



NEWS RELEASE

Mar 30, 2020

【R&I Green Bond Assessment】

Daiwa Energy & Infrastructure Co. Ltd.

Daiwa Green Finance Prog. Ben. Int.

(Shiraoi City Takeura Solar Power Plant)

: GA1 (Formal)

Rating and Investment Information, Inc. (R&I) has announced the following R&I Green Bond Assessment GA1 (Formal). R&I announced a preliminary assessment for this instrument on March 2, 2020. The preliminary assessment has now been converted to a formal assessment.

【DESCRIPTION OF INSTRUMENT】

INSTRUMENT NAME	Daiwa Green Finance Prog. Ben. Int. (Shiraoi City Takeura Solar Power Plant)
TRUSTEE	Hitachi Capital Trust Corp.
SPONSOR	Daiwa Energy & Infrastructure Co. Ltd.
ASSET MANAGER	Daiwa Real Estate Asset Management Co. Ltd.
EPC SERVICE PROVIDER	KYOCERA Solar Corp.
O&M SERVICE PROVIDER	afterFIT engineering K.K
ISSUE AMOUNT	7,920,000,000(JPY)
R&I GREEN BOND ASSESSMENT	GA1 (Formal)
ISSUE DATE	March 30, 2020
TRUST EXPIRATION DATE	June 30, 2040

R&I has confirmed that the green bond is in conformity to the green bond framework developed by Daiwa Energy & Infrastructure Co. Ltd. from the perspectives of the fixed issue amount, term, etc. and assigned GA1 (Formal) to the green bond.

Details are provided in the attached press release dated March 2, 2020 regarding R&I Green Bond Assessment (GA1 (Preliminary), Second Opinion).

R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

【R&I Green Bond Assessment】

Daiwa Energy & Infrastructure Co. Ltd.

Daiwa Green Finance Prog. Ben. Int.

(Shiraoi City Takeura Solar Power Plant)

: GA1 (Preliminary)

: Second Opinion

(The second opinion is an opinion regarding the alignment with Green Bond Principles, etc.)

Rating and Investment Information, Inc. (R&I) has announced the following R&I Green Bond Assessment (GA1 (Preliminary), Second Opinion).

【DESCRIPTION OF INSTRUMENT】

INSTRUMENT NAME	Daiwa Green Finance Prog. Ben. Int. (Shiraoi City Takeura Solar Power Plant)
TRUSTEE	Hitachi Capital Trust Corp.
SPONSOR	Daiwa Energy & Infrastructure Co. Ltd.
ASSET MANAGER	Daiwa Real Estate Asset Management Co. Ltd.
EPC SERVICE PROVIDER	KYOCERA Solar Corp.
O&M SERVICE PROVIDER	afterFIT engineering K.K
ISSUE AMOUNT	10,920,000,000(JPY) scheduled (Total amount of Beneficiary Interest and ABL)
R&I GREEN BOND ASSESSMENT	GA1 (Preliminary)
ISSUE DATE	March 30, 2020 scheduled
TRUST EXPIRATION DATE	June 30, 2040 scheduled

【Summary】

Daiwa Energy & Infrastructure is a company established in 2018 through spin-off of the energy investment department of Daiwa PI Partners. In addition to investments in solar, biomass and biogas energy projects which Daiwa PI Partners had been engaging in, it is intended to expand the business domains into infrastructure and resource as well as accelerating the business expansion.

Daiwa Energy & Infrastructure established the green bond framework that concerns the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting, which are the four elements of the Green Bond Principles and others, and is considering to issue a green bond (trust beneficiary interest) and green loan (ABL) to finance the construction of a solar power generation plant which is under development in Shiraoi Town, Hokkaido in accordance with the framework.

This is a project finance transaction where a project is conducted through an SPC dedicated to the project. Since the green bond under assessment is backed by the project assets, in assessing the green bond framework and green bond, R&I evaluated Daiwa Energy & Infrastructure, a sponsor that leads the execution and operation of the project, as an issuer of the green bond in substance.

【R&I Green Bond Assessment】

R&I has judged, in accordance with R&I Green Bond Assessment Methodology, that the proceeds from the green bond would be invested into projects with significant environmental benefits, and assigned GA1 (preliminary) to the green bond. This is a preliminary assessment and will be reassessed after the final confirmation of bond issuance details.

【Second Opinion on the alignment with Green Bond Principles, etc.】

R&I has also provided a second opinion that the green bond framework is aligned with Green Bond Principles 2018¹ and Green Bond Guidelines 2017 by Ministry of the Environment of Japan (hereinafter collectively referred to as Green Bond Principles, etc.).

Note that R&I has confirmed that the green bond scheduled to be issued is going to be in conformity to the said framework from the perspectives of issue amount and term, details of eligible projects, assets and investment schedule, etc.

