

Daiki Axis Co., Ltd.

Daiki Axis Green Bond

DNV GL GREEN BOND PERIODIC REVIEW



Feb. 2021

DNV GL Business Assurance Japan K.K.

Issue Log	Description
21 st Jan, 2020	Second Party Opinion – Green bond eligibility pre-issue assessment report
26 th Feb, 2021 (This Report)	Green Bond Periodic Review (#1)

Objective and Scope :

Daiki Axis Co., Ltd. (hereinafter “Daiki Axis” or “Issuer”) has commissioned DNV GL Business Assurance Japan Co., Ltd. (hereinafter called “DNV GL” or “We”) to conduct periodic review of “Daiki Axis Green Bond” (hereinafter called, “the BOND”). The objective of DNV GL’s periodic review is to conduct an assessment to confirm that the BOND meets the identified criteria of the Green Bond Principles and the associated technical criteria, as set out below, and to provide the Issuer with independent second-party opinion on the eligibility of the BOND.



Daiki Axis issued the BOND on 28th February 2020, and the amount of the BOND issued was 3.0 billion Japanese Yen. The review team of DNV GL conducted the first green bond periodic review from February 2020 through January 2021, based on the Green Bond Guidelines 2017, which was formulated by the Ministry of the Environment (Japan) (hereinafter called “GBGLs”), and the Green Bond Principles 2018 (hereinafter called “GBP”).

In this report, no assurance is provided regarding the financial performance of the BOND, the value of any investments in the BOND, or the long-term environmental benefits of the transaction.

Project description

Daiki Axis set its management philosophy ‘PROTECT x CHANGE’ to protect the environment and change the future*1. Daiki Axis promotes its mid-term management plan (promotion of ESG management) *2 through its business especially (1)Water-related infrastructure business in overseas (China, Southeast Asia and India), (2) Renewable energy business through solar power and small wind power generation as core business in environment field. Daiki Axis identifies the Materiality which it pursues to achieve the UN SDGs.

Promoting renewable energy business through the BOND directly contributes to environmental issues. It is closely related to Daiki Axis’s corporate philosophy, promotion of mid-term management plan (ESG management) and selected SDGs contribution, as follow ;

Eligible Project	Green Project Category & fund amount	Social Project Category*	Contribution to SDGs
Project 01 : Solar PVs project	Category ; Renewable Energy *1 (contributes to CO ₂ Emission reduction from primary energy source)	<ul style="list-style-type: none"> - Outline Solar PVs are equipped on the roof top of the DCM group home-center retail premises without further land development - Capacity Total 119 facilities 50kW~900kW/facility, total :approx. 18,200kW - Location Total 119 facilities Tohoku:6, Kanto:5, Chubu:42, Kansai:19, Chugoku:15 and Shikoku:32 	7.Affordable and Clean Energy 13.Climate Action  
Project 02 : Small Scale Wind Power project	Fund amount ; 3.0 billion JPY (bond term : 10 years) (fully allocated as refinance to the Project 01 Solar PVs project)	<ul style="list-style-type: none"> - Outline Horizontal axis small scale wind power as Daiki Axis group business - Capacity Total 22 towers 10kW class×2towers/site total :approx. 220kW - Location Total approx. 11 sites Aomori Hokkaido, etc <p>*As a result, No proceeds from the BOND was funded to the Small scale wind power project</p>	

*1:Refer to The Green Bond Principles (ICMA, 2018), Green Bond Guidelines(MOE, 2017) and Climate Bonds Standard v2.1 representative eligible project category

Total amount of the BOND is JPY 3.0 billion (redemption period : 10 years) has been fully allocated to the nominated green projects in February 2020. The BOND allocation status is reported/disclosed in the Issuer's website on annually (Feb. 2020).

The updated information of the nominated green projects and assets is summarized in Table-1 below.

Table-1 The updated information of the green projects (as of Jan., 2021) *Please refer to Schedule-1 for details.

