

Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") will announce the results of the Green Finance Framework Evaluation as follows:

Daiwa Securities Group Inc.

Green Finance Framework

Assignment



Issuer/Borrower	Daiwa Securities Group Inc. (Securities code: 8601)
Evaluation Target	Daiwa Securities Group Inc. Green Finance Framework

Evaluation Overview

▶▶▶ 1. Overview of Daiwa Securities Group Inc.

Daiwa Securities Group Inc. (hereinafter referred to as "Daiwa Securities Group" or "the Group") is the second largest securities group in Japan and one of the industry leaders. Daiwa Securities Group has independently managed its business, unaffiliated with any specific financial group although it has aggressively expanded its external network such as a capital and business alliance with Credit Saison Co., Ltd. The Group's business operations are primarily comprised of Retail, Wholesale, Asset Management and Investment Divisions. In addition to traditional securities business, Daiwa Securities Group has recently focused on a wealth management business and has steadily increased stock-related assets under management. The Group has focused to invest

in Real Estate Asset Management or renewable energy business, promoting its efforts to expand its stable revenue base.

▶▶▶ 2. Daiwa Securities Group' ESG Management and Efforts toward Decarbonization

The Group has set four Corporate Principles: "Building trust," "Placing importance on personnel," "Contributing to society" and "Maintaining healthy earnings results," based on which it has developed its business to achieve its mission, "Benefit the economy and society through the development of healthy financial markets." Daiwa Securities Group has also formulated the management vision, "2030Vision" to show its goals in 2030 toward the achievement of such mission. In the Vision, the Group has established its core concept, "Realize the SDGs by creating a sustainable capital cycle" in which it has listed "Promotion of green finance/transition finance to support the realization of a carbon-free society," "Development and provision of new financial products and services that contribute to the realization of a sustainable society" and "Creating a beautiful global environment that will lead to the next generation" as critical environment issues.

"The Daiwa Securities Group Carbon Neutral Declaration" has been established in 2021 as a guideline for environmental initiatives in addition to the Group-wide business strategy. The Declaration has included "Achieve net zero greenhouse gas (hereinafter referred to as "GHG") emissions within its own operations by 2030" or "Achieve net zero GHG emissions within its investment and loan portfolios by 2050" as its goals. In order to achieve these goals, the Group has formulated six major priority areas, based on which it has established a roadmap with the specific directions up to 2050. This shows the Group's stance to promote concrete initiatives toward a carbon-free society.

Chaired by the CEO, the Sustainability Promotion Committee was established by Daiwa Securities Group in 2018 as the decision-making organization for its sustainability promotion policies. This Committee regularly reports the details of its discussions regarding sustainability promotion to the Board of Directors and the Executive Management Committee. The Group invites external experts to the Committee on a regular basis, which enables it to utilize the experience and insights of those experts. Based on decisions made by the Committee, the Corporate Planning Department's Sustainability Promotion Office that serves as Secretariat works to deploy sustainability promotion initiatives throughout the Group.

▶▶▶ 3. Green Finance Framework

The subject of this evaluation is a green finance framework (hereinafter referred to as "this framework",) which has been stipulated exclusively for use of the proceeds financed through green bonds or green loans (hereinafter green bonds and green loans are collectively referred to as "green finance") with environmental benefits. JCR will evaluate whether this framework is aligned with "Green Bond Principles¹," "Green Loan Principles²," "Green Bond Guidelines³" and

¹ "Green Bond Principles 2021" by International Capital Market Association (ICMA) at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² "Green Loan Principles 2023" by Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) at <https://www.lsta.org/content/guidance-on-green-loan-principles-glp/>

³ "Green Bond Guidelines 2022" by Ministry of the Environment at <https://www.env.go.jp/content/000062495.pdf>

"Green Loan Guidelines⁴." These are principles or guidelines and not regulations with legal evidence; however, JCR will evaluate the subject by referring to the principles and guidelines as currently unified domestic and international standards.

The Group will use the proceeds in this framework to make new investments in projects that meet predefined eligibility criteria or its refinance. Daiwa Securities Group has stipulated that it should consider negative impacts on the environment and society and appropriately take measures in implementing eligible projects. Accordingly, JCR has evaluated that the use of proceeds in this framework is expected to have environmental benefits.

Daiwa Securities Group established a system in which internal specialized divisions or the management have been appropriately involved in the process to select projects for which proceeds will be used. How to manage proceeds has been properly designed and the framework for internal and external audits has been formed and controlled. In terms of reporting, items on the allocation of proceeds and environmental benefits will be appropriately determined and disclosed on the Group's website. Accordingly, JCR has evaluated that the management and operation system in the Group has been established and transparent.

