

_____ JCR Green Finance Framework Evaluation by Japan Credit Rating Agency, Ltd. _____

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

JCR Assigns Green 1 (F) to the Green Finance Framework of Daiwa Office Investment Corporation

Subject : Daiwa Office Investment Corporation Green Finance Framework

<Green Finance Framework Evaluation Results>

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

Chapter 1: Evaluation Overview

Daiwa Office Investment Corporation (the Investment Corporation) is a J-REIT, which was established in July 2005 and listed on the Tokyo Stock Exchange (the TSE REIT Market) in the same year in October. It mainly invests in medium-sized office buildings, with floor size of 2,000m² or larger in general, located in the five major wards of Tokyo. The current portfolio consists of 60 properties with a total acquisition price of 463.1 billion yen. Daiwa Real Estate Asset Management Co. Ltd. (the Asset Management Company), the asset management company of the Investment Corporation, was established by K.K. Davinci Holdings as its sponsor then. Following the acquisition of all shares of Davinch Select by Daiwa Securities Group Inc. in July 2009, it changed its name from Davinch Select to its current name.

Based on the belief that focusing on ESG is important to increase value for investors over the medium- to long-term, the Investment Corporation is working on initiatives for environmental issues while referring to the three environmental policies established by the Daiwa Securities Group, which are the environmental vision, the environmental philosophy, and the basic environmental policy.

The scope of evaluation is the Green Finance Framework (the “Framework”) established by the Investment Corporation to limit the use of proceeds of green bonds or green loans (the “Green Finance”) to projects with environmental improvement effects. JCR evaluates whether the framework complies with the “Green Bond Principles¹”, the “Green Loan Principles²”, the “Green Bond Guidelines³” and the “Green Loan and Sustainability

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

Linked Loan Guidelines⁴). These Principles and Guidelines are not binding as they are voluntarily published by the International Capital Markets Association (ICMA), the Ministry of the Environment, the Loan Market Association (LMA) and the Asia-Pacific Loan Market Association (APLMA) and are not regulations, but JCR evaluates the Framework in reference to these principles and guidelines as currently globally unified standards.

The Investment Corporation defines the Eligibility Criteria” for the properties relating to use of the funds to be the properties that have been or will be certified either of DBJ Green Building 3 stars or more CASBEE Building (New Building) Certification B + Rank or higher, 3 stars or more of BELS Certification, or LEED Certification Silver or more. In selecting assets under management, the Investment Corporation checks negative impacts on the environment and takes appropriate measures as necessary. Based on the above, JCR has evaluated that the above-mentioned Eligibility Criteria cover projects that are expected to have environmental improvement effects.

Project selection is made in accordance with the process described in the Framework. The process involves the Sustainability Committee, the Investment Committee and the Board of Directors of the Asset Management Company, as well as the executive officers, who represent the Investment Corporation. The proceeds from green financing are used to fund the acquisition of individual green buildings or to refinance such funds. After appropriation of the proceeds, if the subject asset is sold, etc., the balance is managed through portfolio management. The status of appropriation of funds and the content of reports on the effects of environmental improvement are also appropriate. Based on the above, JCR has evaluated that the management and operation system of the Investment Corporation has been established and that it is transparent.

Based on JCR Green Finance Evaluation Methodology, JCR assigns “g1 (F)” for “Greenness Evaluation (Use of Proceeds)” and “m1 (F)” for “Management, Operation and Transparency Evaluation.” Consequently, JCR assigns “Green1 (F)” for overall “JCR Green Finance Framework Evaluation” to the Framework. The evaluation results are discussed in detail in the next chapter.

JCR also evaluates that the Framework meets the “Green Bond Principles”, the “Green Loan Principles”, the “Green Bond Guidelines” and the “Green Loan and Sustainability Linked Loan Guidelines.”

² LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2018
<https://www.lma.eu.com/>

³ Ministry of the Environment Green Bond Guidelines 2020
https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf (pp.10-35)

⁴ Ministry of the Environment Green Loan and Sustainability Link Loan Guidelines 2020
https://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf (pp.36-67)

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

Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated 100% of the use of proceeds was green project, and assigned "g1 (F)", the highest rank for Phase 1: Greenness Evaluation.