Items \ Project	Solar PVs project (Project 01)	Small Scale Wind Power project (Project 02)
Capacity	Capacity : approx. 18,200kW	Capacity : approx. 220kW
Location	Location : 119 facilities (Tohoku:6, Kanto:5, Chubu:42, Kansai:19, Chugoku:15 and Shikoku:32)	Location : 11 sites (Aomori Hokkaido, etc)
Commercial operation (Year and month)	Commercial operation (connect to the grid) from Jan. 2020	Not Started commercial operation (commercial operation will start after 2021)
Amount allocated /unallocated	JPY 3.0 billion (fully refinanced) /0	JPY 0 billion (No fund allocation) /0

From a viewpoint of environmental improvement, Project 01 has achieved CO₂ emission reduction through 18.2MW electricity power generation by Solar PV. In the meantime, from a viewpoint of environmental risk, it is negligible since Solar PV panels are equipped on the roof top of the existing home-center retail premises without further land development

Responsibilities of the Management of the Issuer and DNV GL

The management of the Issuer has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer's management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our review we have relied on the information and the facts presented to us by the Issuer. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this review were not correct or complete.

Basis of DNV GL's opinion

DNV GL has adapted our GBP^{*1}, GBGLs^{*2} and refer Climate Bond sector technical Criteria ^{*3} assessment methodologies, which incorporate the requirements of the GBP, to create the Issuer-specific Green Bond Eligibility Assessment Protocol (hereinafter called "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

*1: Green Bond Principles (June 2018, International Capital Market Association)

*2: Green Bond Guidelines (2017, the Ministry of the Environment (Japan))

*3: Climate Bond Standard (version 2.1, Climate Bonds Initiative)

Work undertaken

Our work constituted a high level of review of the available information, based on the understanding that this information was provided to us by the Issuer in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion included:

Initial Assessment (pre-issuance): *(Not included in this report)*

- Creation of the Issuer-specific Protocol, adapted to the purpose of the BOND, as described above and in Schedule-2 to this Assessment.
- Assessment of documentary evidence provided by the Issuer on the BOND and supplemented assessment by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with the Issuer, and review of relevant documentation;
- Documentation of findings against each element of the criteria.

Periodic Assessment (post-issuance): *This report*

- Evaluation of the supporting documents provided by the Issuer related to bond issuance, high level desktop surveys, document reviews, and interviews with key personnel of the issuer. These checks refer to current assessment best practices and standard methodologies.
- Discussion with the Issuer management and review of relevant documentation.
- Field survey and inspection, if required.
- Review of the nominated projects and assets as described in Schedule 2 as at the time of periodic assessment.
- Review and testing where possible of reporting data.
- Documentation of findings for Periodic assessment as detailed in this document.

Our opinion as detailed below is a summary of these findings.

Findings

DNV GL’s findings are listed below:

Principle One, Use of Proceed

DNV GL has confirmed that the net proceeds raised by the BOND has been fully allocated the nominated green projects that meet the green bond eligibility criteria below:

(1) Green Projects:

Renewable energy (Project 01, Project 02)

- Project 01 : Solar PVs project : JPY 3.0 billion (fully refinanced)
- Project 02 : Small Scale Wind Power project : JPY 0.0 (Not allocated)
- Total : JPY 3.0 billion (fully refinanced)



a) Daiki Okayama(500kW Okayama Aug.2018)



b) Daiki Mihara-enichi (350kW Hiroshima Jul. 2018)



c) Kahma Nagahama(300kW Shiga Sep. 2018)



d) Homac Tsukubamirai(400kW Ibaraki Jan. 2019)

Figure-1 Project01 Solar Power business (example)

Principle Two, Process for Project Evaluation and Selection

The proceeds of the BOND have been allocated solely to refinance the projects and assets as defined in Schedule-1, were evaluated and selected through the appropriate process by the relevant department of the Issuer based on its internal process. DNV GL has reviewed supporting documents and interview that negative impact (environmental risks) due to the funded projects (Solar PVs) are negligible since Solar PV panels are equipped on the roof top of the existing home-center retail premises without further land development.

Principle Three, Management of Proceeds

DNV GL has reviewed and confirmed evidence and supporting documents showing how Issuer has traced/managed the proceeds from the BOND, from the time of issuance to the time of disbursement. DNV GL has confirmed that Issuer has promptly and fully funded the proceeds from the BOND as refinance to the eligible project. DNV GL has confirmed that issuer keeps the evidenced documents related to the disbursement and outstanding balance of the BOND, in accordance with its internal procedure. As of the end of Jan. 2021, the proceeds from the BOND (JPY 3.0 billion), has been fully allocated as scheduled with evidenced document provided by Issuer.

Noted that, as stated above, DNV GL provides no assurance regarding the financial performance of the Issuer, the value of any investments in the BOND, or the effects of the transaction.