Consequently, as for this framework, JCR has assigned "g1(F)" to "Green Evaluation (Use of Proceeds)," "m1(F)" to "Management, Operation and Transparency Evaluation" and "Green 1(F)" to "JCR Green Finance Framework Evaluation" based on the JCR green finance evaluation methodology. JCR has also evaluated that this framework meets the items required in "Green Bond Principles," "Green Loan Principles," "Green Bond Guidelines" and "Green Loan Guidelines."

⁴ "Green Loan Guidelines 2022" by Ministry of the Environment at <https://www.env.go.jp/content/000062495.pdf>

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I. Use of Proceeds

JCR's Key Consideration in this Factor

In this section, firstly, JCR will confirm whether the proceeds have been allocated to green projects with clear environmental benefits. Then, in cases where the use of proceeds is expected to have negative impacts on the environment or society, the impacts have been thoroughly examined by an internal specialized department or an external third-party institution and necessary workarounds and mitigation measures have been taken. Lastly, JCR will confirm whether the proceeds is aligned with the Sustainable Development Goals (hereinafter referred to as "SDGs".)

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

The two items, which the Group has designated for the use of proceeds in this framework are both important measures for achieving the goals on reducing GHG emissions set forth in "the Daiwa Securities Group Net Zero Carbon Declaration" and are expected to have environmental benefits.

This Framework for Use of Proceeds

1. Use of Proceeds

The proceeds financed through green finance will be allocated to the proceeds on the following new or existing eligible green projects.

Eligible Green Project	Eligibility Criteria
Renewable Energy	Expenditures or investments for the development, construction, operation and acquisition of the following renewable energy generation projects <ul style="list-style-type: none"> · solar power · wind power · geothermal power (limited to projects with direct emissions of less than 100g-CO₂/kWh) · hydroelectric power (excluding large hydro power with more than 20 MW capacity) · biomass energy power (limited to projects with sourcing from the same or neighboring prefecture)
Green Building	Expenditures or investments for the construction of green buildings as well as refurbishment to convert existing buildings into green buildings to meet the following criteria. <ul style="list-style-type: none"> · 3, 4 or 5 Stars under the DBJ Green Building Certification · B+, A or S Rank under CASBEE · 3, 4 or 5 Stars under BELS

Evaluation by JCR to the Framework

1. Environmental Benefits of Projects

(1) Use of Proceeds 1: Renewable Energy

The use of proceeds 1 is expenditure or investments for the development, construction, operation and acquisition of renewable energy power generation, such as solar, wind, hydroelectric, geothermal or biomass power generation. This use of proceeds is categorized into "Renewable Energy" in "Green Bond Principles" and "Green Loan Principles," and "Project for Renewable Energy" among the use of proceeds exemplified in "Green Bond Guidelines" and "Green Loan Guidelines."

Renewable energy is permanently usable as energy sources among non-fossil energy sources, such as sunlight or wind power, and the renewable energy includes solar power, wind power, hydropower, geothermal heat, solar heat, atmospheric heat or others in nature, including heat or biomass. JCR has evaluated that expanding the introduction of renewable energy is essential for global warming countermeasures in energy transition sectors including electric power as the renewable energy does not emit GHG during power generation. Renewable energy is becoming increasingly important as energy sources, which can be produced locally for local consumption as it can be produced depending upon the natural environment in respective regions.

2050 Carbon Neutrality (announced in October 2020) and a 46 percent reduction in GHG emissions by FY 2030 (from FY 2013) was professed in the Sixth Basic Energy Plan, approved by the Cabinet in October 2021. Then, the government is to prioritize to make renewable energy primary power sources and to encourage to introduce it to the maximum possible while minimizing the burdens on citizens and coexisting with local communities, based on S + 3E (Safety, Energy Security, Economic Efficiency and the Environment) as the major premise toward achievement of the reduction target with a view to a 50 percent reduction in GHG emissions by FY 2030 (announced in April 2021.) On one hand, the ratio of renewable energy electricity in Japan increased from 10.4 percent in FY 2011 to approximately 20.3 percent in FY 2021 with the introduction of the FIT system from the perspective of the power source mix. On the other hand, in order to achieve the aforementioned goals, it is necessary to increase the reduction rate to at least 36 to 38 percent as of 2030 and expand the introduction of renewable energy.⁵ In light of these points, the Group's efforts in this sector are of great social importance.

