

**Daiki Axis Co., Ltd.**

**Daiki Axis Green Bond**

**Green bond eligibility pre-issue assessment report**

**DNV GL second party opinion**



Dec. 2019



DNV GL Business Assurance Japan K.K.

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## Executive Summary

Daiki Axis Co., Ltd. (hereinafter “Daiki Axis”) was founded as fully owned subsidiary of Daiki Corporation in 2005 and has provided its core business ‘Environmental Facilities’, ‘Housing Facilities’ and ‘Renewable Energy’ which intends to be issued this green bond. Daiki Axis has established its ‘Daiki Axis Green Bond Framework’ and will raise the proceeds from the bond 3.0 billion JPY to refinance to Solar power project and Small scale wind power project. Daiki Axis engages DNV GL business assurance Japan K.K. (hereinafter “DNV GL”) as external reviewer to assess its eligibility as green bond. Eligible projects falling into this green bond are described in following table. The Daiki Axis Green Bond projects contribute to 2 UN Sustainable Development Goals (7.Affordable and Clean Energy, 13.Climate Action) both directly and indirectly, as well.

Eligible Project	Green Project Category & fund amount	Social Project Category*	Contribution to SDGs
<b>Project 01 : Solar PVs project</b>	Category ; Renewable Energy* <sup>1</sup> (contributes to CO <sub>2</sub> Emission reduction from primary energy source)	<ul style="list-style-type: none"> <li>- <b>Outline</b> Solar PVs are equipped on the roof top of the DCM group home-center retail premises without further land development</li> <li>- <b>Capacity</b> *total approx. 133 facilities 50kW~900kW/facility total :approx. 23,750kW</li> <li>- <b>Location</b> *total approx. 133 facilities Chubu:53, Shikoku:32, Kansai:19 others:29</li> </ul>	7.Affordable and Clean Energy  13.Climate Action    
<b>Project 02 : Small Scale Wind Power project</b>	Fund amount ; 3.0 billion JPY (bond term : 10 years) (will be fully allocated as refinance)	<ul style="list-style-type: none"> <li>- <b>Outline</b> Horizontal axis small scale wind power as Daiki Axis group business</li> <li>- <b>Capacity</b> *total approx. max24 towers 10kW class×2towers/site total :approx. 240kW</li> <li>- <b>Location</b> total approx. 12 site Kagoshima, Hokkaido, etc</li> </ul>	

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

DNV GL provides its eligibility in our independent opinion against the Green Bond Principle (ICMA, 2018 hereinafter GBP), Green Bond Guidelines (MOEJ, 2017 hereinafter GBGLs) and sector criteria of CBS (CBI v2.1) using DNV GL assessment protocol. Assessment summary against 4 core components are following.

**1.Use of Proceeds** :Proceeds raised from green bond, 3.0billion JPY, would be fully allocated to Renewable Energy. Proceeds will be disbursed as refinance to maintain Solar PVs equipped on the roof top the DCM group home-center and small scale wind power in Japan. Eligible projects contribute to emission reduction of primary energy source.

**2.Process for Project Evaluation and Selection** :Projects would aligned with Daiki Axis corporate philosophy, mid-term management plan(promotion of ESG management). Project which has been selected and evaluated based on the protocol of Daiki Axis against the GBP, GBGLs and UN SDGs. Projects are considered the environmental law and regulation, estimation of life-cycle GHG emission reduction and communication with local community which can achieve environmental benefit.

**3.Management of Proceeds** :Daiki Axis would manage the proceeds based on its internal protocol. Net proceeds from green bond will be allocated as refinance soon after bond issuance. Proceeds will be managed by Finance dept. as cash or cash equivalent until disbursement, based on the account procedure of Daiki Axis.

**4.Reporting** :Daiki Axis will disclose annual report/information on the Daiki Axis website include status of fund allocation, project progress and environmental impact, at least once a year with external review by DNV GL until full allocation (at least 2 years) for its conformance with integrity and objectivity against green bond

DNV GL confirmed Daiki Axis green bond framework, related documents and information that Daiki Axis green bond conforms relevant criteria then is supposed to be appropriately executed.