Principle Four, Reporting

DNV GL has confirmed that Issuer reports and discloses the specific information required by the Green Bond annually in its company website. These include description of allocation status, the project to be allocated, a, as well as the associated qualitative and quantitative environmental impacts (CO₂ emission reduction from renewable energy, Solar PVs).

DNV GL has confirmed that Issuer calculated its environmental impact appropriately, based on the method which issuer defined and resulted that expected environmental impact appeared as planned.

In the green projects have already commenced operation, the results of the environmental improvement result during this periodic review (Feb.2020 – Jan. 2021) are shown below:

*Please see the Principle one for fund allocation status

Table-2 Environmental Impact*¹ (data from Feb.2020 – Jan. 2021)

Items \ Project	Solar PVs project (Project 01)	Small Scale Wind Power project (Project 02)
Funded Project	119	n.a.
Total Capacity (kW)	18,200	-
Total Output(actual) (kWh)	32,966,740	-
Environmental Impact* ² (kg-CO ₂ /year)	15,230,634	-

*1 Construction of Solar PV project has been implemented by Daiki Axis. The Solar PVs projects are taken over to its subsidiary "Sylphid" who is in charge of operation of the projects. Environmental impact still exists Daiki Axis group but comes from the business of Sylphid.

*2 Environmental impact is calculated by following formula using data in the Table-2

(ア) CO₂ Emission reduction (kg-CO₂/year)

(イ) = Total Output(kWh) × CO₂ emission coefficient (kg-CO₂/kWh)

(ウ) (CO₂ emission coefficient : MOE data)

DNV GL Opinion

On the basis of the information provided by Issuer and the work undertaken, it is DNV GL's opinion that the BOND meets the criteria established in the Protocol and that it is aligned with the stated definition or purpose of green bonds within the Green Bond Principles and Green Bond Guidelines, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

DNV GL Business Assurance Japan K.K.

26th Feb. 2021



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV GL: The management of Issuer has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete

1. Schedule-1 Daiki Axis Green Bond Nominated Projects and Assets

No.	Green Bond Project Portfolio	Green Project Category [Environmental Impact]	Green Project Sub Category	Fund Amount (As of Jan.2021)		Remarks (outline, capacity, size, location, etc)
01	Solar Power Business	Renewable Energy [CO ₂ Emission reduction from primary energy source]	Solar PVs (onshore) Roof top type on the retail premises	BOND Amount: 3.0b-JPY	3.0b-JPY (Refinance)	<p>-Outline Solar Panel equipped on the roof top of DCM group home-center retail premises</p> <p>-Capacity·size Total 119 facilities 50kW~900kW/facility, total :approx. 18,200kW</p> <p>-Location Tohoku:6, Kanto:5, Chubu:42, Kansai:19, Chugoku:15 and Shikoku:32</p> <p>-Other information Solar Panels facilitated without any land development. Construction of the project has been implemented by Daiki Axis. The projects are taken over to its subsidiary "Sylphid" who is in charge of operation of the projects.</p>
02	Small Scale Wind Power Business			Wind power (onshore) Small scale (10kW class)	BOND term : 10 years	0

Schedule-2 Green Bond Eligibility Assessment Protocol

Following check list (GBP-1 ~ GBP-4) is based on DNV GL's green bond eligibility assessment protocol referred to the Green Bond Principle 2018. Disclosure document described in the following table has been disclosed to the investors.

GBP-1 Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of bond	<p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond • Green Use of Proceeds Revenue Bond • Green Project Bond • Others 	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Green Bond Framework (hereinafter Daiki Axis Framework) - Request Letter <p>Discussions with Daiki Axis management</p>	<p>The reviewed evidence confirms that the Bond falls in the category:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond
1b	Green Project Categories	<p>The cornerstone of a Green bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the BOND.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework - Request Letter <p>Discussions with Daiki Axis management</p>	<p>As identified by the Bond project list in Framework, the purpose of the Bond is to use the proceeds to bond eligible projects falling under the following categories as representative project category in GBP and GBGLs:</p> <p><u>“Renewable Energy”</u> Daiki Axis fully allocated the proceeds (as refinance) to Solar business</p> <ul style="list-style-type: none"> - Solar Power Business - Small Scale Wind Power Business <p>Remarks: the proceeds from the BOND has not been allocated to the small scale wind power business.</p>
1c	Green benefits	<p>All designated Green Project categories should provide clear greenly sustainable benefits, which,</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework 	<p>DNV GL considers that eligible projects contribute to CO₂ emission reduction from primary energy source. Issuer disclosed its environmental impact (performance) in its website with</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		where feasible, will be quantified or assessed by the issuer.	<ul style="list-style-type: none"> - Daiki Axis website (IR news, Monthly report of Solar power business Discussions with Daiki Axis management 	<p>calculation formula and evaluation result as monthly report as described in work undertaken.</p> <p>DNV GL assessment concluded that these assets would present a low risk of GHG emission and following environmental impact then be inclusion under the eligibility of GBP and GBGLs</p> <ul style="list-style-type: none"> - Solar PVs are introduced to roof top of existing retail premises without any land development
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework Discussions with Daiki Axis management 	The proceeds of the BOND, was refinanced to t the projects solar power r business listed in schedule-1