【Rationale】

- The funds to be raised through the green bond will be allocated in full to finance the construction of a solar power generation plant which is under development in Shiraoi Town, Hokkaido, for which Daiwa Energy & Infrastructure Co. Ltd. acts as a sponsor. The use of the proceeds is a renewable energy project that has certain business feasibility and is expected to generate sufficient environmental benefits (CO2 emission reduction effect). Also with due consideration to environmental impact associated with the development, among other things, paid, R&I judged that the project is expected to highly contribute to solving environmental issues.
- With regards to the selection of a target project for the green bond, the staff in the Company's Investment Business No. 1 to No. 3 Departments review conformity with the eligibility criteria and conduct evaluation and selection, and the Investment Committee (comprised of the Company's Directors), an investment approval body, then makes an ultimate decision after deliberation. It is through an organizational selection process. Also, the project conforms to the objective of contributing to reduced CO2 emissions and renewable energy supply through investments in renewable energy.
- The total value of the project exceeds the proceeds expected from the green bond. Such proceeds are expected to be allocated within a year according to the progress of the construction work.
- Unallocated proceeds will be managed using a dedicated deposit account of the project SPC. Withdrawals will be strictly managed and allowed only when conditions precedent (CP) are satisfied. Investors will be periodically updated with the progress of the project, while being sought approval of and reported on the allocation of the proceeds as needed.
- Reporting will be provided once a year on the websites, etc. The allocation status of the funds as well as power generation and reductions in CO2 emissions for the project will be disclosed.
- Daiwa Energy & Infrastructure was established as a company contributing to SDGs of Daiwa Securities Group and engages aggressively in the development of/investment in renewable energy projects, primarily solar power generation. Through those projects, it also seeks to contribute to SDGs of Daiwa Securities Group.

R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

¹ The 2018 edition of the Green Bond Principles (GBP) formulated and administered by the International Capital Market Association (ICMA)

■Outline of Daiwa Energy & Infrastructure Co. Ltd.

Daiwa Energy & Infrastructure was founded with the energy investment department of Daiwa PI Partners as its predecessor and started its operation in October 2018. Through investment and loans in the fields of renewable energy, infrastructure and resources, it seeks to provide 'new values' and contribute to SDGs as a member of a hybrid comprehensive securities group. With regards to solar power generation plants which represent the use of the funds in the transaction, it has invested in the development of a total of 17 properties as of the end of February 2020.

●“Daiwa Securities Group’s SDGs Declaration (Passion for SDGs)”, etc. of Daiwa Securities Group

● Formulation of “Daiwa Securities Group’s SDGs Declaration (Passion for SDGs)”

Daiwa Securities Group announced its SDGs Declaration in May 2018. Based on this Declaration, we will work to strengthen our initiatives toward achieving SDGs.

Passion for SDGs 2018
—Daiwa Securities Group’s SDGs Declaration (Passion for SDGs)—

Daiwa Securities Group recognizes Sustainable Development Goals adopted by the United Nations in 2015 as overarching goals to lead the world. Through our group business, we will work actively for realization of a prosperous society and improved people’s life by pursuing both company’s economic values and solution of social challenges at the same time.

Creation of Shared values
As an integrated securities group that provides wide range of services for various customer needs, we will address solutions of social challenges with flexible mindset to create company’s economic values and social values at the same time.

Developing and realizing work styles for diverse human resources
With measures like promotion of better work-life balance and success of female and veteran employees to create working environment in which our employees, regardless of their gender and age, would feel satisfying to work and they would demonstrate their potential fully, we will endeavor to develop diverse human capital and work

styles.

Stakeholders and Partnership
By utilizing our group quality of taking a leading role in connecting countries, companies and investors, we aim for contribution to various social business solutions through partnership with each of our stakeholders.

Increase recognition and enhance penetration
We will try to increase awareness and deeper understanding of SDGs among both our employees and customers through our group business as a main player in financial and capital market.

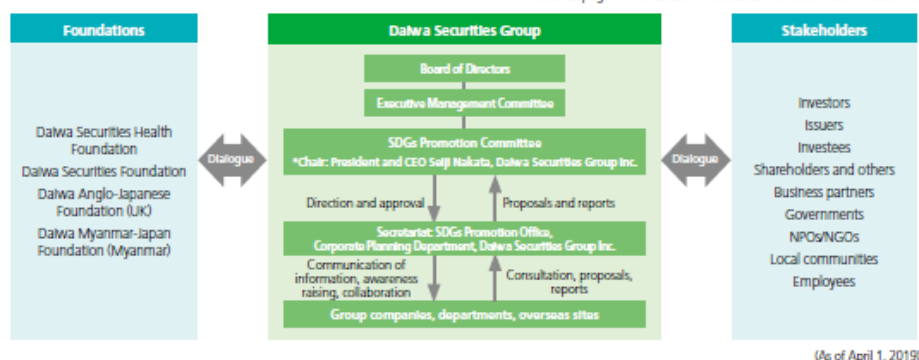
● SDGs Promotion Committee and SDGs Promotion System

Daiwa Securities Group has been discussing Group-wide cross-sectional responses to SDGs at the SDGs Promotion Committee. Details of the discussions are regularly reported to the Board of Directors and the Executive Management Committee and are deliberated on by these bodies where appropriate.