Daiwa Securities Group has assumed that the proceeds financed through green finance based on this framework will be used for renewable energy projects to be carried out through Daiwa Energy & Infrastructure Co. Ltd. (hereinafter referred to as "DEI".) DEI has made a variety of investments in the renewable energy sector, including solar power generation, wind power generation (onshore and offshore,) geothermal power generation and biomass power generation. DEI has developed its business taking into consideration the impacts on the external environment in collaboration with external business operators where appropriate in all investment projects and has assumed projects with the same terms and conditions as eligible

⁵ "Future renewable energy policy" by Agency for Natural Resources and Energy at https://www.meti.go.jp/shingikai/enecho/denryoku_gas/saisei_kano/pdf/052_01_00.pdf

projects. Proceeds for biomass power generation will be used for projects, considering the requirements on new fuels in the feed-in tariff system (whether there are concerns about compete for food and whether sustainability criteria including life cycle GHG are satisfied.)

JCR has confirmed that the Group has not specified a lookback period, given that the depreciation of the economic value of the investment and loan over time is integrated into the renewable energy project in a reasonable and appropriate manner.

Accordingly, JCR has evaluated that expenditure for or investments in the development, construction, operation and acquisition of renewable energy power generation, such as solar, wind, hydroelectric, geothermal and biomass power generation for which Daiwa Securities Group will be used as the proceeds have environmental effects as they will be used for the initiatives that contribute to the realization of a carbon-free society, and it has selected eligible projects with consideration to impacts on the environment and society in conducting business.

(2) Use of Proceeds 2: Green Building

The use of proceeds 2 is subject to properties that have already obtained or will obtain environmental certification and that will be able to obtain environmental certification that satisfies the eligibility criteria for the first time through renovation and any use of proceeds will have environmental benefits. The use of proceeds falls under "Green buildings which meet regional, national or internationally recognized standards or certifications⁶" in "Green Bond Principles" and "Green Loan Principles" and "Project for Green Buildings" among the use of proceeds illustrated in "Green Bond Guidelines" and "Green Loan Guidelines."

Daiwa Securities Group requires to obtain the three highest ranks in any of the DBJ Green Building Certification, CASBEE Certification and BELS for the eligibility criteria in selecting green building properties in this framework, all of which is regionally, nationally or internationally recognized environmental certifications. The details of each certification are as described below.

The Group has assumed that the proceeds financed through green finance based on this framework will be used for green buildings acquired and owned hereby.

JCR has confirmed, in terms of the expenditure on renovation with the use of proceeds, that the target properties are based on the followings: (1) a property without environmental performance sufficient to obtain external certification that meets the required level specified in the eligibility criteria before renovation and (2) a property that has obtained the certification that satisfies the level required for the first time through renovation or a property that is certain to obtain the certification.

Accordingly, JCR has evaluated that projects with a level of certification that satisfies the eligibility criteria have environmental benefits.

DBJ Green Building Certification

⁶ "Green Bond Principles 2021, Voluntary Guidelines for Green Bond Issuance on June 2021 (Revised Appendix I in June 2022)" at https://www.jsda.or.jp/sdgs/files/Japanese_GBP202106.pdf

DBJ Green Building Certification refers to a certification system provided by DBJ (Development Bank of Japan) to evaluate real estate with social and environmental consideration. The evaluation results are indicated with the number of stars, and the evaluation axis is buildings with social and environmental consideration. The evaluation with major five categories are follows: "Energy & Resources (environmental performance of buildings)," "Amenity (comfort of tenants)," "Resilience (ability to respond to crises)," "Community & Diversity (consideration for diversity and the surrounding environment)" and "Partnership (cooperation with stakeholders)" with 5 stars (extremely excellent and top-shelf buildings in Japan,) 4 stars (excellent,) 3 stars (great,) 2 stars (good) and 1 star (satisfactory.) JCR has evaluated that this evaluation is equivalent to the "regional, national or internationally recognized standards or certifications" in the green project classification defined in "Green Bond Principles" as DBJ Green Building Certification has been highly recognized in Japan and has had certain evaluation items for environmental performance although it is not specific to environmental performance. However, JCR has considered that it is desirable to individually confirm the evaluation of environmental performance as the certification is not exclusively limited to environmental performance.

DBJ Green Building Certification is based on a comprehensive evaluation, including not only the environmental performance of properties to be evaluated but also the comfort of tenants, risk management, such as disaster/crime prevention, consideration for the surrounding environment and communities and collaboration with stakeholders. There are many properties that do not meet the criteria for evaluation in the real estate market as scoring is designed by consolidating specific "excellent initiatives" for the environment and society. In order to be highly rated, a building is required to appropriately consider not only the environment but also all stakeholders involved in the building.

The level of DBJ Green Building Certification is assumed to be the top 20 percent or so of the all income properties in Japan in the "concerns for the environment and society." Additionally, each rating up to 3 stars is subject to the aggregation of the top 10 percent (5 stars,) top 30 percent (4 stars) and top 60 percent (3 stars) of properties that exceed the certification level. JCR has therefore evaluated that the buildings with 3 stars or higher, which the Group set as the eligibility criteria, have been narrowed down to properties with high environmental performance among the buildings that are designated to obtain certification.