(1) JCR's Key Consideration in This Factor

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

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

< Framework for Use of Proceeds >

The proceeds from the Green Bonds or Green Loan will be used to fund the acquisition of, or to refinance the Green Building that satisfies the following eligibility criteria:

[Eligible Criteria]

Properties, which has been certified or will be certified any one of the following third-party certification bodies from (1) to (4):

- (1) Three Stars to Five Stars in DBJ Green Building Certification
- (2) B+ to S rank in CASBEE building (new construction)
- (3) Three Stars to Five Stars in BELS Certification
- (4) Silver to Platinum Ranking in LEED Certification

<JCR's Evaluation for the Framework>

a. The environmental improvement effects of the project

i. The eligibility criteria set out in the Framework are buildings that have acquired or are planning to acquire environmental certification, limited to the top three categories of regional, national, or internationally recognized certification levels ("Green Buildings"). The Use of Proceeds for acquisition or refinancing is expected to have environmental improvement effect.

JCR evaluates that the eligibility criteria for Green Building established by the Investment Corporation are for buildings that are expected to achieve a certain level of environmental improvement, as described in detail below.

1. Overview of DBJ Green Building Certification and environmental performance over DBJ Green Building 3 star

A certification system provided by Development Bank of Japan Inc. (DBJ) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of star, and the evaluation axis is "Buildings with consideration for the environment and society." DBJ Green Building evaluates three major categories: "Ecology (Environment)", "Amenity (Comfort) and Risk Management (Crime Prevention and Disaster Prevention)," and "Community (Region and Landscape) and Partnership (Cooperation with Stakeholders)." Result is represented by 5 star (the best class in Japan), 4 star

(exceptionally high), 3 star (excellent), 2 star (high), or 1 star (satisfactory). Although it is not an environmental performance-specific evaluation, it is highly recognized in Japan and has a certain evaluation item regarding environmental performance. Therefore, JCR evaluated this certification as equivalent to “Green buildings with regional, national or internationally recognized standards and certifications” in the category of green projects as defined in Green Bond Principle. However, since the certification is not limited to environmental performance, JCR considers that it is desirable to confirm the evaluation of environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property, but also on comprehensive evaluations, including the comfort of tenants, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and communities, and cooperation with stakeholders. Designed for scoring while aggregating specific excellent efforts for the environment and society, thus, there are many properties that do not obtain “star” in the real estate market. For obtaining high evaluation, the building is required not only the environmental consciousness but also of appropriate consciousness for all stakeholders involved in buildings.

DBJ Green Building certification level is the top 20% of the total domestic income real estate for “environmental and social considerations”. Each evaluation which is higher than 3 star is considered to consist of the top 10% (5 star), the top 30% (4 star), and the top 60% (3 star). JCR considers that the eligibility criteria for the Investment Corporation are limited to buildings with high environmental performance, even among buildings that are aiming to acquire certification⁵.

2. Overview of CASBEE (Comprehensive Assessment System for Built Environment Efficiency) and environmental performance over CASBEE B +

This is a method for evaluating and rating the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for Buildings was established with the support of the Ministry of Land, Infrastructure, Transport and Tourism's Housing Bureau as a joint project between industry, government, and academia. Since then, the committee has been continuously developing and maintaining buildings. Evaluation tools include CASBEE-buildings, CASBEE-districts, and CASBEE-properties developed for the real estate market to provide easy-to-understand environmental performance.