In FY2019, Hiroko Kuniya, Touko Shirakawa and Naohiro Nishiguchi are participating in the SDGs Promotion Committee as new outside committee members. The committee considers various matters, utilizing the experience and insights of these experts.

Through the SDGs Promotion Committee and the Corporate Planning Department’s SDGs Promotion Office, we are working to roll out SDGs promotion initiatives to the entire Group, as well as strengthen collaboration and raise awareness of SDGs within the Group.

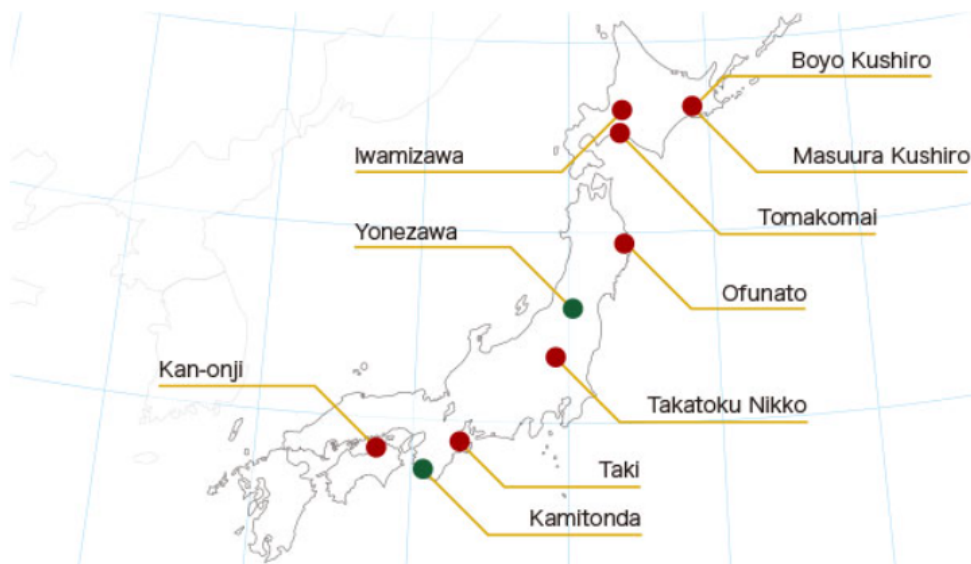
*Refer to page 10 for details of the SDGs Promotion Committee members.



Extracted from Daiwa Securities Group SDGs Data Book 2019

● Investment track records of Daiwa Energy & Infrastructure

Our track records



Solar Power Plant (●)

Extracted from Daiwa Energy & Infrastructure's website

■ Outline of Daiwa Real Estate Asset Management Co. Ltd.

Established in October 2004, Daiwa Real Estate Asset Management is a real estate management company that is in charge of real estate asset management business of Daiwa Securities Group. As part of the efforts to work on various issues relating to ESG organizationally, it launched the Sustainability Committee in FY2013, and over the course of FY2018 newly established the Rules for Sustainability Promotion System, developed concrete measures regarding sustainability activities by individual investment corporations, and set up internal systems for the promotion of sustainability and an information disclosure policy relating to sustainability, among other things, to carry out activities such as clarifying the details of internal systems, etc. in promoting ESG-related initiatives by respective investment corporations which are entrusted with asset management operation.

■ Outline of Green Bond Framework

At the issue of its green bond, Daiwa Energy & Infrastructure Co. Ltd. has prepared a green bond framework that constitutes issuer's practical guidelines for the four standards of Green Bond Principles including use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. The outline of the framework is as follows:

1. Use of Proceeds

- The proceeds from the green bond will be allocated to projects that satisfy the following selection criteria.

Project Category	Business description
Renewable energy	PV power plants etc.

【Eligibility standards】

Target projects in the transaction are to satisfy the following eligibility criteria.

- Expenditure relating to the development, construction, operation, etc. of renewable energy power generation projects (including projects executed by related companies). Eligible projects should be solar, wind, thermal, hydraulic (excluding large ones with power generation capacity in excess of 20MW), or biomass (biomass resources originated from wastes) power generation projects.