CASBEE (Comprehensive Building Environment Performance Evaluation System)

CASBEE is an acronym standing for Comprehensive Assessment System for Built Environment Efficiency and is a method to evaluate and rate the environmental performance of buildings. In April 2001, a comprehensive environmental evaluation research committee for buildings was established as an industry-academia-government collaboration project with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism and has been continuously developed and maintained since then. The evaluation tools include CASBEE for Construction, CASBEE for Cities or CASBEE for Real Estate that was developed for the real estate market to show environmental performance in an easy-to-understand manner.

CASBEE for New Construction is evaluated with the value of BEE (Built Environment Efficiency) with L (L means Load) as the denominator and Q (Q refers to Quality) as the numerator after the reconstruction from the viewpoint of environmental quality of buildings and environmental loads of buildings for the evaluation items in the four areas: energy consumption, resource recycling, regional environment and indoor environment. The evaluation results are categorized into five as follows: Rank S (excellent,) Rank A (very good,) Rank B + (good,) Rank B - (slightly inferior) and Rank C (inferior.) CASBEE for Real Estate falls under four categories as follows: Rank S (excellent,) Rank A (very good,) Rank B + (good) and Rank B (satisfied with items required.) In order to be highly evaluated, consideration for indoor comfort or landscape is required in addition to concern for the environment, such as energy saving or using equipment with low environmental burdens, and comprehensive buildings with high quality is required.

CASBEE for Real Estate has been developed to utilize the results of environmental evaluation of buildings in CASBEE when evaluating real estate, and the evaluation criteria have been formulated to focus on items that are strongly correlated to real estate evaluation. CASBEE for Real estate includes the following five evaluation items: 1. Energy/GHG, 2. Water, 3. Resource use/safety, 4. Biodiversity/site and 5. Indoor environment. The evaluation method shall: (1) be aligned with major global weighted evaluation tools, (2) be a point-addition scoring system, (3) have 5 required items and 16 adding items, with a perfect score of 100 points and (4) be excluded from evaluation if required items are not satisfied.

JCR has evaluated that buildings with Rank B + or higher in the CASBEE certification set as the eligible criteria by Daiwa Securities Group this time have had environmental benefits with the following reasons: (1) such buildings have BEE of 1.0 or higher in CASBEE for New Construction, and their environmental quality clearly exceeds their environmental burdens and (2) such buildings are equivalent to Rank B + in the conventional CASBEE for Construction although the measurement is not based on BEE in CASBEE for Real Estate.

BELS (Building Energy Saving Performance Display System)

BELS is an acronym standing for Building-Housing Energy-Efficiency Labeling System and is a system in which energy-saving performance for new and existing buildings has been evaluated and certified by the third-party evaluation institution. The envelope performance and primary energy consumption are subject to evaluation, and it is required to have excellent energy-saving performance to be highly evaluated. The evaluation results are indicated with the number of stars and are ranked from one to five based on BEI (Building Energy Index.) BEI is criteria to measure energy-saving performance relative to a reference value, with a design primary energy consumption amount as the numerator and a reference primary energy consumption amount as the denominator. One star meets the existing energy conservation standard and two stars satisfy the energy conservation standard.

JCR has considered that buildings with 3 stars or higher in the BELS, set as the eligibility criteria by the Group, have had energy-saving performance (non-residence: the BEI value of 0.8 or less) and have been appropriate as the use of the proceeds.

2. Negative Impacts on the Environment and Society

Risk Management Department in DEI, an asset holding entity, has investigated and confirmed renewable energy projects among the projects eligible for the use of proceeds, and a final decision has been made as to whether to make an investment or not in the DEI Investment Committee after receiving evaluation reports from external organizations or assessing the environment. The final approval has been given for the selection of renewable energy projects stipulated in this framework after sharing the information on negative impacts including the detailed investigation concerned with Treasury Department in Daiwa Securities Group under its structure. JCR has confirmed that the DEI risk management team has continuously monitored risks, held monthly meetings and discussed risk management among relevant internal departments in the post-investment monitoring process, and the Group has had a system in place to formulate countermeasures if there are any issues.

Treasury Department in Daiwa Securities Group will investigate and confirm green building projects. JCR has confirmed that the Group will investigate and figure out the negative environmental and social impacts per project by obtaining green building certification from the third-party institution and receiving reports from the external organization during review for projects although clear rules have not yet been formulated. JCR has also confirmed that the Group will discuss the countermeasures if there are any issues to note.

Accordingly, JCR has evaluated that the negative impacts on the environment and society have been considered and appropriate measures have been taken for all eligible projects for which the proceeds will be used.

