

Daiki Axis Co., Ltd.

Daiki Axis Sustainability Finance (Warrant and Loan)

Sustainability Finance Framework eligibility

Assessment report

DNV GL second party opinion



Aug. 2020

DNV GL Business Assurance Japan K.K.

Contents

Executive Summary	3
I Introduction	5
II Scope and Objectives	8
Basis of DNV GL's opinion	9
III Work Undertaken	10
IV Findings and DNV GL's opinion	11
Schedule-1 Daiki Axis Sustainability Finance Projects	21
Schedule-2 Sustainability Finance Eligibility Assessment Protocol	22
SF-1 Use of proceeds	22
SF-2 Process for Project Selection and Evaluation	24
SF-3 Management of Proceeds	25
SF-4 Reporting	26
Appendix-1	

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 sustainability finance (warrant and loan)(hereinafter Finance). Daiki Axis has established its ‘Daiki Axis Sustainability Finance Framework’ and will raise the proceeds from the Finance 2.18 billion JPY to finance and refinance to Water related infrastructure business focusing to abroad (China, South-East Asia, India and Africa) through business of Environmental Facilities, based on its mid-term business plan(promotion of ESG management).

Daiki Axis engages DNV GL business assurance Japan K.K. (hereinafter “DNV GL”) as external reviewer to assess its eligibility as sustainability (green and social)^{*1} finance framework. DNV GL referred or applied against 4 core components which are recognized as basic requirements in the global capital market, such as green and social finance, in Green Bond Principles (ICMA, 2018 hereinafter GBP), Green Loan Principles (LMA, 2018 herein after GLP) and Social Bond Principles (ICMA, 2020 hereinafter SBP), respectively^{*2}. Eligible projects falling into this Finance are described in following table. The Daiki Axis Sustainability projects contribute to UN Sustainable Development Goals (6. Clean Water and Sanitation, 6.1:By 2030, achieve universal and equitable access to safe and affordable drinking water for all) directly and indirectly, as well.

Sustainability Project Portfolio	Sustainability Project Category*2 (Eligibility Criteria)	Sustainability Project (Fund amount)	Sustainability Project Outline	SDGs
Environmental Facilities business (Water-related infrastructure business)	Green *Project-01,02,03 -sustainable water and wastewater management -pollution prevention and control Social *Project-03 -Affordable basic infrastructure (clean drinking water) -Access to essential services (health)	Project-01 : Johkasou (Decentralized Sewage Treatment Plant) construction and operation (0.92b-JPY)	Funding to expansion and new production facility, and land purchase for Johkasou supply to Bangladesh, Kenya, Myanmar and Sri Lanka	6.Clean Water and Sanitation, (6.1:By 2030, achieve universal and equitable access to safe and affordable drinking water for all) 
		Project-02 : Waste water treatment system installation and operation (BOO, BOT) (1.05b-JPY)	Waste water treatment system through BOO BOT to India, Bangladesh, Kenya, Sri Lanka and Myanmar)	
		Project-03 : Clean drinking water services (Water Kiosk) (0.21b-JPY)	Infrastructure of water supply-chain (including retail, operation) for clean drinking water using RO system	

*1:Refer to The Green Bond Principles (ICMA, 2018), Sustainability Bond Guidelines (ICMA, 2018), Green Loan Principles (LMA, 2018), The Social Bond Principles (ICMA, 2020) and Climate Bonds Standard v3.0 representative eligible project category

*2:Since this warrant is different from bond or loan instruments, available principles and requirements are referred for eligibility assessment with understanding the 4 core components. As for this loan finance, DNV GL applied all 4 core components against GLP and referred to the other related principles/guidelines, as well.

*3:SDGs target is aligns with the programme of “Jal Jeevan Mission(JJM)” as drinking water infrastructure and services issues according to the Central Government of India promotion.