【Investment policies based on long-term vision】

Daiwa Securities Group set basic environmental policies with 5 items of 1) making positive environmental contributions through its core business activities, 2) implementing an environment management, 3) taking steps to save natural resources, reduce energy consumption and promote diversity system, 4) promoting environmental communication, and 5) strictly observing environmental regulations, under the environment vision of 'dedicated to protect precious global environment and preserve it for future generations by leveraging financial capabilities. It also announced the launch of the SDGs Promotion Committee chaired by President and CEO of Daiwa Securities Group Inc. to work on SDGs in February 2018. In addition it strives to promote new businesses that contribute to sustainable environments as a hybrid comprehensive securities group and established Daiwa Energy & Infrastructure Co. Ltd. It is intended to contribute to reduced CO2 emissions and renewable energy supply through investments in renewable energy, with intensions of investing in renewable energy that conforms to the eligibility criteria.

【Financing methods and investees】

Financing methods: Trust beneficiary interest and trust ABL

Investees: New investment in/refinancing of renewable energy projects

- * Regarding the use of the proceeds from the green bond to be issued in 2020
- Funds raised through trust beneficiary interest and trust ABL will be allocated to a loan to a power generation operator SPC (referred hereinbelow to as the SPC) in the transaction. Funds through the loan will be allocated to funds required to develop and operate/manage Shiraoi Town Takeura Solar Power Plant, reserves and financing costs, among other things.

2. Process for Project Evaluation and Selection

【Process for selecting eligible projects】

1. Parties involved in the selection of projects

- The staff in the Company's Investment Business No. 1 to No. 3 Departments review a project which will be the use of the proceeds for its conformity with the eligibility criteria to perform evaluation and selection.

2. Process for selecting projects

- A target project is deliberated and ultimately decided on by the Investment Committee, an internal investment approval body. The Investment Committee is comprised of the Company's Directors.

【Negative impacts by the green project on the environment and the countermeasures】

1. Expected risks

- Negative impacts associated with the installation of solar power generation facilities on the environment and community

2. Actions for risk mitigation

- Compliance with laws, regulations and various rules starting with the Forest Act (limited to those applicable)
- The facilities are to comply with the "Guidelines for Developing Project Plans (Solar Power)" developed in accordance with the "Revised Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities" as well as the renewable energy feed-in tariff scheme
- Explanation is provided to local residents to gain their understanding for the project development

【Criteria for selecting eligible projects and a method for disclosing the process】

- The management of the proceeds in relation to trust beneficiary interest and trust ABL is stipulated clearly in various agreements including the trust agreement. Reports regarding the trust to the investors of trust beneficiary interest and trust ABL from the trustee will provide information on the status of the trust beneficiary interest/ABL and the assets backing them.

3. Management of Proceeds

【Allocation plan of the proceeds and a method of linking to the assets】

- Funds raised through trust beneficiary interest and trust ABL will be fully linked to funds for capital expenditure of the target project in the transaction through the allocation to the loan to the SPC after the receipt of the funds.

【Method of tracking/managing the proceeds】

- Funds raised will be allocated to the loan to the SPC.
- Amounts that are determined at pre-designated timings will be used by the SPC to invest in solar power generation facilities.
- The above process, including information on an account at which funds are to be received, is provided in details in the agreements such as the trust agreement and loan agreement.

【Internal control and external audit regarding tracking & management】

- Funds raised through trust beneficiary interest and trust ABL will be delivered for a loan to the SPC which owns solar power generation facilities promptly after the receipt of the proceeds from the issuance of the beneficiary interest and trust ABL, and allocated in full to the acquisition of solar power generation facilities. All of the conditions precedent for the drawdown need to be satisfied for the funds to be delivered from the

relevant trust to the SPC as a loan. Final confirmation that the conditions precedent for the drawdown are satisfied will be taken care of by the trustee.

- Initial/interim fund management will be done by the trustee in accordance with the trust agreement.

【Method of managing unallocated funds】

- Unallocated funds that arise in the SPC will be managed according the terms of the agreement. If there arise unallocated funds due to sale of solar power generation facilities held by the SPC or other reasons, they will be returned to the investors of the trust beneficiary interest and trust ABL in accordance with the loan agreement.

4. Reporting

【Method of disclosure regarding the allocation status of funds】

- Funds raised through trust beneficiary interest and trust ABL will be lent to the SPC in full. Prior to the execution of the loan, the trustee will show the investors that the conditions precedent for the drawdown have been achieved and obtain a confirmation for executing the loan.
- The proceeds will be allocated to payments of project costs as they arise, and annual reporting for unallocated funds will also be provided.

【Method and frequency of disclosure of impact reporting】

- To be disclosed annually on websites, etc.

【KPI in impact reporting】

- The following impact reporting is planned as environmental benefits, to be provided for the investors.