3. Alignment with SDGs

JCR has evaluated the Daiwa Securities Group's projects will contribute to the following SDGs goals and targets by referring to ICMA's SDGs mapping.



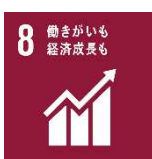
Goal 3: Good Health and Well-Being

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



Goal 7: Affordable and Clean Energy

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



Goal 8: Decent Work and Economic Growth

Target 8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead



Goal 9: Industry, Innovation and Infrastructure

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being with a focus on affordable and equitable access for all

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



Goal 11: Sustainable Cities and Communities

Target 11.3. By 2030, promote inclusive and sustainable urbanization and strengthen the capacity of all countries for participatory, inclusive and sustainable human settlements planning and management

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



Goal 12: Responsible Consumption and Production

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment



Goal 13: Climate Action

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

I. Selection Criteria and Processes of Use of Proceeds

JCR's Key Consideration in this Factor

In this section, JCR will confirm the goals to be achieved through financing based on this framework, the validity of the green project selection criteria and processes and whether a series of processes has been appropriately disclosed to investors.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has determined that departments with specialized knowledge and the management have been appropriately involved in the goals, green project selection criteria and processes in this framework, and that transparency has been ensured.

1. Goal

Daiwa Securities Group has stated "Promotion of green/transition finance to support the realization of a carbon-free society," "Development and provision of new financial products and services that contribute to the realization of a sustainable society" and "Creating a beautiful global environment that will lead to the next generation" as environmental issues of the priority issues professed in its management vision, "2030Vision."

The Group has set forth the following targets: (1) Achieve net zero GHG emissions within its own operations (Scope 1 and 2) by 2030 and (2) Achieve net zero GHG emissions within its investment and loan portfolios (Scope 3) by 2050 in "the Daiwa Securities Group Net Zero Carbon Declaration" formulated by the Group in August 2021 as more direct goals and guidelines. Daiwa Securities Group has set the major six key policies toward the realization of such targets in which it has listed "Promote green finance/transition finance" and "Expand business investment in the renewable energy sector" as concrete issues to be addressed toward "A carbon-free society through finance" as green finance policies, and green finance based on this framework has been also positioned as measures that contribute to addressing these issues (see below for more details.)

The Daiwa Securities Group Net Zero Carbon Declaration⁷

1. Achieve net zero GHG emissions within its own operations* (Scope 1 and 2) by 2030
2. Achieve net zero GHG emissions within its investment and loan portfolios (Scope 3) by 2050

⁷ Daiwa Securities Group's website at <https://www.daiwa-grp.jp/sustainability/environment/policy.html> (partially processed by JCR)

3. Support the smooth transition to a carbon-neutral society through its business activities

<Daiwa Securities Group's Main Priority Areas>

- Sustainable finance for the delivery of a carbon-neutral society
 - Promote green finance/transition finance
 - Expand business investment in the renewable energy sector
 - Strengthen engagement with investee firms
- Support new technologies and promote business solutions that contribute to the delivery of a carbon-neutral society
 - Promote innovation (hydrogen or CCUS) and provide support for new technologies
 - Expand its advisory business within the renewable energy sector
- Provide investment opportunities that contribute to the delivery of a carbon-neutral society
 - Expand its lineup of related products and services
 - Expand investment trusts with an environmental theme
 - Arrange SDG bonds including green bonds
 - Promote SDGs-IPOs in the environmental sector
- Reduce the environmental footprint of the Group
 - Shift to 100 percent renewable energy
 - Continue efficient use of energy
 - Consider carbon offsetting
- Set targets to align with the Paris Agreement goals and expand transparent information disclosure
 - Analyze GHG emission management methods for investment and loan portfolios
 - Set intermediate targets for Scope 3 to align with the Paris Agreement goals by utilizing SBT (in FY 2023)
 - Ensure appropriate disclosure related to its climate change response (such as TCFD)
- Strengthen its management system to achieve net zero carbon
 - Revise and embed the "Daiwa Securities Group Environmental and Social Policy Framework"
 - Embed sustainability elements into corporate executive officers' compensation

*The scope of Daiwa Securities Group will be calculated on a consolidated basis.

Accordingly, JCR has evaluated that the implementation of green finance based on this framework has been aligned with the sustainability goals and policies set forth by the Group and has been contribute to business development.

2. Selection Criteria

The eligibility criteria in this framework are as same as those described in Evaluation Phase I in this report. JCR has evaluated the project selection criteria as adequate.

3. Process

This Framework for the Process

Process for Project Evaluation and Selection

The Group's Treasury Department will evaluate and select projects in accordance with eligibility criteria. Treasury Department will collaborate with relevant departments with specialized expertise, if necessary. The final decision will be made by Chief Financial Officer (hereinafter referred to as "CFO") based on the selected eligible green projects.