DNV GL provides sustainability finance framework eligibility in our independent opinion against GBP, SBP and available sector criteria of CBS (CBI v3.0) using DNV GL assessment protocol. Assessment summary against its 4 core components are following.

1.Use of Proceeds :Proceeds raised from sustainability finance, 2.18 billion JPY, would be allocated to the sustainability projects in above table as Water related infrastructure business focusing to abroad (China, South-East Asia, India and Africa) through business of Environmental Facilities. Eligible projects contribute to water related environmental and social issues.

2.Process for Project Evaluation and Selection :Projects would align 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 referring to GBP, GLP, SBP and related criteria. Projects are considered the environmental law and regulation, and communication with local community which can achieve environmental and social benefit.

3.Management of Proceeds :Daiki Axis would manage the proceeds (2.18 billion JPY from exercise of right of warrant and loan) based on its internal protocol. Net proceeds will be allocated as finance to new projects and refinance to existing projects. Proceeds will be managed by Finance dpt. as cash or cash equivalent until disbursement form exercise of right of warrant and loan, 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 1 years after project completion. for its conformance with integrity and objectivity against sustainability finance.

DNV GL confirmed Daiki Axis sustainability finance framework, related documents and information that Daiki Axis sustainability finance 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 Sustainability Finance Framework’ and will raise the proceeds from its finance 2.18 billion JPY to finance and refinance to Water related infrastructure business focusing to abroad (China, South-East Asia, India and Africa) through business of Environmental Facilities, based on its mid-term business plan(promotion of ESG management).

Daiki Axis engages DNV GL business assurance Japan K.K. (hereinafter “DNV GL”) as external reviewer to assess its eligibility as sustainability (green and social)^{*1} finance framework. DNV GL referred or applied against 4 core components which are recognized as basic requirements in the global capital market, such as green bond and social bond, in Green Bond Principles (ICMA, 2018 hereinafter GBP), Green Loan Principles(LMA, 2018 hereinafter GLP) and Social Bond Principles (ICMA, 2018 hereinafter SBP), respectively^{*2} and related guidelines and standards and such as Sustainability Bond Guidelines(ICMA, 2018), Green Bond Guidelines(MOE, 2017) and Climate Bond Standards (CBI, v3.0)

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

*1:Refer to The Green Bond Principles (ICMA, 2018), Green Loan Principles (LMA, 2018), The Social Bond Principles (ICMA, 2018) and Climate Bonds Standard v3.0 representative eligible project category

*2:Since this warrant is different from bond or loan instruments, available principles and requirements are referred for eligibility assessment with understanding its 4 core components. As for this loan finance, DNV GL applied all 4 core components against GLP.

Issuer name: Daiki Axis Co., Ltd.

Framework Name: Daiki Axis Sustainability Finance Framework

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

Completion date of this form: 21st Aug. 2020

Publication date of review publication: 30th Aug. 2020(plan)

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, 13 consolidated subsidiaries (domestic : 7, overseas : 6) and 2 affiliates (overseas : 2).

The main business segments are "Environmental equipment-related business" centered on Johkasou (Decentralized Sewage Treatment Plant) 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^{*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 and Africa), (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 Water related infrastructure business focusing to abroad through business of Environmental Facilities of Daiki Axis sustainability finance directly contributes to environmental and social issues. It is closely related to Daiki Axis's corporate philosophy, promotion of mid-term management plan (promotion of ESG management) and selected SDGs target (6.Clean Water and Sanitation, 6.1:By 2030, achieve universal and equitable access to safe and affordable drinking water for all) 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"> Introduction manufacturing facility base for Johkasou (Decentralized Sewage Treatment Plant) to large population area (China, India and Indonesia) Local sales office contraction in Asia region (Vietnam, Myanmar and Sri Lanka) and Africa (Kenya)
  <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"> CO₂ emission reduction through Renewable energy business (solar power and small scale wind power)
 <p>12 つくる責任 つかう責任</p>	Daiki axis respective business	<ul style="list-style-type: none"> Introduction of Energy efficient products Promotion of 100% introduction of renewable energy electricity covering Daiki Axis business activities
  <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"> Reform working system and diversity Promotion women to board member Certification of 'KURUMIM' (MHLW) for Women's career promotion