GBP-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	<p>The issuer of a Green bond should outline the decision-making process it follows to determine the eligibility of projects using Green bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories; • The criteria making the projects eligible for using the Green bond proceeds; and • The environmental sustainability objectives 	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis internal document(process of project selection) <p>Discussions with Daiki Axis management</p>	<p>As per the Framework, the issuer has set out the following criteria, and selected and evaluated for project selection:</p> <p>Eligible Green Project means :</p> <ul style="list-style-type: none"> - The nominated two green projects described in the Schedule-1, were evaluated and selected through the appropriate determined process by the relevant sections of the issuer based on its corporate philosophy (corporate slogan) and mid-term management plan (promotion of ESG management) (refer to the section I 'About Issuer'). - Issuer applies eligibility criteria listed Section II (3) and considers the negative effect to environment or society based on its 'selection prerequisites' described below, as well. <p>< Green project selection prerequisites ></p> <ul style="list-style-type: none"> - Compliance to environmental law and regulations (e.g. Environmental Impact Assessment) - Evaluation of GHG emission reduction considering lifecycle - Communication with local communities
2b	Issuer's environmental, social and governance framework	<p>In addition to information disclosed by an issuer on its Green bond process, criteria and assurances, Green bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding green sustainability.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis corporate philosophy, mid-term management plan, etc - Daiki Axis website (IR news, Monthly report of Solar power business) <p>Discussions with Daiki Axis management</p>	<p>DNV GL reviewed and noted that issuer demonstrated that issuer intends to contribute environmentally sustainability through renewable energy business which is aligned with its corporate philosophy (corporate slogan) and mid-term management plan (promotion of ESG management) and has already implemented.</p> <p>Issuer has already disclosed environmental impact of CO₂ emission reduction performance in its website with calculation formula and evaluation result as monthly report as described in work undertaken.</p> <p>http://www.daiki-axis.com/ir/004/index.html#008</p> <p>Daiki Axis disclose its environmental impact in an annual report in its website as per the Framework</p> <p>Also based on the discussion and document review we had with Daiki Axis, we found nothing to suggest that Daiki Axis's green projects and its framework are not in line with good practice of the industry business in which it operates</p>

GBP-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure-1	The net proceeds of Green bond should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	Document reviewed : <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis internal process documents, etc - Deposit and Payment slip Discussions with Daiki Axis management	The evidence reviewed showed how Daiki Axis traced the BOND's proceeds from the time of issuance to the time of disbursement. The full amount of the proceeds was deposited into a Daiki Axis's general account, and thereafter managed its internal account procedure which can identify the project and disbursed in accordance with the obligations. DNV GL confirmed deposit and payment slip as evidence.
3b	Tracking procedure-2	So long as the Green bond outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments made until green benefit appearance or completion of proceeds allocation.	Document reviewed : <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis internal process documents, etc - Deposit and Payment slip Discussions with Daiki Axis management	The evidence reviewed showed that Daiki Axis traced the proceeds from the BOND, from the time of disbursement, and reduce the net balance of proceeds by amounts in line with the assets as scheduled (promptly allocation to the eligible project as refinance). At the end of each financial period, the outstanding balance of the BOND will be reviewed. DNV GL confirmed deposit and payment slip as evidence.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Document reviewed : <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis internal process documents, etc Discussions with Daiki Axis management	The net proceeds of the BOND was refinanced promptly based on its internal account protocol. Unallocated proceeds did not appear.

