70%) of the quasi-co-ownership interest of iias Tsukuba, no unappropriated funds will be generated.
- f. The Framework plans to conduct so-called portfolio management in which the amount of Green Eligible Liabilities is calculated from the total amount of acquisition of Green Eligible Assets and make it maximum amount of the green finance.

The proceeds remain within the procurement limit of the green finance, then the green finance will remain as it is even when iias Tsukuba is sold or excluded from eligible criteria as Green Eligible Assets. JCR considers that it is 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 evaluates 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 the Bonds.

With regard to Proceeds management, JCR evaluates that the appropriateness and transparency of proceeds management are appropriate, as the proceeds are reliably allocated to the refinancing of the additional acquisition part of iias Tsukuba, the account management is managed by DHAM in an appropriate manner and an internal audit and external audit system is in place.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The use of proceeds for the Bonds will be announced on the revised shelf registration statement, shelf registration supplements, and on DHR's website. As confirmed in the previous paragraph, proceeds will be allocated immediately after the issuance to refinance the funds for the acquisition of the additional acquisition portion of iias Tsukuba, so no reporting is currently envisaged for unallocated proceeds. In the material event, such as the occurrence of unallocated funds due to the sale of the assets, the disclosure of proceeds to be allocated periodically (once a year is assumed) will include the situation.

b. Impact reporting for environmental benefits

DHR plans to report on the website in accordance with the Framework, the amount of water used, electricity used, and CO2 emissions, as well as the number and type of environmental certification of acquisition assets.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- ☒ Allocated amounts ☐ Green Bond financed share of total investment
- ☐ Other (please specify):

frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings ☐ Energy Savings
- ☐ Decrease in water use ☒ Other ESG indicators (please specify):
- Type and number of certifications*
- Water consumption, Electricity consumption*

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (please specify):
- Show on the website*
- ☐ Reporting reviewed
- Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

ESG initiatives by Daiwa House REIT

<https://www.daiwahouse-reit.co.jp/en/sustainability/index.html>

JCR's website about green bond evaluation methodology

<https://www.jcr.co.jp/en/greenfinance/>**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- ☐ Second Party Opinion ☐ Certification
- ☐ Verification ☒ Scoring/Rating

☐ Other (*please specify*):

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: May 21, 2020

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.