* 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 Daiki Axis sustainability finance framework assessment of Daiki Axis sustainability finance, hereinafter “Finance”, pre-issuance assessment and periodical review. The objective of DNV GL’s assessment is to implement an assessment to confirm that the Finance framework meets the identified criteria referred or applied against to GBP, GLP, SBP and the associated technical criteria related of water infrastructure in CBS, as set out below, and to provide the Issuer with independent second-party opinion on the eligibility of the Finance.

In this report, no assurance is provided regarding the financial performance of the Finance^{*1}, the value of any investments in the Finance, or the long-term environmental and social benefits of the transaction.

*1: Sustainability Finance specific aspects are described details in section IV.(3).

(1) Scope of review

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

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

(2) Role(s) of review provider

- Consultancy (incl. 2nd 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, GBP	International Capital Market Association	Reference
2.	Green Bond Guidelines , GBGLs	Ministry of Environment Japan, 2017	Reference
3.	The Social Bond Principles 2020, SBP	International Capital Market Association	Reference
4.	The Sustainability Bond Guidelines 2018, SBG	International Capital Market Association	Reference
5.	Green Loan Principles 2018, GLP	Loan Market Association, etc	apply
6.	Climate Bonds Standard version 3.0 (Sector criteria), CBS	Climate Bond Initiative	Reference (Available sector)
7.	Green and Social Bonds: A High Level Mapping to the Sustainable Development Goals (June 2018)	International Capital Market Association	Reference
8.	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 Finance assessment methodologies, which incorporates the applicable requirements of the GBP, GLP, SBP and related criteria, to create a Daiki Axis-specific Finance Eligibility Assessment Protocol (henceforth referred to as "Protocol"). The Protocol has the capacity for potential application of the Finance under the GBP, GLP, SBP and related criteria.

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 Finance should "enable capital-raising and investment for new and existing projects with environmental and social benefits".

As per our Protocol, the criteria against which the Finance 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 Finance must use the funds raised to Finance eligible activities. The eligible activities should produce clear environmental and/or social 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 Finance should outline the process it follows when determining eligibility of an investment using Finance proceeds, and outline any impact objectives it will consider.
 - **Principle Three: Management of Proceeds.** The Management of Finance Proceeds criteria are guided by the requirements that a Finance should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds (from exercise of right of warrant or loan to disbursement to the project) will be handled should be made.
 - **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the Finance 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 of Sustainability Finance:

- Creation of the Issuer-specific Protocol, adapted to the purpose of the Finance, as described above and in Schedule-2 to this Assessment.
- Assessment of documentary evidence provided by the Issuer on the Finance 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 Finance, 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.

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 Finance (2.18 billion JPY) is planned to be allocated to the nominated sustainability projects (table-1) related expenditure^{*1} as new finance or refinance that meet the representative green and social project category in GBP, GLP and SBP criteria below:

Every project(01~03) which is determined representative green category against related principles and guidelines, clearly contributes improvement of environmentally where project is implemented. Moreover, issuer demonstrates the social benefit and target population of project-03. Project-03 will contribute the solution both directly and indirectly for social issues which raised by Indian government related to water problems in India for its residents and local public where less access to reliable drinking water suppliers. ^{*4 see below.}

Eligible Criteria-1 : Sustainable water and wastewater management

Pollution prevention and control

- Project-01 : Johkasou (Decentralized Sewage Treatment Plant)
construction and operation
- Project-02 :Waste water treatment business (BOO, BOT) ^{*2*3}

Eligible Criteria-2 : Affordable basic infrastructure (clean drinking water)

Access to essential services (health)

- Project-03 : Clean drinking water services (Water Kiosk) ^{*4}

*1 Project related expenditure : expenditure for manufacturing facilities construction, land, equipment for water treatment septic tank production expansion and new production, Installation and running cost of BOT^{*2} and BOO^{*3} business.

