

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

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

JCR Assigned Preliminary Green1 to Bonds of Daiwa House REIT Investment Corporation

Subject	:	Investment Corporation Bonds Issued by Daiwa House REIT Investment Corporation
Type	:	Investment Corporation Bonds
Issue Amount	:	To Be Determined
Interest Rate	:	To Be Determined
Date of Issuance	:	To Be Determined
Redemption Date	:	To Be Determined
Method of Redemption	:	Bullet
Use of Proceeds	:	Refinancing of fund to acquire an asset

<Green Bond Preliminary Evaluation Results>

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

Chapter 1: Evaluation Overview

Daiwa House REIT Investment Corporation (“DHR”) is a diversified J-REIT sponsored by Daiwa House Industry Co, Ltd. DHR was established in June 2005 as a “BLife Investment Corporation” and was listed on the Tokyo Stock Exchange (Real Estate Investment Trust Stock Exchange) in March 2006. Following the absorption-type merger of New City Residence Investment Corporation in April 2010, DHR changed its name to (former) Daiwa House Residential Investment Corporation in December 2011, and then to (former) Daiwa House REIT Investment Corporation in September 2016. As of April 3, 2020, its assets totaled JPY 816.4 billion (based on acquisition prices) for a total of 227 properties. The Asset Management Company of DHR is Daiwa House Asset Management Co., Ltd. (“DHAM”), and DHR continues to promote external growth by utilizing the pipeline support from the Daiwa House Group, to which DHAM belongs.

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

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

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

DHAM has set annual targets (energy consumption and GHG emissions) and long-term targets for energy consumption, GHG emissions, water consumption and waste management, and is working to achieve their respective numerical targets. In light of these efforts, DHR has obtained the "A" rating, which is the highest rating among the five grades in GRESB Disclosure Evaluation. In addition, DHR has been awarded "Green Star" for the second consecutive year, which is granted to companies that excel in both "management and policy" and "implementation and measurement," which are the two criteria for evaluating sustainability.

DHR is also promoting the acquisition of external certification and evaluation by third parties. DHR is actively addressing environmental issues, such as achieving the target of 50% or more of the total floor area of properties that it owns and that it has acquired external certification. As an environmental survey, DHAM obtained actual audits and engineering reports on properties to conduct due diligence on the status of hazardous substances (asbestos, PCBs, etc.), such as geological soil, reserves, and soil pollution. For audits, internal and external audits were conducted on a regular basis. For reporting, DHAM plans to disclose appropriate details on funding appropriations and environmental improvement effects on a regular basis. For these reasons, JCR confirmed DHR's strong management, operating system and high transparency.

As a result, based on JCR Green Bond Evaluation Methodology, JCR assigns "g1" for the preliminary evaluation of the "Greenness Evaluation (Use of proceeds)" and "m1" for the preliminary evaluation of the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" for the overall "JCR Green Bond Preliminary Evaluation." Detailed evaluation is discussed in the next chapter.

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

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

² Ministry of the Environment Green Bond Guidelines 2020 years

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

Evaluation Phase 1: Evaluation of Greenness

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

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

(1) JCR's Key Consideration in This Factor

In this section, JCR first assesses whether the proceeds will be allocated to green projects that have explicit improvement effects on the 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 the use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of evaluation targets and JCR evaluation

Overview of Use of Proceeds

a. On the environmental improvement effects of the project

i. 100% of the funds are used for the refinancing of funds to acquire "Green Eligible Assets" that have the effect of improving the environment.

<Environmental Improvement Benefits of Eligible Criteria>

DHR has established the following eligible criteria for green finance.

Daiwa House REIT Investment Corporation Green Finance Framework (excerpt)
Eligible criteria for investment in green finance
1. Green Eligible Assets
Properties that have acquired or plan to acquire any of the third-party certification described in (1)-(3) below
(1) Three to five stars for DBJ Green Building certification
(2) B+ to S rank in CASBEE for Real Estate Certification
(3) Three to five stars in BELS Certification
2. Renovation Work
Renovation work that can reduce at least 10% of one of three indicators; energy consumption, CO ₂ emissions, or water-related consumption

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

energy saving efforts in their operation and management. Consequently, the certification levels can be said to be an effective indicator for maintaining and managing the above-mentioned energy saving efforts.

JCR has assigned Green 1 (F) to the Framework.