The assessment results are divided into 5 grades: S rank (excellent), A rank (excellent), B+ rank (good), B-rank (slightly inferior), and C-rank (inferior). CASBEE-real estate is classified into 4 grades: S rank (excellent), A rank (excellent), B+ rank (good), and B rank (satisfying essential items). The evaluation method is a reconfiguration and quantification of the performance in the 4 fields of energy efficiency, resource efficiency, outdoor environment, and indoor environment in buildings from the viewpoints of environmental quality of buildings (Q = Quality) and environmental burden of buildings (L = Load). Evaluation is based on the BEE (Built Environment Efficiency) value with L as the denominator and Q as the numerator. In addition to environmental considerations such as energy conservation and the use of materials and equipment with low environmental impact, it is necessary to give consideration to indoor comfort and landscape, and the high quality of comprehensive buildings is required for high evaluation. B+ or higher, which the Investment Corporation has recently designated as an eligible criteria, is a building with a BEE of 1.0 or more, and is regarded as having the effect of improving the environment, since the quality is clearly superior to the environmental impact.

⁵ Revision and Release of DBJ Green Building Certification Assessment Items (February 2019 DBJ Green Building Certification Website)

3. Overview of BELS (Building-housing Energy-efficiency Labeling System) and environmental performance over BELS 3 Star

BELS is the Building-housing Energy-efficiency Labeling 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 the number of star according to the energy conservation standards achieved. High evaluation requires excellent energy-saving performance. In BELS, the number of star is ranked from 1 to 5 according to the BEI (Building Energy Index). 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. 1 star is the existing energy conservation standard, 2 star is the energy conservation standard, and 3 star is the guidance standard. BELS 3 star or more, which are designated as the Eligibility Criteria by the Investment Corporation, considers energy conservation performance that exceeds the guideline (in the case of offices and commercial buildings, the BEI value is 0.8 or less) to be the standard. JCR evaluate these certifications as effective in improving the environment.

4. Overview of LEED (Leadership in Energy-and Environmentally-Friendly Design) and environmental performance over Silver

The Environmental Performance Assessment System for Construction and Urban Environments developed and operated by the U.S. Green Building Council (USGBC), a non-profit organization. As of the year 2018, there are buildings certified in more than 160 countries or regions. The LEED is an acronym for Leadership in Energy and Environment Design. The draft was published in 1996 and is updated once every few years.

There are five types of certification: BD+C (Building Design and Construction), ID+C (Interior Design and Construction), O+M (Operation and Maintenance), ND (Neighborhood Development), and HOMES (Home).

The authentication level is represented by the sum of the points earned for each item and is from above Platinum (80 points or more), Gold (60-79 points), Silver (50-59 points), and Certified (40-49 points). As for items related to energy efficiency, it is often a prerequisite for the evaluation that points are high or already achieved, and energy efficiency is high, which is considered necessary in order to obtain a high certification level. Above the Silver specified by the Investment Corporation as eligible criteria, buildings that achieve high energy-efficiency can be considered to be certified, and the investment corporation can be evaluated as having the effect of improving the environment.

Based on the above, JCR has evaluated the qualification criteria of the Investment Corporation as being expected to have an environmental improvement effect.

- ii. **The use of proceeds fall under the following categories: "Green Buildings which meet regionally, nationally or internationally recognized standards or certifications" and "Energy efficiency" in the Green Bond Principles and the Green Loan Principles; "Green Building Projects" and "Energy**

Efficiency Projects⁶" among the uses of proceeds exemplified in Green Bond Guidelines and Green Loan and the Sustainable Linked Loan Guidelines.

According to a survey conducted by the World Green Building Council, carbon dioxide emissions from buildings account for 39% of total emissions. As a measure to prevent global warming in Japan, it is important to further promote green buildings with high energy efficiency performance that reduce CO₂ emissions from buildings. In addition, the New Strategic Energy Plan decided by the Cabinet of Japan in July 2018 stipulates that new housing and buildings will be obligated to comply with the Energy Efficiency Standards in stages by 2020. It is consistent with Japan's energy conservation policy that the Investment Corporation actively acquires buildings with high environmental certification levels.