*2 BOO business : Build Own Operate, Daiki Axis group provides construction, fund raising, operation and maintenance. Daiki axis continuously hold its ownership or decommission/demolition of facilities after contraction.

*3 BOT business : Build Operate Transfer, Daiki Axis group provides construction, fund raising, operation and maintenance. Owner takes over its ownership from Daiki Axis group after contraction.

*4 Project-03 : The Central Government of India assists the named National Rural Drinking Water Programme (NRDWP) to achieve social issues related water infrastructure, whose objective is "enable all households to have access to and use safe & adequate drinking water within premises to the extent possible". Daiki Axis sustainability finance project contribute to solve the above social issues including following works/schemes, according to JJM(Jal Jeevan Mission, Water life mission). Indian administrative committee (NITI Aayang) has reported 600million Indian citizens faced severe water service condition.

- Reliable drinking water source development/ augmentation of existing sources
- Technological intervention for treatment to make water potable (where water quality is an issue, but quantity is sufficient);
- Grey water management

Table-1 Daiki Axis sustainability finance projects
(details are shown in Schedule-1)

Sustainability Project Portfolio	Sustainability Project Category*2 (Eligibility Criteria)	Sustainability Project (Fund amount)	Sustainability Project Outline	SDGs
Environmental Facilities business (Water-related infrastructure business)	Green *Project-01,02,03 -sustainable water and wastewater management -pollution prevention and control Social *Project-03 -Affordable basic infrastructure (clean drinking water) -Access to essential services (health)	Project-01 : Johkasou (Decentralized Sewage Treatment Plant) construction and operation (0.92b-JPY)	Funding to expansion and new production facility, and land purchase for Johkasou supply to Bangladesh, Kenya, Myanmar and Sri Lanka	6.Clean Water and Sanitation, (6.1:By 2030, achieve universal and equitable access to safe and affordable drinking water for all) 
		Project-02 : Waste water treatment business (BOO, BOT) (1.05b-JPY)	Waste water treatment system through BOO BOT to India, Bangladesh, Kenya, Sri Lanka and Myanmar)	
		Project-03 : Clean drinking water services (Water Kiosk) (0.21b-JPY)	Infrastructure of water supply-chain(including retail, operation) for clean drinking water using RO system	



Daiki Axis BA-5



Daiki Axis BA-25

Figure-1 Project 01 & 02 Example (Johkasou, Decentralized Sewage Treatment Plant)



Figure-2 Project 03 Example, Clean drinking water equipment/services (Water Kiosk)

Use of proceeds categories as per GBP and GLP:

- | | |
|---|---|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" 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 checked="" 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 Sustainability finance issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (<i>please specify</i>): <i>issuer applies the SBP</i> |

(2) Process for Project Evaluation and Selection

DNV GL has confirmed that the nominated 3 sustainability projects based on sustainability project portfolio of Environmental Facilities business (Water-related infrastructure business) 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 'Sustainability project selection prerequisites' described below, as well.

< Sustainability project selection prerequisites >

- Compliance to environmental law and regulations (e.g. Environmental Impact Assessment)
- Communication with local communities

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's green and social 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 Finance, from exercise of right of warrant or loan to the time of disbursement. DNV GL has confirmed that the Issuer would allocate the proceeds to the sustainability project appropriately and promptly. Daiki Axis account dept. will manage the fund based on its internal account protocol. Issuer periodically reviews the outstanding balance of the Finance, means unallocated proceeds from exercise of right of warrant or loan to the time of disbursement, as cash or cash equivalents, 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 Finance, the value of any investments in the Finance, or the long-term environmental benefits of the transaction.

Specific aspects of warrant in this Finance are described details below.