GBP-4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green bond proceeds have been allocated including</p> <ul style="list-style-type: none"> - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected greenly sustainable impact. 	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework <p>Discussions with Daiki Axis management</p> <p>Others : Daiki Axis website</p>	<p>Daiki Axis disclosed information includes a dedicated section on the Green Bond in its website annually.</p> <p>https://www.daiki-axis.com/ir/001/index003.html IR information/Daiki Axis green bond</p> <p>https://www.daiki-axis.com/ir/001/images/reporting_2020.pdf FY2020 Daiki Axis Green bond reporting (1st Feb. 2021)</p> <p>This report includes description of the project and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. Daiki Axis disclosed CO₂ emission reduction (t-CO₂) evaluation results according to the performance (output) of the renewable energy business listed in schedule-1.</p> <p>Remarks Construction of Solar PV project has been implemented by Daiki Axis. The Solar PVs projects are taken over to its subsidiary "Sylphid" who is in charge of operation of the projects. Environmental impact still exists Daiki Axis group but comes from the business of Sylphid.</p>

Schedule-3 Green bond guidelines eligibility assessment

Following check list (GBGLs-1 ~ GBGLs-4) is based on the Green Bond Guidelines (GBG, MOE, 2017).

According to the GBG, Requirements/Evaluation aspects are divided into following two terms, Should:◎ recommend:○

The reference No. /01/, /02/~ /11/ in the 'work undertaken' are confirmed evidence information (document) which are listed in Appendix-1.

There are evidences information through the discussion with management of Daiki Axis are also includes in work undertaken other than 'Document reviewed'

GBGLs-1 Use of proceeds

Ref.	Criteria	Requirements/Contents	Requirement check	Work Undertaken	DNV GL Findings
◎	1-①	Green Bond proceeds should be allocated to Green Projects that state the clear environmental benefits, which should be assessed by the issuer	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/	The project which was allocated by the proceeds was clearly written in the framework; Renewable energy [Solar PVs (onshore)]. *No proceeds were funded to the Wind power project. These projects contribute to primary energy source CO ₂ emission reduction directly which is assessed/confirmed by the issuer. The requirements are fulfilled.
○	1-①	Environmental benefit of Green Bond proceeds, where feasible, quantification is recommended.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/	Issuer monitors the operation status of existing facilities (solar PVs) and disclose its environmental impact as CO ₂ emission reduction with calculation formula in its web site. Therefore, the requirements are fulfilled.
◎	1-④	In advance, issuers should provide investors with information regarding the use of Green Bond proceeds through legal documentation (such as a prospectus) or other documents.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /12/	It was confirmed that Daiki Axis has provided an explanation to investors of the use of proceed by Framework and Request letter. The requirements are fulfilled.

Ref.	Criteria	Requirements/Contents	Requirement check	Work Undertaken	DNV GL Findings
⊙	1-⑤	The provision of the information regarding the use of proceeds should specify the Green Project categories.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /12/	It was clearly prescribed in the framework that renewable energy [Solar PV (onshore), Wind power projects (onshore power station)] is selected as green bond projects. The requirements are fulfilled.
○	1-⑤	In the cases where individual Green Projects have been specified, it is recommended that issuers clearly present the projects to investors.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /12/	The nominated projects were listed and showed to the external reviewer. Project outline (some representative specific project information), etc was disclosed to investor in framework. The requirements are fulfilled.
⊙	1-⑥	In cases where Green Projects have incidental negative environmental impacts along with the alleged environmental benefits, the issuers should include information regarding these negative impacts (e.g., how they are assessed, what the issuers do to curb them) to investors so that the investors and market participants can appropriately evaluate these impacts.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/	DNV GL has reviewed supporting documents and interview that negative impact (environmental risks) due to the funded projects (Solar PVs) are negligible since ; - Solar PV panels are equipped on the roof top of the existing home-center retail premises without further land development.
○	1-⑦	(In case of where a part of Green Bond proceeds are used to refinance existing Green Projects,) it is recommended that the issuers provide information to the investors regarding (1) the amount (or the share) of the	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /10/, /12/	In the framework, Request Letter, Daiki Axis website, Financial report, it is stated whether each project categories in corresponds to refinancing or not. In the case of refinancing, the amount (plan) is described. The requirements are fulfilled.

Ref.	Criteria	Requirements/Contents	Requirement check	Work Undertaken	DNV GL Findings
		bond proceeds being allocated for refinancing, and (2) which Green Projects (or Green Project categories) may be refinanced.			