- [1] List of target projects
- [2] CO₂ emissions reduced by target projects
- [3] Power generation by target projects

■ Evaluation on Green Bond Framework (Second Opinion)

In line with R&I Green Bond Assessment Methodology, R&I evaluated if the green bond framework prepared by Daiwa Energy & Infrastructure Co. Ltd. is in conformity to Green Bond Principles 2018 (hereinafter collectively referred to as Green Bond Principles, etc.).

1. Use of Proceeds

For green bond proceeds to be used to invest in projects with environmental benefits, the eligible projects in which the funds are invested must be identified as being environmentally beneficial.

Main basis for evaluation

- Confirmation of the framework
- Confirmation of the contents of the projects eligible for the green bond

Evaluation

- Under the framework the proceeds will be allocated as new money to renewable energy projects for which Daiwa Energy & Infrastructure acts as a sponsor through SPC.
- Target projects in the transaction are renewable energy (a solar power generation project this time) and eligible as green assets which are expected to generate sufficient environmental benefits (CO2 emission reduction effect).
- R&I confirmed through meetings and in writing regarding Daiwa Energy & Infrastructure's policy, etc. to work on the target project as to (1) whether sufficient environmental benefits can be expected from the target project, and (2) whether due consideration is paid to direct or indirect negative impacts which may arise on the environment during the development/operational phases.
- From the perspective of (1), R&I has judged that it can be expected to generate significant environmental benefits (CO2 emission reduction effect) as a target project of the green bond in light of our confirmation of Daiwa Energy & Infrastructure's policy in making judgment on the eligibility of power plants, systems, and track records as well as O&M structure, among other things.
- As for the perspective of (2), R&I has confirmed that environmentally-conscious actions, starting with the acquisition of permits/licenses needed during the development/operational phases, are taken to conclude that due consideration is paid to direct or indirect negative impacts which may arise on the environment.
- In addition, we have confirmed that the framework would be expanded as needed when renewable energy projects other than solar power generation projects are target projects in the future.

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles etc.

2. Process for Project Evaluation and Selection

For green bond proceeds to be used to invest in projects with environmental benefits, the issuer's rationale and process regarding the selection of eligible projects must be clear and reasonable.

Main basis for evaluation

- Confirmation of the framework
- Confirmation of the environment activities of the Daiwa Securities Group.

Evaluation

- Daiwa Energy & Infrastructure was established as a company that contributes to Daiwa Securities Group's achieving SDGs and is intended to promote investment in renewable energy, among other things, and the use of the proceeds in the transaction matches such policy.
- The target project is expected to generate sufficient environmental benefit, and due consideration is paid to direct or indirect negative environmental/social impacts to which it may give rise on the environment.
- The evaluation and selection of projects go through a designated procedure, and a decision is ultimately made by the Investment Committee which is comprised of the Directors. It is an organizational selection process.

For the reasons stated above, R&I has judged the process for project evaluation and selection under the framework is in conformity to Green Bond Principles etc.

3. Management of Proceeds

For the green bond proceeds to be used to invest in projects with environmental benefits, the proceeds must be allocated to eligible projects, and must not be invested in projects other than eligible projects.

Main basis for evaluation

- Confirmation of the framework

Evaluation

- The funds obtained through the green bond will be managed at a dedicated account of SPC and allocated to relevant green projects only. Therefore the proceeds of each green bond will not be commingled with those for other projects.
- Withdrawals of the proceeds will be strictly managed and allowed only when conditions precedent (CP) are satisfied under respective project finance agreements.
- Unallocated funds will be managed in deposits which are short-term current assets.
- Investors will be updated with the progress of the project and the fund allocation status as appropriate, and they will be managed appropriately.

For the reasons stated above, R&I has judged that the policy for management of proceeds under the

framework is in conformity to Green Bond Principles etc.

4. Reporting

To ensure that green bond proceeds are used to invest in projects with environmental benefits, the issuer is expected to provide details on the eligible projects, the timing of investments, and the environmental benefits yielded by the projects.

Main basis for evaluation

- Confirmation of the framework
- Confirmation of details of reporting to be disclosed

Evaluation

- Reporting for the green bond will be provided publicly through websites, etc. once a year.
- It will contain fund allocation status reporting and impact reporting (annual power generation and CO2 emission reductions). The contents are reasonable.

For the reasons stated above, R&I has judged that reporting under the framework is in conformity to Green Bond Principles etc.

<Comprehensive Evaluation>

R&I has judged that the framework is in conformity to Green Bond Principles etc.

■ Evaluation Result on the Green Bond

In line with the assessment methodology of R&I Green Bond Assessment, R&I confirmed if the amount and term of the green bond to be issued, as well as details of eligible projects and the allocation schedule, etc. thereof, are in conformity to the provisions of the framework. Also, in accordance with the details of the framework and specific measures to be taken for the green bond, R&I evaluated the extent the proceeds from the green bond are used to invest in businesses with environmental benefits.