<Regarding the environmental improvement effect of the use of proceeds of the Bonds>

The use of the proceeds of the Bonds is for the refinancing of funds to acquire the additional portion of the quasi-co-ownership interest of commercial facilities (iias Tsukuba) that meet the standards for green eligible assets set forth in the Framework. As for environmental performance of iias Tsukuba, it has acquired 5 stars in DBJ Green Building Certification (excellence of top ranking in Japan), S rank in CASBEE for Real Estate Certification, and 3 stars in BELS Certification. Iias Tsukuba carried out LED lighting work after its opening in 2008, and received the Commercial and Accommodation Facilities Department in the Energy Conservation and Lighting Design Awards 2012 sponsored by the Ministry of the Environment in 2012. In addition, it has solar power generation facilities and hybrid solar and wind power generation systems, and has wall greenery, and other eco-friendly initiatives are being implemented. JCR evaluates that iias Tsukuba has the environmental improving effect.

Property

Project Name	iias Tsukuba
Location	5-19, Kenkyugakuen, Tsukuba City, Ibaraki
Principal Uses	Commercial Facility
Land Area	145,385.16 m ²
Total Floor Area	112,509.43 m ²
Number of Stories	5 Stories
Completion	September, 2008
Acquisition Value	JPY 34.12 billion
Environmental Certification	5 Stars Certification in DBJ Green Building and S rank in CASBEE for Real Estate, 3 stars in BELS Certification
Features and Environmental Performance	<ul style="list-style-type: none"> - A commercial facility located about four minutes on foot from Tsukuba Express's "Kenkyū-gakuen Station", an area that plays a suburban role to the center of Tsukuba City. - This is an environment-friendly property, such as installing a photovoltaic power generation system and a hybrid power generation system of solar and wind power, and adopting an air conditioning system of an ice thermal storage system using midnight power.

- ii. Proceeds are used for "Green Buildings Which Meet Regional, National or Internationally Recognised Standards or Certifications" and "Energy Efficiency." under the Green Bond Principles, as well as for "Green Buildings Businesses" as exemplified in the Ministry of the Environment's Green Bond Guidelines.³

According to a survey conducted by the World Green Building Council, carbon dioxide emissions from buildings account for 39% of total emissions. As a measure to prevent global warming in Japan, it is important to further promote green buildings with high energy efficiency performance that reduce CO₂ emissions from buildings. In 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. Therefore, it is consistent with Japan's energy efficiency policy that DHR actively acquire and its maintenance and management with high environmental certification levels.

b. Negative impact on the environment

DHAM conducts due diligence on the incorporation of properties into its portfolio by conducting environmental surveys, including on-site inspections of properties and acquiring engineering reports on the status of hazardous substances (asbestos, PCBs, etc.) such as geological and deposits, soil contamination, etc. JCR confirms through CASBEE Certification, BELS Certification, DBJ Green Building Certification documentation and interviews with DHAM that it is unlikely to have a negative environmental impact due to iias Tsukuba. JCR also confirms that, if there is a concern about a negative impact on the environment, as a means of avoiding or mitigating the impact, the seller must make a correction, etc. as an acquisition condition.

c. Consistency with SDGs goals and Targets

The project is classified as "Green Buildings with Regional, National or International Recognised Standards and Certification Green Buildings" and "Energy Efficiency" among the green projects defined in the Green Bond Principles and "Green Buildings Projects" in the Ministry of the Environment's Green Bond Guidelines, and with reference to ICMA's SDGs mapping, JCR evaluates that the project would contribute to the following SDGs goals and targets:



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

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



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

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



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

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

(Reference) Certification System for each Green Building

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

(1) DBJ Green Building Certification

A certification system provided by DBJ (Development Bank of Japan) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "Buildings with consideration for the environment and society." Each is represented by five stars (the best class in Japan), four stars (exceptionally high), three stars (excellent), two stars (high), and one star (satisfactory). Although this is not an evaluation specializing in environmental performance, the recognition in Japan is high, evaluation items are revised in February 2019, such as the tightening of items for quantitatively evaluating energy conservation, and environmental performance has the same evaluation items as other environmental certifications. Therefore, JCR has evaluated this certification as equivalent to "Green Buildings with Recognized Standards and Certifications" in the Green Project Classification as defined in the Green Bond Principles. However, since the certification is not limited to environmental performance, JCR believes that it is desirable to confirm the evaluation of environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property, but also on comprehensive evaluations, including the comfort of tenants, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and communities, and cooperation with stakeholders. The scoring system integrates and designs specific "excellent initiatives" for the environment and society, and there are many properties that do not reach the evaluation target in the real estate market. High evaluation requires that buildings be designed with appropriate consideration not only for the environment but also for all stakeholders involved in buildings.

(2) CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

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

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

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

For B+ or above, which is defined as the eligibility criterion by this investment institution, a building with a score of 60 or more, which is obtained by taking the standard level 3 (3 points) at all additional point items, is covered, and this is equivalent to B+ in CASBEE for New Construction.