Evaluation by JCR to the Framework

Treasury Department in the Group will proactively confirm whether the project for which the proceeds financed will be used falls under eligible projects according to the eligible criteria while discussing with DEI and affiliated companies/departments within the Group including Sustainability Promotion Office as necessary when selecting such projects. Then, CFO of the Group will give final approval.

JCR has therefore evaluated that the management or departments dedicated to sustainability have been appropriately involved in the project selection process defined in this framework.

The Group's green finance goals, selection criteria and processes will be disclosed in this evaluation report and will be explained to investors through disclosure in this framework on its website and communication with investors through debt IR. Daiwa Securities Group will disclose the target projects through amended shelf registration statements/supplementary documents and its website when implementing green finance and via channels/opportunities such as debt IR when financing.

Based on the aforementioned, JCR has evaluated that transparency of information disclosure to investors has been ensured.

II. Management of Proceeds

JCR's Key Consideration in this Factor

It is generally assumed that how to manage proceeds widely varies depending upon issuers. JCR will confirm whether the proceeds are surely appropriated to green projects and whether a mechanism and internal system are in place to enable easy tracking and managing allocation of proceeds.

JCR will also give importance to whether proceeds will be early allocated to green projects and to the evaluation of management and operation methods for unallocated proceeds.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has evaluated that Daiwa Securities Group has highly kept transparency as its proceeds management system has been appropriately established and how to manage proceeds financed will be disclosed in this evaluation report and the framework will be disclosed on its website.

This Framework for Management of Proceeds

Management of Proceeds

The management and allocation of proceeds will be executed by Treasury Department. Treasury Department will use a separate ledger and continuously track budgets and actual spending for eligible green projects. For pending allocation to finance eligible green projects, the amount equal to the balance of the proceeds will be temporarily invested in cash and/or cash equivalents and will be allocated to eligible green projects as soon as practically possible.

Evaluation by JCR to the Framework

The proceeds financed through green finance will be tracked and managed based on an independent ledger created by Treasury Department of the Group. The policy is to allocate the proceeds financed to projects that meet the eligibility criteria as soon as practically possible, and if there are any unallocated proceeds, they will be temporarily allocated in cash or cash equivalents until the entire amount is appropriated. The proceeds are deemed to be allocated by making a loan from the Group to DEI for renewable energy projects among the projects eligible for the use of proceeds.

The management of proceeds financed will be regularly and internally audited in the Group, and the overall accounting will be externally audited by an audit firm. All ledgers on management of proceeds financed will be electronically kept. JCR has confirmed that the data will be stored electronically until the green finance is repaid and for a period stipulated in the laws and regulations although the storage limitation is not clearly defined in its internal rules.

Accordingly, JCR has evaluated that Daiwa Securities Group has been highly transparent as its proceeds management system has been appropriately established and how to manage proceeds financed will be disclosed in this evaluation report.

III. Reporting

JCR's Key Consideration in this Factor

In this section, JCR will evaluate whether the disclosure system to investors before and after financing based on the subject of this evaluation is planned in a detailed and effective manner.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has evaluated, as for the Group's reporting, that both the proceeds allocation and environmental benefits will be appropriately disclosed to investors.

This Framework for Reporting

Reporting

<Allocation Reporting>

Throughout the term of the green finance, Daiwa Securities Group will report annually on allocation of proceeds on the corporate website, until the proceeds are fully allocated to eligible green projects. Daiwa Securities Group will also update the report in case of material changes. Allocation reporting will include the following information:

- Description of projects
- Amount allocated
- Whether each project is being refinanced or financed
- Amount of unallocated proceeds (if any)

<Impact Reporting>

Throughout the term of the green finance, Daiwa Securities Group will report annually on the impact of eligible green projects on the corporate website. Impact reporting will include the following information as feasibly possible.

Renewable Energy	<ul style="list-style-type: none"> · CO2 Emissions Reduction by the eligible green projects · Power Generation by the eligible green projects
Green Building	<ul style="list-style-type: none"> · Types of the certification · Level

Evaluation by JCR to the Framework

Reporting on the Allocation of Proceeds

Daiwa Securities Group will annually disclose the details of the allocation of proceeds financed through this framework, which is specified herein on its website. In cases where there is a major change in the financing after all of the proceeds was allocated, the Group will disclose that effect by updating the information on the proceeds allocation on its website.

Reporting on Environmental Benefits

The Group will annually disclose the contents stipulated in this framework as reporting on the environmental benefits of eligible green projects on its website. JCR has evaluated that these disclosure items include quantitative indicators such as CO₂ emission reduction/generation amounts for renewable energy, and environmental benefits of green buildings are generally and reasonably ascertainable with the level and type of certification provided by the third-party institution, all of which serve as objective indicators that show the environmental benefits in each project.

