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To All Concerned Parties

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Notice Concerning Establishment of Social Finance Framework and Acquisition of JCR Social Finance Framework Evaluation

Daiwa Securities Living Investment Corporation (the “Investment Corporation”) hereby announces that the Investment Corporation established the Social Finance Framework (the “Framework”) for the implementation of social finance.

I. Objective and Background of the Establishment of the Framework

As Japan faces the structural problem, the decrease in the number of young people and the increase in the percentage of elderly people in the age demographic, the needs for the facilities and homes for the elderly are increasing year by year. Against the backdrop of such social demands, Nippon Healthcare Investment Corporation, the predecessor of the Investment Corporation was established in 2014 as the first J-REIT specializing in healthcare facilities in order to promote the supply of superior healthcare facilities by effectively utilizing funds procured through the capital market. In April 2020, Nippon Healthcare Investment Corporation merged with Japan Rental Housing Investment Corporation and was reborn as the Investment Corporation, which invests in rental housings and healthcare facilities throughout Japan, based on the concept of “Support Life and Lifestyle of Everyone.” As of April 2021, the amount of investment in healthcare facilities is approximately 95.5 billion yen, which is the largest amount in J-REITs. We believe that investing in superior healthcare facilities will not only contribute to solving social issues in Japan but will also help realize “Good Health and Well-Being” and “Decent Work and Economic Growth” in the Sustainable Development Goals (SDGs) adopted at the UN Summit in September 2015. By using the funds raised through social finance based on the Framework to invest in superior healthcare facilities, we aim to further promote the supply of superior healthcare facilities in Japan.

II. Social Finance Framework

The Investment Corporation established the Framework in line with the “Social Bond Principles” (Note) to implement social finance such as the issuance of social bond and borrowing with social loan.

(Note) Social Bond Principles 2020 are guidelines established by the International Capital Market Association (ICMA), an international industry organization, to promote transparency, disclosure and reporting in the issuance of social bonds.

(1) Use of funds procured through social finance

The Investment Corporation will allocate the funds procured through social finance to the acquisition of assets which meet the eligibility criteria, repayment of borrowings for the acquisition of eligible asset, and the redemption of investment corporation bonds (including refinance).

(2) Eligible assets

Assets eligible for social finance is the assets which meet the following eligibility criteria.

Nursing homes	<ul style="list-style-type: none">• Pay nursing homes• Serviced senior housings• Other nursing homes
Medical facilities	<ul style="list-style-type: none">• Hospitals• Clinics• Medical malls

(3) Selection criteria and process of project

As for the procurement of social finance, compliance with the eligibility criteria (in (2) above) of social finance will be considered in the process of decision-making for the acquisition of assets and borrowing of funds.

(4) Management of procured funds

Debt eligible for social finance is the amount calculated by multiplying the total acquisition price of the assets which meet the eligibility criteria in the portfolio of the Investment Corporation with the ratio of interest-bearing debt to total assets, and the upper limit of social finance will be set.

(5) Reporting

The Investment Corporation is scheduled to announce the status of allocation of funds procured through social finance and the following output indicator and outcome indicator as the Key Performance Indicators (KPIs) in impact reporting on its website or the report for investors.

<Output indicator>

- Number of healthcare facilities acquired
- Number of users
- Occupancy rate
- Number of beds etc.

These indicators will not be disclosed when the operator's approval cannot be obtained.

<Outcome indicator>

- Trends in the amount of investment in healthcare facilities by the Investment Corporation

III. Evaluation by External Organization

The Investment Corporation received Social 1(F), the highest rating in JCR Social Finance Framework Assessment from Japan Credit Rating Agency, Ltd. (JCR). For details of "JCR Social Finance Framework Assessment", please refer to the following website.

JCR Social Finance Assessment: <https://www.jcr.co.jp/greenfinance/social/>

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