## I Introduction

### Basic Information

Daiki Axis Co., Ltd. (hereinafter “Daiki Axis”) was founded as fully owned subsidiary of Daiki Corporation in 2005 and has provided its core business ‘Environmental Facilities’, ‘Housing Facilities’ and ‘Renewable Energy’ which intends to be issued this green bond. Daiki Axis has established its ‘Daiki Axis Green Bond Framework’ and will raise the proceeds from the bond 3.0 billion JPY to refinance to Solar PVs project and Small Scale Wind Power project. Daiki Axis engages DNV GL business assurance Japan K.K. (hereinafter “DNV GL”) as external reviewer to assess and provides its eligibility in our independent opinion against the Green Bond Principle (ICMA, 2018 hereinafter GBP), Green Bond Guidelines (MOEJ, 2017 hereinafter GBGLs) and sector criteria of CBS (CBI v2.1) using DNV GL assessment protocol.

DNV GL confirmed Daiki Axis green bond framework, related documents and information that Daiki Axis green bond conforms relevant criteria then is supposed to be appropriately executed.

**Issuer name:** Daiki Axis Co., Ltd.

**Framework Name:** Daiki Axis Green Bond Framework

**Review provider’s name:** DNV GL business assurance Japan K.K.

**Completion date of this form:** 6<sup>th</sup> Dec. 2019

**Publication date of review publication:** 20<sup>th</sup> Dec. 2019

### About the Issuer







Daiki Axis history began in 1958 with founding ‘Ogame Corporation’ of a specialty store for tiles and sanitary ware, and then changed its commercial name to ‘Daiki Corporation’. Daiki axis was established as a wholly owned subsidiary of Daiki Corporation and was independent by buy-out soon after. Daiki Axis group currently consists of Daiki Axis and 15 consolidated subsidiaries\* (domestic : 10, overseas 5) and 4 affiliates (overseas 4). \*:2 domestic subsidiaries will be merged on 31<sup>st</sup> Dec 2019

The main business segments are “Environmental equipment-related business” centered on Johkasou (septic tanks) and wastewater treatment systems, “housing equipment-related business” represented by system kitchen, and “Renewable energy related business” including solar power generation business, small wind power generation business and biodiesel fuel business, etc.

Daiki Axis set its management philosophy ‘PROTECT x CHANGE ’ to protect the environment and change the future<sup>\*1</sup>. Daiki Axis promotes its mid-term management plan (promotion of ESG management)<sup>\*2</sup> through its business especially (1)Water-related infrastructure business in overseas (China, Southeast Asia and India), (2) Renewable energy business centering in solar power and small wind power generation business in environment field.

Daiki Axis identifies 6-materiality which it should achieve priority based on the UN SDGS

Promoting renewable energy business through Daiki Axis green 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.

SDGs	business	Daiki Axis group activities
 <p>6 安全な水とトイレを世界中に</p>	Water-related business	<ul style="list-style-type: none"> <li>Introduction manufacturing facility base for Johkasou (septic tank) to large population area (China, India and Indonesia)</li> <li>Local sales office contraction in Asia region (Vietnam, Myanmar and Sri Lanka) and Africa (Kenya)</li> </ul>
  <p>7 エネルギーをみんなにそしてクリーンに</p> <p>13 気候変動に具体的な対策を</p>	Renewable energy related business	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emission reduction through Renewable energy business (solar power and small scale wind power)</li> </ul>
 <p>12 つくる責任 つかう責任</p>	Daiki axis respective business	<ul style="list-style-type: none"> <li>Introduction of Energy efficient products</li> <li>Promotion of 100% introduction of renewable energy electricity covering Daiki Axis business activities</li> </ul>
  <p>5 ジェンダー平等を実現しよう</p> <p>8 働きがいも経済成長も</p>	(Corporate administration)	<ul style="list-style-type: none"> <li>Reform working system and diversity</li> <li>Promotion women to board member</li> <li>Certification of 'KURUMIM' (MHLW) for Women's career promotion</li> </ul>

\* 1 : Corporate Slogan : <http://www.daiki-axis.com/english/index.html>

\* 2 : ESG promotion <http://www.daiki-axis.com/ir/info/index09.html>  
(Explanatory Material for Individual Investors)

## II Scope and Objectives

Daiki Axis has commissioned DNV GL Business Assurance Japan K.K. (hereinafter “DNV GL”) to conduct green bond assessment of Daiki Axis green bond (hereinafter “BOND”), pre-issuance assessment and periodical review. The objective of DNV GL’s assessment is to implement an assessment to confirm that the BOND meets the identified criteria of the GBP, GBGLs and the associated technical criteria related of solar energy and wind energy in CBS, as set out below, and to provide the Issuer with independent second-party opinion on the eligibility of the BOND.

