

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Daiwa House REIT Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Daiwa House REIT Investment Corporation 14th Unsecured Investment Corporation Bond
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	April 9, 2021
Publication date of review publication:	April 9, 2021

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF Independent External REVIEW PROVIDER

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

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

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Daiwa House REIT Investment Corporation ("DHR") is a diversified J-REIT sponsored by DAIWA HOUSE INDUSTRY CO., LTD. ("DAIWA HOUSE INDUSTRY"). It was established in June 2005 as a "B-Life Investment Corporation" and was listed on the Tokyo Stock Exchange (real estate investment trust securities market) in March 2006. Following the absorption-type merger of New City Residence Investment Corporation in April 2010, the investment corporation changed its name to the (former) Daiwa House Residential Investment Corporation in December 2011, and then to the Daiwa House REIT Investment Corporation in September 2016 by merger with (former) Daiwa House REIT Investment Corporation. DHR has 227 properties worth a total of JPY 824.2 billion (on an acquisition price basis). The Asset Management Company of DHR is Daiwa House Asset Management Co., Ltd. ("DHAM"), and the DHR continues to promote external growth by utilizing the pipeline support from the Daiwa House Group (the "Group"), to which DHAM belongs.

The Group, to which DHAM belongs, has a basic stance of "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to build trust relationships with stakeholders and contribute to society through its business, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts." DHAM shares the basic stance of the 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 formulated the Sustainability Policy and conducts business accordingly.

The bonds subject to this evaluation are investment corporation bonds (the "Investment Corporation Bonds") issued by DHR. The proceeds from the issuance of the Investment Corporation Bonds will be used to refinance the funds received by DHR for the acquisition of four logistics facilities (D Project Kakegawa, DPL Misato, D Project Urayasu III and D Project Tomisato) that have already acquired environmental certification.

In the Green Finance Framework, DHR defines eligible green assets as eligibility criteria for investment in Green Finance as properties that have been or will be acquired either DBJ Green Building certification 3 stars or more, CASBEE for Real Estate Certification B+ or more, or BELScertification or more. JCR evaluated that the definition of eligible green assets set by DHR is for buildings that have an environmental improvement effect. JCR confirmed that the target assets used to fund the Investment Corporation Bonds meet the criteria for eligible green assets as defined in DHR's Green Finance Framework. Based on the evaluation results of environmental certification and interviews with DHAM, it has been confirmed that there is little possibility that the four logistics facilities, which are the target assets, will have a serious negative impact on the environment that will exceed the environmental improvement effect. Based on the above, it was evaluated that the use of proceeds subject to this evaluation has an environmental improvement effect.

The process as green finance was discussed by the Sustainability Committee, which is attended by the chief executive officer/president, directors in charge of the Finance, IR, and Planning departments, all full-time directors, all general managers, a compliance officers and other members of the management team after examination by the Fund Planning Department of DHAM regarding the suitability of the eligibility criteria. The board of directors then made decisions on the process, and confirmed that the cash management was also appropriate after approval by the general manager, from deposit to appropriation of funds, and that the internal control and external audit systems were also in place.

DHAM has set annual targets (energy consumption, 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. As a result of these efforts in part, DHR has earned the second four stars from the top of the five ratings on GRESB devaluation, as well as the "A" rating, which is the highest in GRESB disclosures rating. In addition, for the third consecutive year, DHR has acquired Green Star awarded to companies that excel in both the two assessment axes of sustainability assessment, the "Management Component" and the "Performance Component." It also participated in the CDP (Carbon Disclosure Project) evaluation and received a second "A-" rating from the top since the first year of participation. It participated in the CDP supplier engagement evaluation and were selected as the "supplier engagement leader board" for the first time as a list traded investment corporation. It have also received high marks from third parties.

Furthermore, DHR is promoting the acquisition of external certifications and evaluations by third parties, and the ratio of external certifications and evaluations (on a gross floor area basis) in the properties owned by DHR is over 60%, and it is actively pursuing environmental initiatives. Environmental surveys include conducting due diligence on the status of geological ground, reserves, soil contamination, hazardous substances (asbestos, PCBs, etc.) by conducting physical inspections of properties and obtaining engineering reports. On reporting, internal and external audits are regularly conducted, and appropriate contents on the status of appropriation of proceeds and the effects of environmental improvements are regularly disclosed. On the ground of these, JCR confirmed a robust management and operation system and high transparency with respect to DHR. Based on the JCR Green Finance Evaluation Method, JCR assigned "g1" for the "Greenness Evaluation (Use of proceeds)" and "m1" for the "Management, Operation, and Transparency Evaluation" for the Investment Corporation Bonds. Consequently, JCR assigned "Green1" for JCR Green Bond Evaluation. The Investment Corporation Bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

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

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. 100% of the use of proceeds is the refinancing of funds to acquire "eligible green assets" with environmental improvement effects.