Project finance credit rating (preliminary) has also been assigned to the eligible projects of this transaction. Judging from the project feasibilities verified prior to assigning preliminary credit rating, the eligible projects are deemed to have sufficient environmental benefits.

1. Use of Proceeds

- The target project of the green bond is a solar power generation project which is under development in Shiraoi Town, Hokkaido. Selected as eligible is the expenditure (primarily construction costs) relating to the power generator SPC of the solar power generation plant, a target project under the framework, which is in conformity with the green bond framework.
- Similar to the assessment for the framework, R&I confirmed (1) whether sufficient environmental benefits can be expected from the target project, and (2) whether due consideration is paid to direct or indirect negative impacts which may arise on the environment during the development/operational phases.
- As a result R&I has judged that the target project has sufficient business feasibility and environmental benefits (CO2 emission reduction effect) in light of the status of securing the project site, details of the power generation facilities, contents of the technical report, and O&M structure, among other things. R&I has also confirmed through the project-related materials and on-site investigation that due consideration for direct or indirect negative impacts which may arise on the environment is paid for the development and operation (logging of forests due to the development is carried out in 10% or less of the project site because the site of the former circuit track is used) to judge that appropriate consideration is paid to the environment.

For the reasons above, R&I deems that the extent to which the green bond proceeds are used to invest in projects with environmental benefits is especially excellent.

2. Process for Project Evaluation and Selection

- The evaluation and selection of projects for the green bond are performed by a department in charge in accordance with the framework, and a decision is ultimately made by the Investment Committee (comprised of the Directors). R&I judges that it is an organizational decision-making process.
- R&I deems that the process for project evaluation and selection is excellent since it is very clear and reasonable.

3. Management of Proceeds

- R&I has confirmed that the proceeds from the green bond will be managed in a segregated manner for the project in accordance with the framework established by the issuer and financing agreements for the transaction.
- The total value of the project exceeds the proceeds expected from the green bond. Such proceeds are expected to be allocated according to the progress of the construction work, with the allocation

to be completed within a year.

- R&I deems that the framework for managing the green bond proceeds is properly determined and especially excellent.

4. Reporting

- R&I has confirmed that reporting for the green bond, including the fund allocation status and environmental benefits, will be provided publicly through websites, etc. once a year in accordance with the framework.
- R&I deems that the reporting policy of the green bond is excellent in content and frequency.

5. Environmental activities of the issuer

The degree of the proceeds from the green bond, etc. to be invested in projects which will help solve environmental issues is thought to be affected by the issuer's attitude toward environmental activities and its track record. This is because R&I believes the more the issuer has interests in environmental activities and track record, the more likely it will allocate the proceeds to and execute projects which will help solve environmental issues.

- Daiwa Energy & Infrastructure is a company which plays an important role in achieving Daiwa Securities Group's SDGs.
- It has invested in the development, etc. of solar power plants (to which the proceeds in the transaction is to be allocated) in 8 locations, and the development of biomass power plants in two locations as of December 2019. It has sufficient experiences, when considered together with the track records of Daiwa PI Partners.



Given the above, R&I has judged that Daiwa Energy & Infrastructure's attitude toward Environmental activities is excellent.






<Comprehensive evaluation>

For the reasons stated above, R&I has judged that the green bond will be issued under the framework established by the issuer and is in conformity to Green Bond Principles etc.

R&I also evaluated the green bond in line with R&I Green Bond Assessment. In accordance with the comprehensive evaluation based on individual evaluation result by item, R&I has judged that the proceeds from the green bond subject to evaluation is highly likely to be used to invest in businesses with environmental benefits and assigned GA1 (preliminary) to the bond. Individual evaluation result by item is as follows:

【Assessment of each item】

Each item has been assessed on a scale of one to five, with  being the highest and  being the lowest.

Item	Assessment	Summary
Use of proceeds		The eligible projects are considered to have sufficient environmental benefits, and due consideration is given to potentially negative aspects of environmental impact. R&I deems that the extent to which the proceeds are used to invest in projects with environmental benefits is especially excellent.
Process for project evaluation and selection		R&I deems that the process for evaluating and selecting the green bond projects is excellent since it is very clear and reasonable.
Management of proceeds		R&I deems that the framework for managing the green bond proceeds is properly prepared and considered to be especially excellent.
Reporting		R&I deems that the policy for the green bond project reporting is excellent in content and frequency.
Issuer's environmental contribution activities		The issuer has in place a policy and system for environmental issues and proactively engages in environmental contribution activities through its business. R&I deems that the issuer's involvement in environmental contribution activities is excellent.