<Note> Finance (warrant) specific aspects

Whether Daiki Axis would receive proceeds upon exercise of warrants and its timing will depend on a judgement by the warrant holder, and also strike price of warrants can be reset. Therefore, the amount of funds to be raised and its timing is not fixed at this point, and there could be a discrepancy between the expected and actual amount and timing.

If Daiki Axis cannot raise enough funds or there is a shortfall for payment due, Daiki Axis will make up necessary funds by using loan from this sustainability finance or cash in hand or bank loans among other means. Daiki Axis will apply funds raised from exercise of warrants on each use of proceeds as each payment is due.

Tracking of proceeds:

- Sustainability Finance 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 checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<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, GLP, SBP and related criteria annually in the issuer's website till planned proceeds are mostly allocated. 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 and social impact for each sustainability project (project-01~03). As for environmental impact reporting, it considers the reference of the reporting section 'Handbook Harmonized Framework for Impact Reporting June 2019, . Details are planned as follows ;

-1- Fund Allocation and management of the proceeds

Fund Allocation and management of the proceeds will be reported till proceeds are mostly allocated (Proceeds from Warrant and loan are distinguished when reporting).

- (1) Funds amount of the capital investment to the sustainability projects.
- (2) The amount of unallocated proceeds.

-2- Project lists and their progress

- (1) Number of the facilities of eligible projects allocated the proceeds which have completed (location, name, products information, production capacity considering confidentiality).
- (2) Progress of funded eligible project (e.g. progress of construction work, completion date)

-3- Environmental and social impact

- (1) Project-01 : Water treatment septic tank (Johkasou) plant construction and operation

Numbers of manufactured/shipping water treatment septic tanks from funded manufacturing facilities and designed capacity of waste water (km³/year)

- (2) Project-02 : Waste water treatment system installation and operation (BOT, BOO)

Information about facilities by being funded (location, capacity, project condition, volume of waste water treatment (km³/year))

- (3) Project-03 : Clean drinking water services (Water Kiosk)

Information about facilities by being funded (location, numbers, project condition, volume of drinking water(km³/year))

Note that, Daiki Axis engages DNV GL as external reviewer to conform its eligibility as Finance with integrity and objectivity till 1year after project completion. DNV GL will conduct its assessment and provide independent opinion.

Use of proceeds reporting:

- Project-by-project
- Linkage to individual Finance
- On a project portfolio basis
- Other (*please specify*):

Information reported:

- Allocated amounts
- 'Finance' financed share of total investment
- Other (*please specify*): *Warrant and loan amount and progressing of investment*

Frequency:

- Annual
- Other (*please specify*):
- Semi-annual

Impact reporting:

- Project-by-project
- Linkage to individual Finance
- On a project portfolio basis
- Other (*please specify*):

Frequency:

- Annual
- Other (*please specify*):
- Semi-annual

Information reported (expected or ex-post): Green benefit

- GHG Emissions / Savings
- Energy Savings
- Other ESG indicators (*please specify*): *information about funded facilities, volume of waste water treatment(km³/year)*

Information reported (expected or ex-post): Social benefit

- Number of beneficiaries
- Target populations
- Other ESG indicators (*please specify*): *volume of drinking water (km³/year)*

Means of Disclosure

- Information published in financial report
- Information published in ad hoc documents
- Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*):
- Information published in sustainability report
- Other (*please specify*): *Daiki Axis web site*

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 sustainability finance (warrant and loan) meets the criteria established in the Protocol and that it is aligned with the stated definition or purpose of sustainability finance (warrant and loan), which is to "enable capital-raising and investment for new and existing projects with environmental and social benefits".

DNV GL Business Assurance Japan K.K.

21st Aug. 2020

A handwritten signature in black ink, appearing to read 'Mark Robinson'.

Mark Robinson

Manager, Sustainability Services
DNV GL – Business Assurance, Australia

A handwritten signature in black ink, appearing to read 'Naoki Maeda'.