GBGLS-2 Process for Project Evaluation and Selection

Ref.	Criteria	Requirements/Evaluation aspects	Requirement check	Work Undertaken	DNV GL Findings
⊙	2-①	In advance, issuers should provide investors with information regarding the following: The environmental sustainability objectives that the issuers intend to achieve through Green Bonds.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /10/, /12/	In the Framework 2.1, CO ₂ emission reduction from primary energy source is cited as an environmental merit (environmental benefit) to be realized through the BOND which directly contributes to CO ₂ reduction through project implementation. It was explained to investors through the Request Letter, Financial report in advance. The requirements are fulfilled.
⊙	2-①	In advance, issuers should provide investors with information regarding the following: The criteria for determining the appropriateness of Green Projects based on the environmental sustainability objectives described above	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /10/, /12/	It was confirmed that the framework describes what evaluation criteria the project selection is based on. It is clearly stated that they apply the GBP, GBGLs and CBSv2.1 available sector criteria. It is explained to investors through the Framework and Financial report in advance. The requirements are fulfilled.
⊙	2-①	In advance, issuers should provide investors with information regarding the following: The process for determining how Green Projects fit the criteria for the achievement of the environmental sustainability objectives(The process for the determination refers to the reason why issuers determine that Green Projects can provide environmental benefits appropriately in light of the objectives and criteria for the use of Green Bond proceeds, how and by whom are the criteria applied and used to determine whether Green	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /02/, /09/, /10/, /12/	It was confirmed that the framework describes what kind of process the selection of the project was based on. Specifically, it was confirmed that the finance department evaluated/selected qualified projects based on the GBP, GBGLs and the technical criteria against the CBS v2.1 considering 'selection prerequisites' environmentally and socially. It is planned to explain to investors through the Framework and Request letter in advance. The requirements are fulfilled.

Ref.	Criteria	Requirements/Evaluation aspects	Requirement check	Work Undertaken	DNV GL Findings
		Projects are appropriate in light of the objectives, and the like)			
○	2-⑨	It is recommended that internal departments who have expertise, such as the environment related department, or external institutions check whether the determination process is suitable from an environmental point of view.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	Document reviewed : - /01/ - ,CBS-SE, CBS-WE	Eligible projects were confirmed to align against the technical criteria of CBS v2.1 which means that it is clear to contribute environmental benefit. Therefore, assignment of expertise section is not required.

GBGLs-3 Management of proceeds

Ref.	Criteria	Requirements/Evaluation aspects	Requirement check	Work Undertaken	DNV GL Findings
⊙	3-①	Issuers should track and manage the net Green Bond proceeds in an appropriate manner. These tracking and managing activities should be controlled by the issuer's internal process.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /08/	Documents review confirmed that traceable flow of business processing and check point are in place. The requirements are fulfilled.
⊙	3-②	As long as the Green Bonds are outstanding, issuers should periodically adjust to match the amount of the total Green Bond proceeds to the sum of the amount of the proceeds allocated to Green Projects and the amount of the unallocated proceeds.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /08/, /11/	Documents review confirmed that periodical adjustment procedure (timely and at least annually) was prepared. The requirements are fulfilled.
⊙	3-⑤	In advance, issuers should provide investors with information on how Green Bond proceeds will be tracked and managed.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /08/, /10/	The review of the framework confirmed that the financial dept. will be in charge of management of proceed. The requirements are fulfilled.
○	3-⑥	It is recommended that issuers keep evidenced documents appropriately that demonstrate how they tracked and managed Green Bond proceeds.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /05/, /08/, /11/	Evidenced document (deposit and payment slip) is stored. The requirements are fulfilled.
⊙	3-⑧	In advance, issuers should provide investors with information on how unallocated Green Bond proceeds will be managed when the Green Projects that will receive the Green Bond proceeds have not been determined, or when such Green Projects have been determined but the proceeds have not been allocated because the allocation timing has not yet arrived.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /11/	BOND proceed was used as refinance promptly therefore unallocated proceeds was not appeared. It is described in section 2.3 of framework.