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.

### (1) Scope of review

The review assessed the following elements and confirmed their alignment with the gist of SBP:

- Use of Proceeds
- Management of Proceeds
- Process for Project Evaluation and Selection
- Reporting

### (2) Role(s) of review provider

- Consultancy (incl. 2<sup>nd</sup> opinion)
- Certification
- Verification
- Rating
- Other (*please specify*):

### (3) Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner	Applied level
1.	The Green Bond Principles 2018	International Capital Market Association	apply
2.	Green Bond Guidelines	Ministry of Environment Japan, 2017	apply
3.	Climate Bonds Standard version2.1 (Sector criteria)	Climate Bond Initiative	Apply (Available sector)
4.	Green and Social Bonds: A High Level Mapping to the Sustainable Development Goals (June 2018)	International Capital Market Association	Reference
5.	Handbook Harmonized Framework for Impact Reporting June 2019	International Capital Market Association	Reference

## Basis of DNV GL's opinion

To provide as much flexibility for the issuer, Daiki Axis as possible, we have adapted our green bond assessment methodologies, which incorporates the requirements of the GBP and GBGLs, to create a Daiki Axis-specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol"). The Protocol has the capacity for potential application of the Bond under the GBP and GBGLs.

Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle and guidelines 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 bond 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.
-

### III 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 (Pre-Issuance) Assessment:

- 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 (Annual) Assessment: *\*periodic assessment is not included in this report*

- Evaluation of the supporting documents provided by the Issuer related to the BOND, 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.

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## IV Findings and DNV GL’s opinion

DNV GL’s findings are listed below:

### (1) Use of Proceeds

DNV GL has confirmed that the net proceeds raised by the BOND (3.0 billion JPY, fully be disbursed as refinance) is planned to be allocated to the nominated two green projects (table-1) that meet the representative green project category in GBP and GBGLs criteria below:

#### Renewable Energy

This green project category is divided into 2 projects;



**- Project 01 : Solar power business**

Roof top type, approx. 23,750kW(50~900kW/site)

**- Project 02 : Small scale wind power business**

Horizontal Axis type, approx. 240kW(10kW class/tower)

Table-1 Daiki Axis green project (details are shown in Schedule-1)

Eligible Project	Green Project Category & fund amount	Social Project Category*	Contribution to SDGs
<b>Project 01 : Solar PVs project</b>	Category ; Renewable Energy* (contributes to CO <sub>2</sub> Emission reduction from primary energy source)	<ul style="list-style-type: none"> <li>- <b>Outline</b> Solar PVs are equipped on the roof top of the DCM group home-center retail premises without further land development</li> <li>- <b>Capacity</b> *total approx. 133 facilities 50kW~900kW/facility total :approx. 23,750kW</li> <li>- <b>Location</b> *total approx. 133 facilities Chubu:53, Shikoku:32, Kansai:19 others:29</li> </ul>	7.Affordable and Clean Energy 13.Climate Action  
<b>Project 02 : Small Scale Wind Power project</b>	Fund amount ; 3.0 billion JPY (will be fully allocated as refinance)	<ul style="list-style-type: none"> <li>- <b>Outline</b> Horizontal axis small scale wind power as Daiki Axis group business</li> <li>- <b>Capacity</b> *total approx. max24 towers 10kW class×2towers/site total :approx. 240kW</li> <li>- <b>Location</b> total approx. 12 site Kagoshima, Hokkaido, etc</li> </ul>	



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)



Kagoshima 10kW×2 Jul. 2019

Figure-2 Project 02 Small Scale Wind Power Business (example)

**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"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation                               |
| <input type="checkbox"/> Sustainable water management  | <input type="checkbox"/> Climate change adaptation                          |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes   | <input type="checkbox"/> Other ( <i>please specify</i> ):                   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs |   |

## (2) Process for Project Evaluation and Selection

DNV GL has confirmed that 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 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.