The methodology for R&I Green Bond Assessment is disclosed on R&I's website.

<https://www.r-i.co.jp/en/rating/products/esg/index.html>

R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits. In R&I Green Bond Assessment, R&I may also provide a second opinion on a green bond framework. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

R&I Green Bond Assessment is not, in any sense, statements of current, future, or historical fact and should not be interpreted as such, and R&I Green Bond Assessment is not a recommendation to purchase, sell, or hold any particular securities and does not constitute any form of advice regarding investment decisions or financial matters. R&I Green Bond Assessment does not address the suitability of an investment for any particular investor. R&I issues R&I Green Bond Assessment based on the assumption that each investor will investigate and evaluate the securities which they plan to purchase, sell, or hold for themselves. All investment decisions shall be made at the responsibility of the individual investor.

The information used when R&I issues R&I Green Bond Assessment is information that R&I has determined, at its own discretion, to be reliable. However, R&I does not undertake any independent verification of the accuracy or other aspects of that information. R&I makes no representation or warranty, express or implied, as to the accuracy, timeliness, adequacy, completeness, merchantability, fitness for any particular purpose, or any other matter with respect to any such information.

R&I may suspend or withdraw R&I Green Bond Assessment at its discretion due to insufficient data or information, or other circumstances.

R&I is not responsible or liable in any way to any party, for all or any damage, loss, or expenses arising out of or in relation to errors, omissions, inappropriateness of, or insufficiencies in the information used when issuing R&I Green Bond Assessment, R&I Green Bond Assessment or other opinions, or arising out of or in relation to the use of such information or R&I Green Bond Assessment, or amendment, suspension, or withdrawal of R&I Green Bond Assessment (regardless of the nature of the damage, including direct, indirect, ordinary, special, consequential, compensatory, or incidental damage, lost profits, non-monetary damage, and any other damage, and including expenses for attorneys and other specialists), whether in contract, tort, for unreasonable profit or otherwise, irrespective of negligence or fault of R&I. As a general rule, R&I issues R&I Green Bond Assessment for a fee paid by the applicant.

The Assessment Methodologies R&I uses in connection with evaluation are R&I's opinions prepared based on R&I's own analysis and research, and R&I makes no representation or warranty, express or implied, as to the accuracy, timeliness, adequacy, completeness, merchantability, fitness for any particular purpose, or any other matter with respect to the Assessment Methodologies. Further, disclosure of the Assessment Methodologies by R&I does not constitute any form of advice regarding investment decisions or financial matters or comment on the suitability of any investment for any party. R&I is not liable in any way for any damage arising in respect of a user or other third party in relation to the content or the use of the Assessment Methodologies, regardless of the reason for the claim, and irrespective of negligence or fault of R&I. All rights and interests (including patent rights, copyrights, other intellectual property rights, and know-how) regarding the Assessment Methodologies belong to R&I. Use of the Assessment Methodologies, in whole or in part, for purposes beyond personal use (including reproducing, amending, sending, distributing, transferring, lending, translating, or adapting the information), and storing the Assessment Methodologies for subsequent use, is prohibited without R&I's prior written permission.

[Japanese is the official language of this material and if there are any inconsistencies or discrepancies between the information written in Japanese and the information written in languages other than Japanese the information written in Japanese will take precedence.]

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Daiwa Energy & Infrastructure Co. Ltd.

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Independent External Review provider's name: Rating and Investment Information, Inc. (R&I)

Completion date of this form: March 30, 2020

Publication date of review publication: March 30, 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 checked="" 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.

Latest update: June 2018

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

[R&I Green Bond Assessment]

R&I has judged, in accordance with R&I Green Bond Assessment Methodology, that the proceeds from the green bond would be invested into projects with significant environmental benefits, and assigned GA1 (Formal) to the green bond.

[Second Opinion on the alignment with Green Bond Principles, etc.]

R&I has also provided a second opinion that the green bond framework is aligned with Green Bond Principles 2018, Green Bond Guidelines 2017 by Ministry of the Environment of Japan and Green Loan Principles.

For details, please refer to R&I Green bond assessment report above.

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):

< Evaluation on the Green Bond Framework >

Under the framework the proceeds will be allocated as new money to renewable energy projects for which Daiwa Energy & Infrastructure acts as a sponsor through SPC.

Target projects in the transaction are renewable energy (a solar power generation project this time) and eligible as green assets which are expected to generate sufficient environmental benefits (CO2 emission reduction effect).

R&I confirmed through meetings and in writing regarding Daiwa Energy & Infrastructure's policy, etc. to work on the target project as to (1) whether sufficient environmental benefits can be expected from the target project, and (2) whether due consideration is paid to direct or indirect negative impacts which may arise on the environment during the development/operational phases.