⁶ A project to acquire environmental certification that conforms to domestic standards or demonstrates high performance in environmental certification systems, such as CASBEE certification and LEED certification, and undertake new construction or renovation of green buildings, which are broadly compliant with considerations such as water consumption and waste management, in addition to energy-saving performance.

b. Negative impact on the environment

At the time of acquisition of properties subject to the use of funds, the Asset Management Company confirms whether or not there is a negative impact on the environment, such as defects in properties, by obtaining an environmental survey report. Where there are defects in a property, including negative impacts on the environment, it avoids and mitigates negative impacts on the environment by acquiring the property after the defects are corrected by the seller or cancellation of property acquisitions.

Regarding the negative impact on the environment, JCR confirmed that the Investment Corporation has implemented appropriate risk aversion and mitigation measures.

c. Consistency with SDGs

JCR assessed the goals of the use of proceeds set out in this Framework, referring to SDGs mapping of ICMA, and contributing to the following SDGs goals and targets.



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

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



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

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



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

Target 11.6. Reduce per capita environmental impacts of cities, including by paying special attention to air quality and general and other waste management, by 2030.

Evaluation Phase 2: Management, Operations and Transparency Evaluation

Based on the current status described below and the JCR's evaluation, JCR assessed that the management and operation system was well established, that the transparency was extremely high, and that the implementation of projects as planned and the appropriation of funding could be sufficiently expected. JCR assigned "m1 (F)" as the highest ranking to the evaluation phase 2: Management, Operation, and Transparency Evaluation.

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 the goals to be achieved through green bonds, the selection criteria for green projects and the appropriateness of the process, and whether the process is properly disclosed to investors and others.

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

a. Goals

The Daiwa Securities Group has announced its three environmental policies, which outline its stance on solving environmental issues. While referring to these policies, the Investment Corporation is promoting initiatives that contribute to environmental improvements, including acquiring green buildings. JCR evaluates that the issuance of the Investment Corporation Bonds is consistent with the Three Environmental Policies because it enables the Company to promote initiatives that contribute to the reduction of environmental impact.

Three Environmental Policies

Environmental Vision

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

Environmental Principles

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

Basic Environmental Policy

1. Make positive environmental contributions through our core business activities

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

2. Implement an environmental management system

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

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

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

safe, clean methods of materials procurement.

4. Promote environmental communication

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

5. Strictly observe environmental regulations

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

b. Selection criteria

Eligibility criteria in the Green Finance Framework are described in Evaluation Phase 1 of this report. The persons in charge of the Finance Department of the Asset Management Company assess and review conformity to eligibility criteria of subject properties for Green Finance.

JCR assesses that the selection criteria for green projects are appropriate as buildings with environmental improvement effects are targeted.

c. Process

<Process relating to the Framework>

Project selection process

1. Persons involved in the project selection

Projects for which the proceeds will be used are determined conformity to the eligibility criteria, evaluated and selected by the person in charge in the Finance Department, with advice from Asset Manager of the Asset Management Company.
2. Project selection process

Procurement of funds through green financing for the target project is drafted by the person in charge in the Finance Department after deliberating at the Sustainability Committee of the Asset Management Company. It is approved by the executive officers who are representatives at the Executive Committee of the Investment Corporation after deliberation at the Investment Committee and the Board of Directors of the Asset Management Company.

<JCR's Evaluation of the Framework>

The selection of projects eligible for use of Green Finance funds will be made in accordance with the process described in the above framework. The Investment Committee and the Board of Directors of the Asset Management Company, executive officers who are representatives of the Board of Directors of the Investment Corporation involve executive officers in the process. In addition, the Asset Management Company and the Sustainability Committee, which gives consideration to initiatives for sustainability for the fund under the management, etc. also involve in the process.

JCR evaluates the above selection process as highly transparent, as the responsibilities of each organization are clear.

The Investment Corporation plans to disclose the goals, selection criteria, and processes relating to green finance through press releases by the Investment Corporation and other means; therefore, JCR considers that transparency to investors is ensured.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's Key Consideration in This Factor

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

In addition, it is important that funds procured through green finance be allocated to green projects at an early stage, and that the management and operation of unappropriated funds be evaluated.