Naoki Maeda

Managing Director
DNV GL – Business Assurance Japan K.K.

A handwritten signature in black ink, appearing to read 'Masato Kanedome'.

Masato Kanedome

Project Leader
DNV GL – Business Assurance Japan K.K.

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 Sustainability Finance Projects

Table-1 Daiki Axis Sustainability Finance nominated Project and Assets

No.	Sustainability Project Portfolio		Project category	Sub category	Funded amount (plan)	Remarks (Outline, products, etc.)
01	Environmental Facilities business	Water treatment septic Tank (Johkasou) plant construction and operation	01-1 Sri Lanka	Green *Project-01,02,03 -sustainable water and wastewater management -pollution prevention and control	0.92b-JPY	Outline - Funding to expansion and new production facility, and land purchase for Johkasou (Decentralized Sewage Treatment Plant) Product (example) - Johkasou (Decentralized Sewage Treatment Plant)
			01-2 Bangladesh			
			01-3 Kenya			
			01-4 Myanmar			
02	(Water-related infrastructure business)	Waste water treatment business (BOO, BOT)	India, Bangladesh, Kenya, Sri Lanka and Myanmar	Social *Project-03 -Affordable basic infrastructure (clean drinking water) -Access to essential services (health)	1.05b-JPY	Outline -Waste water treatment system through BOO BOT Product (example) - Johkasou (Decentralized Sewage Treatment Plant)
Clean drinking water services (Water Kiosk)			Green,Social -Clean drinking water supply	0.21b-JPY	Outline -Infrastructure of water supply-chain (including retail, operation) for clean drinking water using RO system	

Schedule-2 Sustainability Finance Eligibility Assessment Protocol

Following check list SF*-1 ~ SF-4 are based on DNV GL's Finance eligibility assessment protocol referred to 4 core components of GBP and related criteria. *SF; Sustainability Finance

SF-1 Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of Finance	<p>The Finance must fall in one of the following categories, as defined such as the Green Bond Principles:</p> <ul style="list-style-type: none"> • Sustainability Use of Proceeds Finance • Sustainability Use of Proceeds Revenue Finance • Sustainability Project Finance • Others 	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis sustainability finance Framework (hereinafter Daiki Axis Framework) Discussions with Daiki Axis management 	<p>The reviewed evidence confirms that the Daiki Axis sustainability finance (warrant and loan) (hereinafter Finance) falls in the category:</p> <ul style="list-style-type: none"> • others <p>->Daiki Axis execute the finance from the proceed by exercise of right of Finance to the sustainability eligible projects, project evaluation and selection, management of proceeds and reporting based on its Daiki Axis Framework</p>
1b	Sustainability (Green and Social) Project Categories	<p>The cornerstone of a Finance is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the Finance.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis Sustainability Finance public document - Daiki Axis Website Discussions with Daiki Axis management 	<p>As identified by the Finance project list in Framework, the purpose of the Finance is to use the proceeds to eligible projects falling under the following categories as representative project category in GBP, SBP and related criteria:</p> <p><u>Eligible Criteria-1 : sustainable water and wastewater management, pollution prevention and control</u></p> <p>Project-01 :Water treatment septic Tank (Johkasou) plant construction and operation</p> <p>Project-02 :Waste water business (BOO, BOT)</p> <p><u>Eligible Criteria-2 : Affordable basic infrastructure (clean drinking water), Access to essential services (health)</u></p> <p>Project-03 : Clean drinking water services (Water Kiosk)</p> <p>Proceeds from Finance will be used as financing or refinance to new/funded projects and assets</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1c	Green and Social benefits	All designated Sustainability Project categories should provide clear greenly and socially sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Document reviewed : - Daiki Axis Framework - Daiki Axis website (IR news, Monthly report of Solar power business Discussions with Daiki Axis management	DNV GL considers that eligible projects contribute to solution of green and social issues by providing waste water treatment system for avoidance of regional pollution due to livelihood, industry waste water, public water purification system and clean drinking water supply which meet the eligible criteria described section 1b. Issuer disclose its environmental and social impact (performance) in its website including volume of treated waste water, volume of drinking water and manufactured/shipped water treatment septic tank with quantitative evaluation result as annual periodical report. DNV GL assessment concluded that these projects and assets would present a low risk of environmental and social impact by considering followings ; - Compliance to environmental law and regulations (e.g. Environmental Impact Assessment) - Communication with local communities In addition, Projct-03 aligns with the programme of “Jal Jeevan Mission(JJM)” as drinking water infrastructure and services issues according to the Central Government of India promotion.
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	In case that loan proceeds allocation to the eligible project is preceded warrant, proceeds from warrant partially will be used for repayment for loan. Asset or project, amount of fund as repayment for loan will be clarified and reported in annual report.

