
Third party opinions on Sustainability Linked Loan to Toyoda Gosei Co., Ltd.
Provided by syndicated loan group (Arranger: MUFG Bank, Ltd.)

Japan Credit Rating Agency, Ltd. (JCR) provided a third party opinions to Positive Impact Finance provided by MUFG Bank Ltd.

<Executive Summary>

This report aims to provide a third party opinion whether the Sustainability Linked Loan (the "Loan") to Toyoda Gosei Co., Ltd. (the "Borrower") arranged by MUFG Bank, Ltd. aligns with the Sustainability Linked Loan Principles (the "SLLP") established by Loan Market Association(the "LMA") or not.

In order to ensure the transparency and objectivity of the assessments, which is recommended in the Principles, JCR, as an independent third party, assessed the appropriateness of the Sustainability Performance Target ("SPT") from the perspective of the Borrower's sustainability strategy and corporate value enhancement.

The Borrower agreed to use the per-unit reductions in CO2 and wastes generated through its operations as the SPTs. Borrowers are promoting CO2 reduction activities to cope with global warming, and waste reduction activities to cope with resource depletion risks with the purpose of building a recycling society. The borrower cites the conservation of the global environment and resources as one of the pillars of the management philosophy, strives to provide environmentally conscious products and create manufacturing processes, and, through all its corporate activities, works with society to protect the environment and resources, with the aim of contributing to the preservation of a prosperous earth for the future. Since the Borrower's business is the manufacture of automotive parts, which is undergoing a major transformation in the current status where climate change measures are strongly required, the development and provide of environmentally conscious products is important from the perspective of maintaining competitiveness and increasing corporate value. In addition, JCR evaluates that thorough daily improvements at domestic and overseas plants, energy-saving activities through new construction methods, waste reduction, and a high recycling rate (99.9%) lead to cost reductions, which in general contribute greatly to the sustainable growth of the company.

JCR confirmed that incentives under the terms of the loan are set in a way that is acceptable to both parties; the monitoring of impact indicators is scheduled to be performed annually by the Borrower and reported to the lender as soon as the SPT value is finalized; and that the ultimate degree of sustainability is to be confirmed when the loan matures.

Based on the above considerations, JCR has confirmed that the loan to Borrower, which is the subject of the third-party opinions, is in conformity with the SLLP.

*For more details, please see the third party opinion report attached below.

Third-Party Opinion

Subject of Evaluation: Sustainability Linked Loan to Toyoda Gosei Co., Ltd.
provided by Syndicated Loan Group (Arranger: MUFG Bank, Ltd.)

December 23, 2019
Japan Credit Rating Agency, Ltd.

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Summary

This report aims to provide a third party opinion on whether the Sustainability Linked Loan (the "Loan") to Toyoda Gosei Co., Ltd. (the "Borrower") arranged by MUFG Bank, Ltd. aligns with the Sustainability Linked Loan Principles (the "SLLP") established by Loan Market Association(the "LMA") or not.

In order to ensure the transparency and objectivity of the assessments, which is recommended in the Principles, JCR, as an independent third party, assessed the appropriateness of the Sustainability Performance Target ("SPT") from the perspective of the Borrower's sustainability strategy and corporate value enhancement.

The Borrower agreed to use the per-unit reductions in CO₂ and wastes generated through its operations as the SPTs. Borrowers are promoting CO₂ reduction activities to cope with global warming, and waste reduction activities to cope with resource depletion risks with the purpose of building a recycling society. The borrower cites the conservation of the global environment and resources as one of the pillars of the management philosophy, strives to provide environmentally conscious products and create manufacturing processes, and, through all its corporate activities, works with society to protect the environment and resources, with the aim of contributing to the preservation of a prosperous earth for the future. Since the Borrower's business is the manufacture of automotive parts, which is undergoing a major transformation in the current status where climate change measures are strongly required, the development and provide of environmentally conscious products is important from the perspective of maintaining competitiveness and increasing corporate value. In addition, JCR evaluates that thorough daily improvements at domestic and overseas plants, energy-saving activities through new construction methods, waste reduction, and a high recycling rate (99.9%) lead to cost reductions, which in general contribute greatly to the sustainable growth of the company.

JCR confirmed that incentives under the terms of the loan are set in a way that is acceptable to both parties; the monitoring of impact indicators is scheduled to be performed annually by the Borrower and reported to the lender as soon as the SPT value is finalized; and that the ultimate degree of sustainability is to be confirmed when the loan matures.

Based on the above considerations, JCR has confirmed that the loan to Borrower, which is the subject of the third-party opinions, is in conformity with the SLLP.

I. Positioning and Objectives of Third-Party Opinions

Japan Credit Rating Agency, Ltd. (JCR) conducted a third-party evaluation of the Sustainability Linked Loan (the "Loan") to the Borrower arranged by MUFG Bank, Ltd. in accordance with the SLLP formulated by the LMA. Sustainability Linked Loan is a loan product, commitment line, or other line of credit, designed to contribute to the realization of a sustainable society by incentivizing borrowers to achieve their predetermined ambitious Sustainability Performance Targets (SPT).