Ref.	Criteria	Requirements/Evaluation aspects	Requirement check	Work Undertaken	DNV GL Findings
O	3-⑨	It is recommended that issuers manage unallocated Green Bond proceeds as an asset with high liquidity and safety such as cash, cash equivalents, or short-term financial assets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/	

GBGLs-4 Reporting

Ref.	Criteria	Requirements/Evaluation aspects	Requirement check	Work Undertaken	DNV GL Findings
©	4-①	Issuers should publicly disclose the latest information on the use of Green Bond proceeds after issuance	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/, /10/	Annual report by one year after issuance of BOND, the status of appropriation for use of proceeds and the environmental impact are disclosed in the Daiki Axis website. The requirements are fulfilled.
©	4-②	Issuers should disclose the latest information at least once a year until full allocation of the proceeds and as necessary thereafter in the event of new developments.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/, /06/, /10/	Annual report by one year after issuance of BOND was disclosed in the Daiki Axis website. http://www.daiki-axis.com/ir/001/index003.html *Green bond site In case of considerable change appears (e.g. fund allocation), Daiki Axis would disclose its information. The requirements are fulfilled.
©	4-③	Disclosed information should include the following contents: <Contents> <input type="checkbox"/> A list of the Green Projects to which Green Bond proceeds have been allocated <input type="checkbox"/> A brief description of each Green Project (including up-to-date progress) <input type="checkbox"/> The amount allocated to each Green Project <input type="checkbox"/> The expected environmental benefits of each Green Project <input type="checkbox"/> Information regarding unallocated Green Bond proceeds (the amount of the unallocated proceeds or the share of the unallocated proceeds to the total amount of the proceeds, when the unallocated	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/, /06/, /08/, /10/, /12/, /13/	It is reported that the projects outline, funded amount, environmental impact are disclosed in an annual report. The requirements are fulfilled. As for environmental impact of the project was estimated and disclosed based on the actual electricity output.

Ref.	Criteria	Requirements/Evaluation aspects	Requirement check	Work Undertaken	DNV GL Findings
		proceeds are expected to be allocated to Green Projects, and how the unallocated proceeds are managed until allocation)			
○	4-④	If Green Bond proceeds have been allocated to the refinancing of existing projects, it is recommended that disclosed information include: 1) the approximate amount (or the share) of the allocated proceeds used for refinancing, and 2) a list of the Green Projects (or the project categories) refinanced.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /06/, /10/, /12/, /13/	Proceeds from the BOND fully used as refinance to the existing projects. Funded amount and green project category was disclosed in the Daiki Axis website, Financial report and annual report. The requirements are fulfilled.
○	4-⑤	While it is recommended to disclose 4-③ and 4-④ on a project-by-project basis, if there are confidentiality agreements, competitive considerations, or a large number of underlying projects that limit the disclosure of details, it is considered that information is presented in generic terms or in an aggregated portfolio.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /06/, /10/, /12/, /13/	The information was disclosed on the annual report with green project portfolio category/classification in consideration with confidentiality (the status of allocation of proceeds and the environmental benefit by each project portfolio). The requirements are fulfilled.
◎	4-⑦	When disclosing information regarding the expected environmental benefits of projects, issuers should use appropriate indicators while ensuring consistency with the “environmental sustainability objectives,” the “criteria” for Green Projects specified in Section 2, “Process for Project Evaluation and Selection,” and the characteristics of Green Projects.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/, /06/, /10/	Regarding to the environmental benefits, the framework clearly states that CO ₂ reduction: directly based on the reduction of electric power energy supply by renewable energy business (solar PVs). The requirements are fulfilled.
○	4-⑧	When disclosing the expected environmental benefits of projects, it is recommended that issuers, where feasible, use quantitative indicators and disclose information on methodologies and/or assumptions as well as these indicators.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - /01/, /04/, /06/, /10/	Environmental benefit was calculated based on the actual performance (electricity output from renewable energy). Issuer disclosed the formula and coefficient in its framework for calculation. DNV GL reviewed the appropriateness of the calculation process and result.

CBS-SE-1 Climate Bonds Standard & Certification Scheme Sector Criteria for Solar (version 2.1) Criteria for Eligible Projects & Assets – Solar (Eligible Activities)

Clause	Requirements	Requirement check	Work Undertaken	DNV GL Findings
1.1.1.	Onshore solar electricity generation facilities	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - Daiki Axis Framework - Project list (solar PVs and small wind power) - Eligible checklist against CBI sector criteria.	The selected projects are all onshore Solar PVs power generation facilities. Count of the Eligible projects is 119 sites in the project list. Solar PVs are equipped on the roof top of the DCM group home-center retail premises without further land development. Site location is Tohoku:6, Kanto:5, Chubu:42, Kansai:19, Chugoku:15 and Shikoku:32
1.1.2.	Wholly dedicated transmission infrastructure and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - Eligible checklist against CBI sector criteria.	PCS(Power Conditioning System) , HV power receiving equipment, Remote monitoring and leading-in pole which are dedicated infrastructure of solar PVs are included in use of the proceeds.
1.1.3.	Onshore solar thermal facilities such as solar hot water systems.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	-	-