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

<The Framework for proceeds management>

<p>Plan for appropriation of proceeds</p> <p>After the funds are credited to the designated bank account in lieu of issuance, the following actions are taken: a. in the case of property acquisitions, the person in charge of the Finance Department transfers the funds from the designated account in lieu of issuing the money to acquire the property; b. where funds are appropriated for repayment of bonds and loans, etc. procured for the acquisition of properties, the person in charge of the Finance Department shall remit funds for redemption and repayment from the designated account in lieu of issuance. Remittances are required to be approved in advance by General Manager of the Finance Dept.</p> <p>Tracing and managing procured funds</p> <p>Even after full appropriation, where the assets, for which funds are used, are sold before redemption of bonds subject to valuation, etc., the funds shall be managed under Green Bond Procurement Fund Tracking Management Sheet, in a form of Excel sheet, and the approval of General Manager of the Finance Dept. shall be obtained for each fiscal year.</p> <p>Management method of unappropriated funds</p> <p>Until allocation of funds is determined, the proceeds will be managed as cash or cash equivalents. Even after the full appropriation, if the assets subject to the use of funds become no longer the target due to sale of the asset or other reasons before the redemption of the bonds subject to the evaluation, the unused funds that arise temporarily will be managed through the portfolio management.</p> <p>※Portfolio management <u>Confirm that the total amount of Green Finance balance does not exceed the maximum amount of Green Qualified Liabilities (Total Assets Acquisition Price that satisfies the Qualifying Criteria × Total Assets LTV) for each accounting period.</u></p>

<JCR's Evaluation of the Framework>

The proceeds from green financing are used to fund the acquisition of individual green buildings or to refinance such funds. Unappropriated funds are managed as cash or cash equivalents. After appropriation of the proceeds, where the subject asset is sold, etc., the balance is managed by portfolio management. JCR believes that there are no particular concerns over the fund treatment by the Investment Corporation, as this portfolio management is consistent with the commonly practice used in the marketplace.

Fund management of procured funds shall be performed by the Finance Department of the Asset Management Company. The Finance Department shall use the confirmation sheet to track and manage the appropriation of procured funds and manage the upper limit of amount procured by green finance as described in the above framework. These operations relating to the fund management are subject to internal audits; therefore, it can be said that internal controls are in place. Forms and documents relating to the fund management are kept in a form of electronic files, etc. for a sufficient period after redemption.

Based on the above, JCR has evaluated that the fund management of the Investment Corporation is appropriate and that the management method is highly transparent.

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section JCR assesses whether the system for disclosing green finance to investors before and after implementation is planned in a detailed and effective manner by referring to the Framework.

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

<Framework for Reporting>

<p>Disclosure Status of Appropriation of Funds</p> <p>Publish an appropriation plan on our website if there is unused funds at the time of Green Bond issuance or borrowing Green Loan. The amount of unappropriated funds shall be disclosed once a year.</p> <ul style="list-style-type: none"> • (if assets subject to the use of funds are sold by the redemption and repayment period) The fact that the balance is managed through portfolio management, the green finance balance and the maximum amount of green eligible liabilities <p>Impact Reporting Disclosure Methods and Frequency</p> <p>Scheduled for disclosure on our website annually</p> <p>KPIs (Key Performance Indicator) in Impact Reporting</p> <p>Number and type of environmental certifications of acquired assets</p> <p>Until the Green Bond / Green Loan is redeemed or repaid, the Investment Corporation plans to receive review of the green finance evaluation from JCR, focusing on the state of reporting, such as the state of appropriation of funds and the content of disclosures as an effect of environmental improvement.</p>

<JCR's Evaluation of the Framework>

a. Reporting on the proceeds allocation

The Investment Corporation plans to disclose the appropriation of the proceeds from green financing on its website once a year. The Investment Corporation also plans to make disclosures on its website in the event of a major change in circumstances, such as the sale of assets subject to the use of funds. JCR has assessed that reporting on the appropriateness of these funds is appropriate.

b. Reporting on environmental improvement effects

The Investment Corporation plans to disclose the number and type of environmental certifications relating to its properties on its website once a year as a reporting item for environmental improvement effects. JCR assesses that the Investment Corporation's disclosures and frequency of disclosures are reasonable in light of ICMA's Green Building Impact Reporting Standards.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

This section evaluates whether the issuer's management positions environmental issues as a high priority issue for management, and whether the implementation policy of Green Finance and process, Green Project selection criteria, etc. are clearly positioned by establishing a department that specializes in the environmental field or by cooperating with external organizations.