From the perspective of (1), R&I has judged that it can be expected to generate significant environmental benefits (CO2 emission reduction effect) as a target project of the green bond in light of our confirmation of Daiwa Energy & Infrastructure's policy in making judgment on the eligibility of power plants, systems, and track records as well as O&M structure, among other things.

As for the perspective of (2), R&I has confirmed that environmentally-conscious actions, starting with the acquisition of permits/licenses needed during the development/operational phases, are taken to conclude that due consideration is paid to direct or indirect negative impacts which may arise on the environment.

In addition, we have confirmed that the framework would be expanded as needed when renewable energy projects other than solar power generation projects are target projects in the future.

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles etc.

< Evaluation on the Green Bond >

The target project of the green bond is a solar power generation project which is under development in Shiraoi Town, Hokkaido. Selected as eligible is the expenditure (primarily construction costs) relating to the power

generator SPC of the solar power generation plant, a target project under the framework, which is in conformity with the green bond framework.

Similar to the assessment for the framework, R&I confirmed (1) whether sufficient environmental benefits can be expected from the target project, and (2) whether due consideration is paid to direct or indirect negative impacts which may arise on the environment during the development/operational phases.

As a result R&I has judged that the target project has sufficient business feasibility and environmental benefits (CO2 emission reduction effect) in light of the status of securing the project site, details of the power generation facilities, contents of the technical report, and O&M structure, among other things. R&I has also confirmed through the project-related materials and on-site investigation that due consideration for direct or indirect negative impacts which may arise on the environment is paid for the development and operation (logging of forests due to the development is carried out in 10% or less of the project site because the site of the former circuit track is used) to judge that appropriate consideration is paid to the environment.

For the reasons above, R&I deems that the extent to which the green bond proceeds are used to invest in projects with environmental benefits is especially excellent.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input 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 processes | <input type="checkbox"/> Green buildings (Environmentally Responsible Building) |
| <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):

< Evaluation on the Green Bond Framework >

Daiwa Energy & Infrastructure was established as a company that contributes to Daiwa Securities Group's achieving SDGs and is intended to promote investment in renewable energy, among other things, and the use of the proceeds in the transaction matches such policy.

The target project is expected to generate sufficient environmental benefit, and due consideration is paid to direct or indirect negative environmental/social impacts to which it may give rise on the environment.

The evaluation and selection of projects go through a designated procedure, and a decision is ultimately made by the Investment Committee which is comprised of the Directors. It is an organizational selection process.

For the reasons stated above, R&I has judged the process for project evaluation and selection under the framework is in conformity to Green Bond Principles etc.

< Evaluation on the Green Bond >

The evaluation and selection of projects for the green bond are performed by a department in charge in accordance with the framework, and a decision is ultimately made by the Investment Committee (comprised of the Directors). R&I judges that it is an organizational decision-making process.

R&I deems that the process for project evaluation and selection is very clear and reasonable.

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):

< Evaluation on the Green Bond Framework >

The funds obtained through the green bond will be managed at a dedicated account of SPC and allocated to relevant green projects only. Therefore the proceeds of each green bond will not be commingled with those for other projects.

Withdrawals of the proceeds will be strictly managed and allowed only when conditions precedent (CP) are satisfied under respective project finance agreements.

Unallocated funds will be managed in deposits which are short-term current assets.

Investors will be updated with the progress of the project and the fund allocation status as appropriate, and they will be managed appropriately.

For the reasons stated above, R&I has judged that the policy for management of proceeds under the framework is in conformity to Green Bond Principles etc.

< Evaluation on the Green Bond >

R&I has confirmed that the proceeds from the green bond will be managed in a segregated manner for the project in accordance with the framework established by the issuer and financing agreements for the transaction.

The total value of the project exceeds the proceeds expected from the green bond. Such proceeds are expected to be allocated according to the progress of the construction work, with the allocation to be completed within a year.

R&I deems that the framework for managing the green bond proceeds is properly determined and especially excellent.

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:

- | | |
|--|--|
| <input checked="" 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 type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

< Evaluation on the Green Bond Framework >

Reporting for the green bond will be provided publicly through websites, etc. once a year.

It will contain fund allocation status reporting and impact reporting (annual power generation and CO2 emission reductions). The contents are reasonable.

For the reasons stated above, R&I has judged that reporting under the framework is in conformity to Green Bond Principles etc.

< Evaluation on the Green Bond >

R&I confirmed the reporting on proceeds allocation status and environmental benefits will be conducted once a year, pursuant to the framework established by the issuer.

R&I deems that the reporting policy of the green bond is excellent in content and frequency.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Annual total output of the PV power plant |

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 (please specify): Website(to be determined) |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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.)

The methodology for R&I Green Bond Assessment

<https://www.r-i.co.jp/en/rating/products/esg/index.html>

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 type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

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.
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.