CBS-SE-2 Climate Bonds Standard & Certification Scheme Sector Criteria for Solar (version 2.1) Criteria for Eligible Projects & Assets – Solar (non solar fuel use)

Clause	Requirements	Requirement check	Work Undertaken	DNV GL Findings
2.1.	Eligible Project & Assets that have activities in solar electricity generation facilities or solar thermal facilities shall have a minimum of 85% of electricity generated from solar energy resources	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - Daiki Axis Framework - Project list (solar PVs and small wind power) Discussions with Daiki Axis management	None of the solar PVs has a backup power supply facility etc. inside the power plant. It is clear that solar power generation source share is over 85%. The requirements are fulfilled.

CBS-SE-3 Climate Bonds Standard & Certification Scheme Sector Criteria for Solar (version 2.1) Assets and projects not eligible under the Solar Criteria

Clause	Requirements	Requirement check	Work Undertaken	DNV GL Findings
1.1.1.	Offshore solar electricity generation facilities	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	-	-
1.1.2.	Wholly dedicated transmission infrastructure and other supporting infrastructure for offshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	-	-
1.1.3.	Offshore solar thermal facilities such as solar hot water systems.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	-	-

CBS-WE-1 Wind Sector Eligibility Criteria of the Climate Bonds Standard Version 1.1, Illustrative use of bond proceeds eligible under the wind criteria (Table-1)

Assets	No.	Criteria	Requirement check	Work Undertaken	DNV GL Findings
Onshore wind Assets that operate or are under construction to operate:	1	Onshore wind energy generation facilities	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Document reviewed : - Daiki Axis Framework - Project list (solar PVs and small wind power) - Eligible checklist against CBI sector criteria. Discussions with Daiki Axis management	The selected projects are all onshore Small scale wind power generation facilities. Count of the Eligible projects is approx. 22 (10kW×2towers/site) Site location is Aomori, Hokkaido, etc (existing assets and / or future projects).
	2	Dedicated transmission infrastructure and support facilities (e.g. transformers, backbone, transmission terminus, grid connections, dedicated facilities for support vessels and vehicles, equipment storage, onshore assembly)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	Document reviewed : - Eligible checklist against CBI sector criteria. Discussions with Daiki Axis management	PCS(Power Conditioning System) , Transformer, Remote monitoring and Truss type tower which are dedicated infrastructure of wind power are included in use of the proceeds.
	3	Dedicated operational production, manufacturing or distribution facilities for key components, such as wind turbines, platforms etc.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable		

Assets listed in Table 1 (with an associated green circle in the mitigation column) automatically meet the Mitigation requirement of the Climate Bonds Standard. This extends to:

- Wind energy generation shall be projects & assets that operate or are under construction to operate in one or more of the following activities:
 - The development, construction and operation of wind farms
 - Operational production or manufacturing facilities wholly dedicated to wind energy development
 - Wholly dedicated transmission infrastructure for wind farms.

CBS-WE-2 Wind Sector Eligibility Criteria of the Climate Bonds Standard Version 1.1, Assets and projects not eligible for certification under the wind criteria

Assets	No.	Criteria	Requirement check	Work Undertaken	DNV GL Findings
Offshore wind	1	Offshore wind facilities, dedicated transmission infrastructure, dedicated support facilities, manufacturing facilities and distribution facilities are not eligible for Certification under the Wind Criteria. Offshore wind is eligible for Certification under the Marine Renewable Energy Criteria.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Applicable	-	-

Appendix-1

- /01/ Daiki Axis green bond framework
- /02/ Project list (Solar power business and Small scale wind power)
- /03/ CO₂ emission coefficient (MOE&METI R1 issued 22nd Jul 2019)
- /04/-1 Monthly report of solar power business fact sheet (Dec. 2020)
- /05/ Document control procedure 05-010 and its appendix
- /06/ FY2020 Daiki Axis Green bond reporting
- /07/ Green bond eligible project selection process
- /08/ Proceeds management (unallocated) spreadsheet 20201201
- /09/ Request Letter
- /10/ Daiki Axis website <https://www.global-mobility-service.com/en/index.html>
- /11/ Deposit and Payment split_20200228
- /12/ Financial report document Dec. 2019
- /13/ Project list (for refinance)
- /14/ 2021-2023 Mid-Term Business Plan "PROTECT X CHANGE"