(2) Current status of evaluation targets and JCR evaluation

As one of the investment corporations in the Daiwa Securities Group, the Investment Corporation is addressing the Sustainable Development Goals (SDGs) and environmental issues in line with the Group's policies. In the following section, JCR will examine the environmental initiatives of the Daiwa Securities Group and the Investment Corporation.

a. Daiwa Securities Group's Environmental Initiatives

The Daiwa Securities Group recognizes that SDGs are overachieving goals to lead the world as mentioned under "the Daiwa Securities Group SDG Declaration". It has indicated Daiwa Securities Group's stance that it will work actively for realization of a prosperous society and improved people's life by pursuing both its economic values and solution of social challenges at the same time through Group businesses. The Daiwa Securities Group has established SDGs Promotion Committee, chaired by the president and CEO, and is working to establish a system addressing SDGs. Several experts participate in the committee as external members, and a system to reflect external expertise in discussions has been established. The committee discusses cross-group actions to take for SDGs, including the identification of materiality, and it also periodically reports the content of discussions to the Board of Directors and the Board of Executive Officers. Among the Daiwa Securities Group's materiality items determined by the committee, those related to the environment are linked to SDGs from the viewpoints of "initiatives to reduce environmental impact (environmental initiatives that support business activities)" and "contribution to a sustainable society using financial functions (environmental initiatives through business activities)", and it engages in activities that contribute to the achievement of SDGs.

As part of its environmental efforts to support the Daiwa Securities Group's business activities, it has created three environmental policies (see pages 6 and 7) to indicate its stance of contributing to the resolution of environmental issues. Based on these policies, the Group is working to reduce environmental impacts through specific measures such as the introduction of environmental accounting and specifying products, which meet top-runner standards when renewing equipment at the head office and branches.

b. Daiwa Office Investment Corporation's Environmental Initiatives

The Investment Corporation engages in environmental initiatives specific to the investment corporation, while referring to the policies of the Daiwa Securities Group. The Investment Corporation discloses the Policy for ESG, which includes matters to be focused on, considering that each ESG element, including environment, contributes to enhancing investor value over the medium to long term.

ESG policy

1. Initiatives on Environmental Protection (Environment)
We will proactively promote initiatives on environmental protection such as resource and energy-saving measures such as the introduction of facilities and equipment contributing to environmental protection at the properties owned.
 2. Connection to Society (Social)
We will proactively disclose information and fulfill accountability to all of stakeholders through IR activities, etc. We will accomplish social missions of a listed investment corporation by providing high-quality and comfortable residential spaces in partnership.
 3. Corporate Governance (Governance)
We will make highly transparent and reasonable decision under the laws and regulations and various rules while being aware of the importance of corporate ethics and compliance.
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The Asset Management Company confirms the Group's efforts to address environmental issues by sharing matters decided and approved by the Daiwa Securities Group's SDGs Committee. Each department of the Asset Management Company examines specific initiatives regarding environmental issues, and the aforementioned Sustainability Committee reviews them. The Sustainability Committee is chaired by President and CEO, and the members consist of directors and general managers. Information relating to sustainability initiatives including environmental ones are gathered and discussed in the committee.

In the Investment Corporation, Asset Manager and the Construction Manager of the Asset Management Company engage in initiatives for acquiring properties and obtaining environmental certification for GRESB as a specialized department. The Investment Corporation discloses externally that it holds properties with environmental certifications including DBJ Green Building certification that can contribute to the environment and society. In addition, the Investment Corporation regularly reviews and works to improve its sustainability initiatives by receiving advice from external experts mainly when it obtains GRESB evaluations.