Accordingly, JCR has evaluated the reporting system in Daiwa Securities Group as adequate.

IV. Organizational Sustainability Initiatives

JCR's Key Consideration in this Factor

In this section, JCR will evaluate whether the management of the fundraiser has positioned sustainability issues as high-priority management challenges or whether the sustainable finance implementation policies/processes or selection criteria of green projects have been clearly positioned by establishing a department that specializes in sustainability sectors or in collaboration with external institutions.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has highly evaluated that Daiwa Securities Group has positioned sustainability issues as important management challenges, has had a meeting body to address sustainability issues from the practical and management perspective and has developed business activities toward promoting sustainability while taking into account the insight of internal departments in charge of practical tasks or external experts.

Daiwa Securities Group is a major securities group with the second largest business scope in Japan. The Group consists of domestic and overseas group companies, such as Daiwa Asset Management Co. Ltd., Daiwa Institute of Research Ltd., Daiwa Energy & Infrastructure Co. Ltd. or Daiwa Real Estate Asset Management Co. Ltd in addition to the Group, a holding company, and Daiwa Securities Co. Ltd., the core subsidiary. The Group's sustainability and environmental initiatives will be discussed below.

The Group has set four Corporate Principles: "Building trust," "Placing importance on personnel," "Contributing to society" and "Maintaining healthy earnings results," based on which it has developed its business to achieve its mission of "Benefit the economy and society through the development of healthy financial markets."

In 2021, Daiwa Securities Group formulated the management vision, "2030Vision" to show its vision toward the achievement of such a mission in 2030. In the Vision, the Group has established its core concept, "Realize the SDGs by creating a sustainable capital cycle" and has indicated five priority areas, including "Diversity & Inclusion" or "the 100-year life" in which the Group has listed "Promotion of green finance/transition finance to support the realization of a carbon-free society," "Development and provision of new financial products and services that contribute to the realization of a sustainable society" and "Creating a beautiful global environment that will lead to the next generation" as environmental issues.

priority areas	priority issues
<p>100 years of life</p> <p>Realization of a society where everyone can spend 100 years of life affluently</p>	<ol style="list-style-type: none"> 1. Support for household asset formation and conservation toward the realization of a prosperous 100-year life 2. Realization of local revitalization with private funds 3. Financial support for economic growth in Asia
<p>Innovation</p> <p>Innovation that enriches society Promote and realize your own transformation</p>	<ol style="list-style-type: none"> 4. Support for accelerating corporate metabolism toward the realization of innovation that enriches society 5. Reform of business portfolio to create new added value 6. Leading social transformation as a one-of-a-kind financial platformer
<p>Green & Social</p> <p>Promoting the transition to a carbon-free society and realizing a resilient society</p>	<ol style="list-style-type: none"> 7. Promotion of green finance to support the realization of a carbon-free society 8. Development and provision of new financial products and services that contribute to the realization of a sustainable society
<p>Foundation of sustainable management</p> <p>Diversity & Inclusion</p> <p>Realization of a society where everyone can play an active role by acknowledging diverse personalities</p> <p>-Strengthening the foundation that supports sustainable corporate management-</p>	<ol style="list-style-type: none"> 9. Fostering human resources who can provide added value 10. Building an organization where everyone can play an active role by acknowledging diverse personalities 11. Strengthening a sound and highly transparent management base 12. Leading the maintenance and development of financial and capital markets 13. Creating a beautiful global environment that will lead to the next generation 14. Realization of a better future community / society

Chart 1: Priority Areas and Issues Indicated in Daiwa Securities Group's "2030Vision"⁸

Such initiatives are indicated along with the timeline in the roadmap that provides a concrete direction by 2050 to achieve the goals set forth in "the Daiwa Securities Group Net Zero Carbon Declaration" in addition to the Group's overall business strategy. The roadmap includes specific guidelines, such as "Promote green finance/transition finance" and "Expand business investments in the renewable energy sector" as part of "Initiatives through financial business," and the green finance based on this framework is aligned with the guidelines.

As such, the green finance based on this framework can be positioned as an initiative to promote to resolve the priority environmental issues set forth by Daiwa Securities Group through making investments in and loans to each project for which proceeds will be used.

The Sustainability Promotion Committee chaired by the CEO has been established to discuss policies in the Group since 2018 under the Group's sustainability promotion structure. This Committee has made discussions on sustainability initiatives and has appropriately reported the details of such discussion to the Board of Directors or the Executive Management Committee. External experts have regularly participated in the Committee, which enables Daiwa Securities Group to utilize their experience and insight. Then, based on decisions made by the Committee,

⁸ Daiwa Securities Group's web site at https://www.daiwa-grp.jp/sustainability/group_sustainability/sustainability_management.html

Sustainability Promotion Office of Corporate Planning Department has worked to deploy initiatives as Secretariat throughout the Group.