SF-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	<p>The issuer of a Finance should outline the decision-making process it follows to determine the eligibility of projects using Finance proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Sustainability (green and social) Projects categories; • The criteria making the projects eligible for using the Finance proceeds; and • The environmental and social 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 Daiki Axis Framework, the issuer has set out the following criteria for project selection:</p> <p>Eligible sustainability Project means :</p> <ul style="list-style-type: none"> - The nominated 3 sustainability 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 'Sustainability project selection prerequisites' described below, as well. <p>< Sustainability project selection prerequisites ></p> <ul style="list-style-type: none"> - Compliance to environmental law and regulations (e.g. Environmental Impact Assessment) - Communication with local communities
2b	Issuer's environmental, social and governance framework	<p>In addition to information disclosed by an issuer on its Finance process, criteria and assurances, Finance investors may also take into consideration the quality of the issuer's overall framework and performance regarding green and social sustainability.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Daiki Axis Framework - Daiki Axis corporate philosophy, mid-term management plan, etc <p>Discussions with Daiki Axis management</p>	<p>DNV GL reviews and notes that issuer demonstrates that issuer intends to contribute environmentally and socially sustainability through Water related infrastructure business focusing to abroad (China, South-East Asia, India) through business of Environmental Facilities, based on its mid-term business plan(promotion of ESG management).</p> <p>Daiki Axis will disclosed environmental and social impact performance in its website with qualitative and quantitative result as annual report based on its framework (reporting section)</p> <p>Also based on the discussion and document review we had with Daiki Axis, we found nothing to suggest that Daiki Axis's sustainability projects and its framework are not in line with good practice of the industry business in which it operates</p>

SF-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure-1	The net proceeds of Finance 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 Sustainability Projects.	Document reviewed : <ul style="list-style-type: none"> - 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 Finance’s proceeds from the time of exercise of right of warrant or loan to the time of disbursement. The full amount of the proceeds from Finance 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 Finance outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible sustainability investments made until green and social benefit appearance or completion of proceeds allocation.	Document reviewed : <ul style="list-style-type: none"> - 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 Finance, from the time of exercise of right of warrant or loan to the time of disbursement, and reduce the net balance of proceeds by amounts in line with the assets as scheduled to sustainability project appropriately and promptly. At the end of each financial period, the outstanding balance (proceeds which are not financed from time of exercise of right of warrant or loan) of the Finance) will be reviewed.
3c	Temporary holdings	Pending such investments or disbursements to eligible Sustainability 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 Finance will be fully financed to the sustainability project appropriately and promptly based on its internal account protocol. Unallocated proceeds (from exercise of right of warrant and loan to the time of disbursement) will be managed as cash or cash equivalents.

SF-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 Finance 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 and socially 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 will disclose information as annually which includes 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 and social impacts.</p> <p>Daiki Axis plans to disclose volume of treated waste water, volume of drinking water and manufactured/shipped water treatment septic tank with quantitative evaluation result as annual periodical report.</p>