The Investment Corporation is implementing concrete measures for the environment rooted in its business, based on the Daiwa Securities Group's policy on the environment, such as utilizing renewable energy through the installation of solar wind street lights utilizing the constant strong wind and sunshine environment in the vicinity of the river and promoting the use of lighting LEDs by concluding green lease agreements with tenants. Environmental initiatives in line with such individual properties are consistent with the Investment Corporation's ESG Policy, and are an example of initiatives aimed at enhancing investor value over the medium to long term through ESG initiatives.⁷

Based on the above, JCR has evaluated that the management of the Investment Corporation has positioned environmental issues as a high priority issue for management.

(Reference) GRESB Real Estate Assessment

Established in 2009, GRESB refers to benchmarks and organizations that measure and evaluate the asset of ESG consideration of companies holding and operating 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. From J-REIT, 44 investment corporations have participated in the evaluation as of 2019.

⁷ This means that a building owners and the tenant cooperate each other toward reducing environmental impacts and improving working environment by voluntarily determining through contracts and memorandums, and put them in action. According to the Ministry of Land, Infrastructure, Transport and Tourism, it helps building a Win-Win relationship between the owner and the tenant by reducing utility costs and improving working conditions.

■ Evaluation Results

Based on the JCR Green Finance Evaluation Methodology, JCR assigns “g1 (F)” for the “Greenness Evaluation (Uses of Proceeds)” and “m1 (F)” for the “Management, Operation, and Transparency Evaluation.” As a result, JCR assigns “Green 1 (F)” for the “JCR Green Finance Framework Evaluation” to the Framework. JCR also evaluates that the Framework meets the “Green Bond Principles”, the “Green Loan Principles”, the “Green Bond Guidelines” and the “Green Loan and Sustainability Linked Loan Guidelines.”

[JCR Green Finance Framework Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness 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)	Not qualified
	g4(F)	Green 4(F)	Green 4(F)	Green 5(F)	Not qualified	Not qualified
	g5(F)	Green 5(F)	Green 5(F)	Not qualified	Not qualified	Not qualified

■ Subject

Issuer/Borrower: Daiwa Office Investment Corporation (Securities code: 8976)

[Assignment]

Subject	Evaluation
Green Finance Framework	JCR Green Finance Framework Evaluation : Green 1 (F) Greenness Evaluation :g1 (F) Management, Operation and Transparency Evaluation: m1 (F)

(Responsible for) Rieko Kikuchi, Hiroya Kakiuchi

Important explanation regarding the evaluation of the Green Finance Framework

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

JCR Green Finance Framework Evaluation, which is granted and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses the overall opinion of JCR at this time regarding the appropriateness of the Green Project as defined by JCR and the degree of management, operation and transparency initiatives related to the use of funds and other matters. Accordingly, it does not undertake specific environmental improvement effects, management and operation systems, and transparency assessments of the use of funds for individual bonds and borrows implemented in accordance with this policy. In the event that green finance assessments are granted for individual bonds or individual borrowings based on this framework, such assessments need to be conducted separately. Furthermore, the JCR Green Finance Framework Evaluation does not demonstrate the improvement effect on the environment of individual bonds or borrows implemented under this Framework and does not assume any responsibility for the environmental improvement effect. In principle, JCR does not directly measure the environmental improvement effects of funds procured under the Green Finance Framework, although JCR confirms the quantitative and qualitative measures by the issuer or a third party requested by the issuer.

2. Methods used in the conduct of this evaluation

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

3. Relationship with Acts Related to Credit Rating Business

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

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■ Glossary

JCR Green Finance Framework Evaluation is an assessment of the extent to which funds procured through Green Finance are appropriated for Green Projects as defined by JCR and the extent to which such funds are used for management, operation, and transparency of the Green Finance. Evaluations are performed on a five-point scale, from the top to the bottom using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) signs.

■ Status of registration as an external assessor of green finance

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

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

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- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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