

Green Bond / Green Bond Programme Independent External Review Form

Section 1. Basic Information

Issuer name:	Daiwa Office Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Daiwa Office Investment Corporation 7th Unsecured Investment Corporation Bond 8th Unsecured Investment Corporation Bond
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	September 4, 2020
Publication date of review publication:	September 4, 2020

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF Independent External REVIEW PROVIDER

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

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

Daiwa 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 2,000 square meters 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 Principles", the "Green Loan Principles", the "Green Bond Guidelines" and the "Green Loan and Sustainability Linked Loan Guidelines". 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 the JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the "Greenness Evaluation (use of proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1" for overall "JCR Green Bond Evaluation."

The Bonds are considered to meet the standards for items required by the Green Bond Principles and Ministry of the Environment's Green Bond Guidelines.

<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. The funds are 100% used for refinancing the acquisition funds for the property that satisfied the eligibility criteria of the Investment Corporation, and it has the effects of improving the environment.

- ii. The use of proceeds falls under the category of green projects defined in the Green Bond Principles or the Green Bond Guidelines of the Ministry of the Environment of Japan that are "energy efficiency" or "green buildings" which meet regional, national or internationally recognized standards or certifications.

b. Negative impact on Environment

The Asset Management Company checks whether or not there is a negative impact on the environment, such as defects in properties, by obtaining an environmental survey report when acquiring properties, and it also ensures that the properties, the subject of the use of funds, have no negative impacts.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <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 Investment Corporation has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

The proceeds in lieu of the issuance of the Investment Corporation Bonds will be used in full for the refinancing of the funds for acquiring Daiwa Harumi Building described in Evaluation Phase 1 of this report promptly after the procurement, and there are no plans to use the fund for any other purposes.

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

After appropriating the procured funds, if unappropriated funds arise from the sale of the subject assets, etc., portfolio management will be conducted. In that case, it should be ensured that sum of balance of green finances will not exceed the ceiling amount of green eligible liabilities (total assets, which satisfy the eligibility criteria, x total assets LTV) at each accounting period until all the green finances including the Investment Corporation Bonds are redeemed.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

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

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The funds raised by the Investment Corporation Bonds will be used in full for the refinancing of the fund used for acquiring Daiwa Harumi Building promptly after the procurement. Due to this, anticipate reporting for unappropriated funds during the period is not expected so far, and status of appropriation of the funds will be disclosed on the Investment Corporation's website. JCR confirmed through interviews to the Asset Management Company, where there are significant changes in the situation including sale of subject asset, the target of use of proceeds from the Investment Corporation Bonds, etc., will also be disclosed on the website of the Investment Corporation.

b. Impact reporting for environmental benefits

The Investment Corporation plans to disclose the number and type of environmental certifications it holds for properties owned on its website once a year as a reporting item for environmental improvement effects.

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*):

frequency:

☐ Annual

☐ Semi-annual

☒ Other (*please specify*): All the proceeds will be allocated to the projects promptly after issuing the bonds.

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

Information reported (expected or ex-post):

☐ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (*please specify*):
• Number and type of environmental certifications for properties owned.

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>):
Show on the website |
| <input type="checkbox"/> 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.*)

Sustainability activities by Daiwa Office Investment Corporation	http://www.daiwa-office.co.jp/en/plan/environment.html
JCR's website about green bond evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

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 (<i>please specify</i>): | |

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

Date of publication: September 4, 2020

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

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