(3) BELS

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

Evaluation Phase 2: Management, Operations and Transparency Evaluation

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

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

1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

(1) JCR's Key Consideration in This Factor

In this section, JCR confirms that the objectives to be achieved through the Bonds, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

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

a. Goal

The Daiwa House Group, to which DHAM belongs, adopts the basic stance of "Creating Dreams, Building Hearts" and aims to build a relationship of trust with stakeholders and contribute to society through its business as a group that co-creates value for people, communities, and lifestyles, and to realize a sustainable society by taking on the challenge of "zero environmental impact." DHAM shares the basic stance of the Daiwa House Group and considers that incorporating consideration for ESG contributes to ensure stable income over the medium to long term and steady growth of assets, which is the basic policy of the Investment Corporation, and formulates the "Sustainability Policy" and conducts its business.

Daiwa House Asset Management Co., Ltd. Sustainability Policy

- (1) Prevention of global warming
 - (2) Harmony with the environment (preservation and biodiversity)
 - (3) Conservation of natural resources (reducing waste, protecting water resources)
 - (4) Prevention of chemical pollution
 - (5) Establishment of internal framework and initiatives for employees
 - (6) Building trust relationships with external stakeholders
 - (7) Promotion of communication through information disclosure
 - (8) Compliance with laws and regulations, and risk management
-

The issuance of the Bonds is consistent with the following Sustainability Policy: (1) Prevention of global warming, (2) Harmony with the environment (preservation and biodiversity), (3) Conservation of natural resources (reducing waste, protecting water resources), and (7) Promotion of communication through information disclosure.

The use of proceeds to replace the issuance of the Bonds is the refinancing of funds for the additional acquisition (70%) of a semi-co-owned interest in Green Eligible Assets (iias Tsukuba), which has an environmental improvement effect. JCR evaluates that the above-mentioned goals to be realized through the issuance of the Bonds are appropriate.

In addition, as concrete examples of the sustainability policy issued by the Bonds, the following are mentioned: (1) As for the prevention of global warming, CO₂ emissions are reduced by adopting hybrid power generation

systems using solar and wind power, and LED light; (2) As for Harmony with Environment, wall greening is carried out; (3) As for Conservation of natural resources, waste sorting is thoroughly implemented and contracts are made with recyclers, and recycled materials are used in some of the facilities; (7) Regarding the Promotion of communication through information disclosure, several external certifications have been obtained by third parties, and they are made public to investors.

b. Selection Criteria

The eligible criteria in the Framework are three stars or more in DBJ Green Building Certification, B+ rank or higher in CASBEE for Real Estate Certification, and three stars or more in BELS Certification. As mentioned earlier in Evaluation Phase 1, JCR evaluates these selection criteria have environmental improvement effects.

c. Processes

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

The process leading to the issuance of the Bonds is reviewed and evaluated by the Financial Planning Department of DHAM to ensure compliance with eligible criteria and then drafted. After deliberation by the Sustainability Committee, decisions are made by the Board of Directors.

DHAM's Sustainability Committee was established in 2017 and consists of the chief executive officer, president of DHAM, executive officer, full-time director, general manager, compliance officer, and selected officers and employees. The Sustainability Committee is open to discuss sustainability objectives and other topics, and the content of discussions by the Sustainability Committee is reported twice a year to DHR's Board of Directors. In principle, the Sustainability Committee meets once every three months, but JCR confirms that the committee is active, for example, by holding meetings once every two months through interviews.

The goals, selection standard and processes of DHR are to be disclosed in the Amended Shelf Registration Statement and Shelf Registration Supplements for the issuance of the Bonds and in the this Evaluation report, schedule ensuring transparency to investors.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in This Factor

The management method of the proceeds is usually assumed to be diverse by the issuer. JCR evaluates whether the proceeds firmly allocated to the green project, the project have internal systems to easily track the allocation of the proceeds and the money funded by the bond will be allocated to the green project at once.

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

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

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

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

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section, JCR evaluates whether the disclosure system for investors, etc. before and after the issuance of green bonds is planned in a detailed and effective manner at the time of the issuance of green bonds.

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

a. Reporting on the Proceeds Allocation

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

b. Reporting on Environmental Improvement Effects

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

JCR evaluates that the above reporting is planned to be disclosed appropriately to investors, etc. in terms of both the allocation of funds and the effects of environmental improvement.

4. Organization's Environmental Initiatives

(1) JCR's Key Consideration in This Factor

In this section, JCR evaluates whether the issuer's management positions environmental issues as a high-priority management issue, and whether the green bond policy, process and the criteria for selecting green projects are clearly defined through the establishment of a department specializing in the environmental field or through the assistance of external organizations.