Accordingly, JCR has highly evaluated that Daiwa Securities Group has positioned sustainability issues as significant management challenges, has set up a meeting body to deal with them professionally, has worked on them from a practical and management perspective and has appropriately developed its business activities based on internal and external insight.

Evaluation Phase 3: Evaluation Results (Conclusions)

Green 1(F)

JCR has assigned "g1(F)" to "Green Evaluation (Use of Proceeds)" and "m1(F)" to "Management, Operation and Transparency Evaluation" for this framework based on the JCR Green Finance Evaluation Methodology. Accordingly, JCR has assigned "Green 1 (F)" to "JCR Green Finance Framework Evaluation." This framework has satisfied the criteria for the items required in "Green Bond Principles," "Green Loan Principles," "Green Bond Guidelines" and "Green Loan Guidelines."

		Management, Operation and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Green Evaluation	g1(F)	Green 1(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g2(F)	Green 2(F)	Green 2(F)	Green 3(F)	Green 4(F)	Green 5(F)
	g3(F)	Green 3(F)	Green 3(F)	Green 4(F)	Green 5(F)	N/A
	g4(F)	Green 4(F)	Green 4(F)	Green 5(F)	N/A	N/A
	g5(F)	Green 5(F)	Green 5(F)	N/A	N/A	N/A

(Responsible Analysts for this Evaluation) Rieko Kikuchi and Yuki Nagayasu

Important Explanation on this Evaluation

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

JCR Green Finance Framework Evaluation, which is granted and assigned by Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") is a comprehensive statement of JCR's current opinion on the alignment with green projects as defined by JCR and the extent of the initiatives to ensure management, operations and transparency on the use of proceeds with policies set forth by the Green Finance Framework as the target evaluation. Therefore, it is not intended to evaluate the specific environmental benefits, management/operation systems and transparency of individual bonds or borrowings to be executed based on these policies concerned. In cases where a green finance evaluation is granted or assigned to an individual bond or borrowing based on the said framework, a separate evaluation is required. JCR Green Finance Framework Evaluation neither proves environmental benefits on the environment from the individual bond or borrowing executed based on the framework concerned nor does it assume responsibility for any environment benefits. JCR, in principle, will not directly measure environmental benefits of proceeds financed through Green Finance Framework although JCR will confirm the items measured quantitatively and qualitatively by the issuer and/or borrower (hereinafter an issuer and borrower are collectively referred to as "a fundraiser") or a third party requested by the fundraiser. Green equity may also be included in the evaluation only if all assets, in case of investment corporations, fall under green projects.

2. Methodology Used in this Evaluation

The methodology used to make this evaluation is posted as "JCR Green Finance Evaluation Methodology" in the "Sustainable Finance/ESGs" section on the JCR's website at <https://www.jcr.co.jp/en/>.

3. Relation with Conduct of Credit Rating Activities

The conduct of assigning and providing JCR Green Finance Framework Evaluation is performed by JCR as its related business and is different from the conduct of credit rating activities.

4. Relation with Credit Rating

This evaluation is different from a credit rating and is not committed to providing a predetermined credit rating or making available for inspection.

5. Impartiality in Evaluating JCR Green Finance Framework

There are neither capital ties nor personnel relationships that could create a conflict of interest between this evaluation and JCR.

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■Terminology

JCR Green Finance Framework Evaluation: The assessment of the extent to which proceeds financed based on the Green Finance Framework are allocated to green projects as defined by JCR and of the degree of management, operation and transparency on the use of proceeds for the said Green Finance. The evaluation is made on a scale of five in the order from top to bottom with evaluation symbols of Green 1 (F), Green 2 (F), Green 3 (F), Green 4 (F) and Green 5 (F).

■Status of Registration as an External Evaluator of Sustainability Finance

- Ministry of the Environment: Registered as an external reviewer for Green Finance
- ICMA (observer registration as an external evaluator with the International Capital Markets Association)
- UNEP FI Positive Impact Financial Principles Working Group Member
- Climate Bonds Initiative Approved Verifier

■Other Registration Status as Credit Rating Agency

- Credit Rating Agency: the Commissioner of Financial Services Agency (Credit Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of Nationally Recognized Statistical Rating Organization ("NRSRO") as defined by the U.S. Securities and Exchange Commission: (1) financial institutions, broker/dealers, (2) insurance companies, (3) general business corporations and (4) government and local governments. In cases where disclosure is required based on Rule 17g-7(a) of the Securities and Exchange Act, such disclosure is attached to News Release posted on the JCR's home page at <https://www.jcr.co.jp/en/>.

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