< Green project selection prerequisites >

- Compliance to environmental law and regulations (e.g. Environmental Impact Assessment)
- Evaluation of GHG emission reduction considering lifecycle
- Communication with local communities

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's green 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 Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available        | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability:

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

### (3) Management of Proceeds

DNV GL has reviewed and confirmed evidence showing how the Issuer has traced/managed the proceeds from the BOND, from the time of issuance to the time of disbursement. DNV GL has confirmed that the Issuer would allocate the proceeds to the green project promptly. Daiki Axis account dept. will manage the fund based on its internal account protocol. Issuer periodically reviews the outstanding balance of the BOND at the end of each Financial year for disclosure.

Note that, as stated above, DNV GL provides no assurance regarding the financial performance of the BOND, the value of any investments in the BOND, or the long-term environmental benefits of the transaction.

#### Tracking of proceeds:

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

#### Additional disclosure:

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

## (4) Reporting

DNV GL has confirmed that the Issuer would report to stakeholders the specific information required by the GBP and GBGLs annually in the issuer's website. These include description of the allocation and management of the proceeds, project lists and their progress, as well as the associated qualitative and quantitative environmental impacts which are referred to the GBP's reporting section reference 'Handbook Harmonized Framework for Impact Reporting June 2019'. Details are planned as follows ;

### -1- Fund Allocation and management of the proceeds

- (1) Funds amount of the capital investment to facilities which started supplying electricity.
- (2) Refinancing amount or share of the proceeds
- (3) The amount of unallocated proceeds.

### -2- Project lists and their progress

- (1) Number of the power generation facilities of eligible projects allocated the proceeds which have completed interconnection work to the grid.
- (2) Progress of funded eligible project (e.g. progress of construction work, completion date)

### -3- Environmental impact

- (1) Total electric power generation output (kWh) capacity(kW) and the amount of CO<sub>2</sub> emission reduction (kg-CO<sub>2</sub>) from eligible project be allocated the proceeds.

Evaluation of environmental impact is calculated by the following formula. Daiki Axis has already disclosed it in its website as monthly report <sup>\*1</sup>

**CO<sub>2</sub> emission reduction**(Δkg-CO<sub>2</sub>)

= **integrated output**(kWh)×**CO<sub>2</sub> emission coefficient**(kg-CO<sub>2</sub>/kWh)

Where

**integrated output**: actual data from solar power and wind power

**CO<sub>2</sub> emission coefficient** : MOE data (average value of domestic power plant)

\*1 Daiki Axis Website : IR news, Monthly report of Solar power business (Japanese only)

Note that, until the completion of fund allocation to the green project planned 2 years later (FY2021), Daiki Axis engages DNV GL as external reviewer to conform its eligibility as green bond with integrity and objectivity. DNV GL will conduct assessment and provide independent opinion.

**Use of proceeds reporting:**

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

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> GB refinanced share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

**Frequency:**

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

**Impact reporting:**

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

**Frequency:**

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

**Information reported (expected or ex-post):**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings              | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): |   |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                  |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Daiki Axis web site |
| <input checked="" type="checkbox"/> Reporting reviewed ( <i>if yes, please specify which parts of the reporting are subject to external review</i> ): |  |

**Assessment Conclusion**

On the basis of the information provided by Daiki Axis and the work undertaken, it is DNV GL's opinion that the Daiki Axis green bond meets the criteria established in the Protocol and that it is aligned with the stated definition or purpose of green bond 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.

6<sup>th</sup>. Dec. 2019



**Mark Robinson**

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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



## Schedule-1 Daiki Axis Green Bond Projects

No.	Green Bond Project Portfolio		Green Project Category [Environmental Impact]	Green Project Sub Category	Fund amount (plan)		Remarks (outline, capacity, size, location, etc)
01	Renewable Energy Business	Solar Power Business	Renewable Energy [CO <sub>2</sub> Emission reduction from primary energy source]	Solar PVs (onshore) Roof top type on the retail premises	3.0 billion-JPY Green Bond term : 10 years	2.0~3.0 billion JPY (Refinance)	<p><b>-Outline</b> Solar Panel equipped on the roof top of DCM group home-center retail premises</p> <p><b>-Capacity·size</b> (total approx. 133 facilities) 50kW~900kW/facility, total : approx. 23,750kW</p> <p><b>-Location</b> (total approx. 133 facilities) Chugoku:53, Shikoku:32, Kansai:19 others:29</p> <p><b>-Other information</b> Solar Panels facilitated without any land development. refinance to the previous cost of installation work, operation and maintenance.</p>
02		Small Scale Wind Power Business		Wind power (onshore) Small scale (10kW class)			Balance (Refinance)