- ii. The use of proceeds corresponds to "green buildings which meet regional, national or internationally recognised standards or certifications" and "energy efficiency" out of the use of proceeds exemplified in the Green Bond Principles as "green building projects" as well as in the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on Environment

DHAM conducts due diligence on the incorporation of properties into its portfolio by conducting environmental surveys, including on-site inspections of properties and acquiring engineering reports on the status of hazardous substances (asbestos, PCBs, etc.) such as geological and deposits, soil contamination, etc. Through hearings with DHAM, JCR confirmed that there is little likelihood of a negative impact on the environment from four logistics facilities that are expected to be appropriated the funds raised by the Investment Corporation Bonds, and that no negative impact on the environment has been realized to date for the four logistics facilities. In addition, JCR confirmed that, if there is a concern about a negative impact on the environment, as a means of avoiding or mitigating the impact, the seller must make a correction, etc. as an acquisition condition.

Use of proceeds categories as per GBP:

Renewable energy

Energy efficiency

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)* :

- a. The property of proceeds of the Investment Corporation Bonds is to refinance the proceeds for the acquisition of the four logistics facilities (D Project Kakegawa, DPL Misato, D Project Urayasu III and D Project Tomisato) described in this report, and there are no plans to use them for any other purposes.
- b. With regard to account management, after funding with the Investment Corporation Bonds, the Fund Planning Department of DHAM confirms that the redemption date, use of proceeds, and outstanding balances will be managed through media such as internal electronic files. JCR confirmed that the proceeds raised by the Investment Corporation Bonds will be used to refinance the funds for the acquisition of four logistics facilities by the end of April, after the fundraising, and that they will be sufficient by conducting tracking management in a lump sum at the time.
- c. Regarding account management, after the proceeds raised are deposited into the account, the general manager of the Business Administration Department, who actually transfers the proceeds from the Fund Planning Department, gives instructions on remittance to the trust bank, which is the asset custodian, and the asset custodian subsequently repays the loans by the asset custodian.
- d. DHAM regularly conducts internal audits, and forms related to Investment Corporation Bonds are also subject to audits. In addition, auditing firms conduct external audits of asset management companies, and internal and external controls are functioning.
- e. Proceeds raised by the Investment Corporation Bonds will be used to refinance the funds for the acquisition of four logistics facilities by the end of April after the procurement, so any unused proceeds are planned to incur.
- f. DHR's Finance Framework provides for so-called portfolio management, in which the amount of eligible green debt is calculated based on the total amount of eligible green assets acquired and set it as the maximum amount of green finance. When four logistics facilities subject to the current use of proceeds are to be sold or excluded from the eligibility criteria for eligible green assets, DHR confirms that the proceeds procured by the Investment Corporation Bonds are within the upper limit of green financing procurement. JCR believes that there are no problems with the treatment of DHR in light of the fact that at the time of fund procurement by the Investment Corporation Bonds, the properties to be appropriated are linked and portfolio management is conducted by other investment corporations, and that there is no problem as a market practice.
- With regard to fund management, JCR evaluated that the adequacy and transparency of fund management is appropriate because it is reliably used for the refinancing of funds for the acquisition of four logistics facilities, that account management is managed by DHAM in an appropriate manner, and that the system for internal audits and external audits is established.

Tracking of proceeds:

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

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The use of the proceeds of the Investment Corporation Bonds will be published in supplementary documents for shelf registration and on DHR's website. In addition, as confirmed in the previous section, the proceeds raised by the Investment Corporation Bonds will be used to refinance the funds for the acquisition of four logistics facilities by the end of April after the issuance, and therefore no reporting for the period related to unused proceeds is currently anticipated. In the event of a major change in circumstances, such as the occurrence of unappropriated proceeds due to the sale of the study

change in circumstances, such as the occurrence of unappropriated proceeds due to the sale of the study assets, the disclosure of proceeds to be allocated periodically (once a year is assumed) will include the these facts.

b. Impact reporting for environmental benefits

DHR plans to report on the website in accordance with the Green Finance Framework, the amount of water used, electricity used, and CO2 emissions, as well as the number and types of environmental certifications of acquired assets.

Use of proceeds reporting:

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

Information reported:

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

requency:

- Annual Semi-annual
 Other (please specify):

Impact reporting:

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

requency:

- Annual Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

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

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
Show on the website
 Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

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

ESG initiatives by Daiwa House REIT	https://www.daiwahouse-reit.co.jp/en/sustainability/index.html
JCR's website about green bond evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

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

Date of publication: April 9, 2021

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

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