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

The Daiwa House Group, to which DHAM belongs, adopts the basic stance of "Creating Together and Living Together," and as the Group's long-term social vision, "We aim to contribute to society through our business by building a relationship of trust with stakeholders as a group that co-creates values for people, communities and lifestyles." DHAM aims to contribute to society through strengthening relationships with stakeholders. In the "Challenge ZERO 2055" long-term environmental vision, Daiwa House aims to reduce its environmental burden to zero by 2055, the 100th anniversary of its founding, indicating its commitment to contributing to the environment and society over the medium to long term. DHAM shares the basic stance of the Daiwa House Group and believes that incorporating consideration for ESG contributes to ensure stable income over the medium to long term and steady growth of assets. Accordingly, DHAM formulates "Sustainability Policy" and conducts its business.

In order to promote consideration for ESG based on the "Sustainability Policy," DHAM has established the "Sustainability Promotion System Regulations" to ensure an appropriate system to promote sustainability. The Sustainability Committee of DHAM generally holds meetings at least once every three months for the purpose of planning and reporting on environmental measures. DHAM recognize energy conservation and reduction of greenhouse gas emissions as important environmental issues in asset management operations. DHAM have set annual targets (energy consumption, GHG emissions) and long-term targets for energy consumption, GHG emissions, water consumption, and waste management, and are working to achieve their respective numerical targets.

DHR is actively promoting the acquisition of external certification and evaluation by third parties in an attempt to improve objectivity and reliability of its efforts to reduce the environmental impact of real estate and to improve asset value over the medium to long term. As of March 2020, 53.9% of the properties held by DHR received external certification and valuation (on a total floor space basis), exceeding the 50% target set at the time of the previous valuation of individual bonds. JCR confirms that the DHR is continuing to acquire external certification by third parties and is aiming to raise it to around 60% in the future.

In addition, DHR is working with Daiwa House Industry to conclude green lease contracts aimed at reducing the environmental impact of real estate. For example, DHR is introducing LEDs for lighting in cooperation with tenant companies. As of the end of March 2020, the number of such contracts had increased by 28 from the end of March 2019 to 56. In the property ownership, DHR have adopted LED lighting and daylight by adopting large-scale window surface as energy-saving measures, large-scale open space, rooftop greening, outdoor greening, and water-permeable pavement as measures for greening and heat island and properties with a photovoltaic power generation system. DHR is working with the sponsor group to take the environment into consideration.

Since 2017, DHR has participated in GRESB Real Estate Assessment, and in 2019, it has gained 3 stars on a step higher than the previous year. In addition, it has received the "A" assessment, which is the highest of the five priorities due to the superior disclosure of information on ESG's efforts in GRESB Disclosure Assessment. In addition, DHR has been awarded "Green Star" for the second consecutive year, to companies that excel in both

"management and policy" and "implementation and measurement," which are the two criteria for evaluating sustainability.

In terms of ESG-related initiatives, DHAM has in-house CASBEE evaluator and cooperates with related departments of the Daiwa House Group. DHAM also ask outside expert companies to provide consulting services on employee ESG-related training and GRESB acquisition. DHR cooperates with experts from inside and outside the company to conduct business operations.

Based on the above, JCR evaluates that management positions environmental issues as a high priority issue and that the Sustainability Committee is clearly involved in the selection process for green projects and other projects.

(Reference) GRESB Real Estate Assessment

Established in 2009, GRESB refers to benchmarks and organizations that measure and evaluate the asset of ESG consideration of companies that holding and operate real estate and infrastructure. GRESB is an acronym for Global Real Estate Sustainability Benchmark. From 2016, the evaluation-results are shown on a five-star scale (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.

■ Evaluation Result

Based on the JCR Green Bond Evaluation Methodology, JCR assigns “g1” for the preliminary evaluation of the “Greenness Evaluation (Use of Proceeds)” and “m1” for the preliminary evaluation of the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns “Green1” for overall "JCR Green Bond Preliminary Evaluation" to the Bonds. The Bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

[JCR Green Bond Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

■ Subject

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

[Assignment]

Subject	Issue Amount	Date of Issuance	Redemption Date	Interest Rate	Preliminary Evaluation
Investment Corporation Bonds issued by Daiwa House REIT Investment Corporation	To be determined	To be determined	To be determined	To be determined	JCR Green Bond Evaluation:Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation:m1

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Important explanation of the Green Bond Evaluation

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

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

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

2. Methodologies used in the conduct of this evaluation

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

3. Relationship with Acts Related to Credit Rating Business

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- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier

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