## 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

### 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"> <li>• Green Use of Proceeds Bond</li> <li>• Green Use of Proceeds Revenue Bond</li> <li>• Green Project Bond</li> <li>• Others</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Daiki Axis Green Bond Framework (hereinafter Daiki Axis Framework)</li> </ul> <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"> <li>• Green Use of Proceeds Bond</li> </ul>
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"> <li>- Daiki Axis Framework</li> <li>- Request letter</li> </ul> <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><b>“Renewable Energy”</b></p> <p>Daiki Axis will allocate the proceeds (as refinance) to following 2 eligible projects as its promotion business, Renewable Energy Business.</p> <ul style="list-style-type: none"> <li>- <b>Solar Power Business</b></li> <li>- <b>Small Scale Wind Power Business</b></li> </ul>
1c	Green benefits	<p>All designated Green Project categories should provide clear greenly sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Daiki Axis Framework</li> <li>- Daiki Axis website (IR news, Monthly report of Solar power business</li> </ul>	<p>DNV GL considers that eligible projects contribute to CO<sub>2</sub> emission reduction from primary energy source. Issuer disclose its environmental impact (performance) in its website with calculation formula and evaluation result as monthly report as described in work undertaken.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			Discussions with Daiki Axis management	<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"> <li>- Solar PVs are introduced to roof top of existing retail premises without any land development</li> <li>- Wind power facility includes land development but relatively limited.</li> </ul>
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.	Document reviewed : - Daiki Axis Framework Discussions with Daiki Axis management	The proceeds of the Bond, will be fully refinanced to the both of the projects (solar power and small scale wind power 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"> <li>• A process to determine how the projects fit within the eligible Green Projects categories;</li> <li>• The criteria making the projects eligible for using the Green bond proceeds; and</li> <li>• The environmental sustainability objectives</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Daiki Axis Framework</li> <li>- Daiki Axis internal document(process of project selection)</li> </ul> <p>Discussions with Daiki Axis management</p>	<p>As per the Framework, the issuer has set out the following criteria for project selection:</p> <p>Eligible Green Project means :</p> <ul style="list-style-type: none"> <li>- 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').</li> <li>- 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.</li> </ul> <p>&lt; Green project selection prerequisites &gt;</p> <ul style="list-style-type: none"> <li>- Compliance to environmental law and regulations (e.g. Environmental Impact Assessment)</li> <li>- Evaluation of GHG emission reduction considering lifecycle</li> <li>- Communication with local communities</li> </ul>
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"> <li>- Daiki Axis Framework</li> <li>- Daiki Axis corporate philosophy, mid-term management plan, etc</li> <li>- Daiki Axis website (IR news, Monthly report of Solar power business)</li> </ul> <p>Discussions with Daiki Axis management</p>	<p>DNV GL reviews and notes that issuer demonstrates 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. Issuer has already disclosed environmental impact of CO<sub>2</sub> emission reduction performance in its website with calculation formula and evaluation result as monthly report as described in work undertaken.</p> <p><a href="http://www.daiki-axis.com/ir/004/index.html#008">http://www.daiki-axis.com/ir/004/index.html#008</a></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 : - Daiki Axis Framework - Daiki Axis internal process documents, etc Discussions with Daiki Axis management	The evidence reviewed shows how Daiki Axis plans to trace the BOND's proceeds from the time of issuance to the time of disbursement. The full amount of the proceeds will be 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.
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 : - Daiki Axis Framework - Daiki Axis internal process documents, etc Discussions with Daiki Axis management	The evidence reviewed shows that Daiki Axis plans to trace 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.
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 : - Daiki Axis Framework - Daiki Axis internal process documents, etc Discussions with Daiki Axis management	The net proceeds of the BOND will be fully refinanced promptly based on its internal account protocol. Unallocated proceeds will 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"> <li>- when possible with regards to confidentiality and/or competitive considerations</li> <li>- a brief description of the projects and the amounts disbursed, as well as the expected greenly sustainable impact.</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Daiki Axis Framework</li> </ul> <p>Discussions with Daiki Axis management</p> <p>Others : Daiki Axis website</p>	<p>Daiki Axis will disclose information as annually which includes a dedicated section on the Green Bond in its website. This will include description of the project and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. Daiki Axis plans to disclose CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>) evaluation results according to the performance (output) of the renewable energy business listed in schedule-1.</p>