The SLLP consists of four principles. Principle 1: links the SPT to the Borrower's core CSR strategy; Principle 2: sets and measures targets; Principle 3: plans for regular impact reporting to lenders; and Principle 4: external review or internal review of alignment with the SLLP.

To ensure the transparency and objectivity of the evaluations recommended in Principle 4 of the SLLP, JCR, as an independent third party, aims to review whether the Loan meets the first through third principles of the SLLP.

II. Outline of the Third-Party Opinion

The subject of Third-party Opinions is a Sustainability Linked Loan, Which is scheduled to be concluded with the Borrower on December 23, 2019 by Syndicated loan, which is arranged by MUFG Bank, Ltd. The following are the evaluation items included in this third-party opinion.

1. Relationship between the Borrower's core CSR strategy and material issues focusing on the Loan
2. Establishment and validity of the SPT, and verification of incentives under the terms of the Loan
3. Appropriateness of monitoring content and methodologies of impact indicators
4. Appropriateness and review method

III. Confirmation of conformity of this loan with the Sustainability Linked Loan Principles

1. Medium-Term Management Plan and Sustainability Strategy of Toyoda Gosei Co., Ltd. (the "Borrower")

1-1. Borrower's core sustainability strategy

< Basic Principle >

The Borrower cites as their management philosophy of "Boundless creativity and social contribution" and following six items:

1. Good corporate citizenship, 2. Proper business operation, 3. Sustainable growth, 4. Customer satisfaction,
5. Conservation of global environment and resources, and 6. Respect for the individual

Of these, the following declarations were made regarding the item 5. Conservation of global environment and resources .

" We aim to conserve the global environment and resources in order to hand down a greener world to our children through every business activity, which includes cooperation with society and the development of an environment-friendly product and manufacturing process."

In formulating the 2025 Business Plan (May 22, 2018), the Borrower revised its management philosophy for the first time in eight years. This program takes into account SDGs and ESGs, and acts flexibly and swiftly to changing business environment. In order to become a global company that delivers safety, comfort, and well-being & the environment to customers worldwide, the Company is committed to building relationships of trust with a broad range of stakeholders and demonstrating the social responsibilities that the Borrowers should fulfill to important stakeholders while contributing to society and achieving sustainable growth. This is a philosophy which also leads to the management philosophy of "Boundless creativity and social contribution." The Borrower had already identified harmony with the environment as one of the pillars of their management philosophy at the time of the revision in 2010, but this revision has taken a step further with the objective of "Conservation of global environment and resources."

<Long-term plans (TG2050 Environmental Challenge)>

On February 24, 2016, the Borrower announced that it had formulated the TG2050 Environmental Challenge as a long-term vision for contributing to global environmental conservation. Here, the same six challenge goals as the "Benzene ring symbolized by the Toyoda Gosei Group" was set.¹

Challenge I Products and Technology	Challenge II Low Carbon Society	Challenge III Recycling Society (Waste)
Develop and design products to improve the fuel efficiency of vehicles (lightweight, etc.). Expand application of LED technology.	Development and introduction of highly efficient equipment and processes. Utilization of Energies that do not generate CO ₂ (solar, wind, hydrogen, etc.).	Development and implementation of processes and facilities that do not generate scrap wood. Development and introduction of recycling technology.

¹ Benzene ring: a hexagonal structure that is a collection of hydrocarbons and is the origin of a polymer.

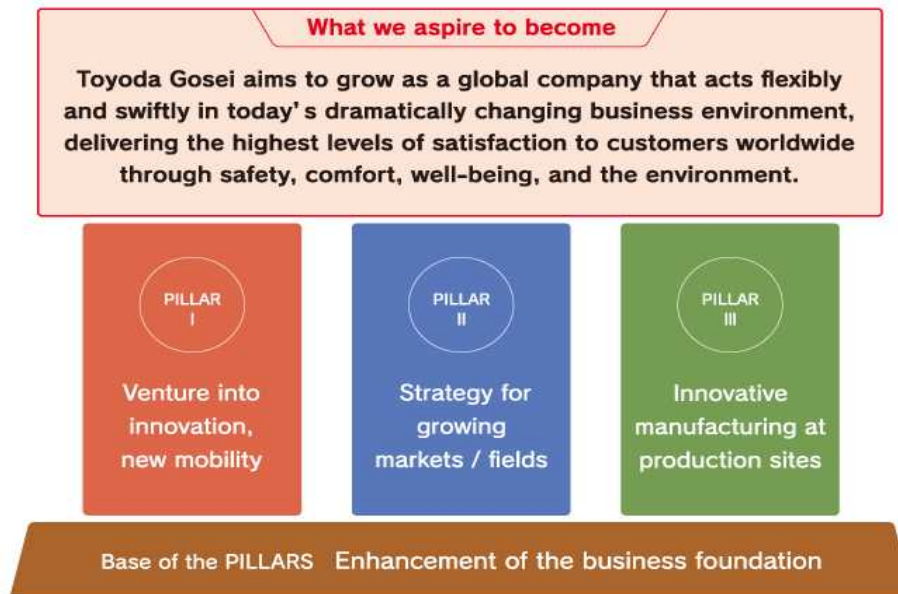
Challenge IV Recycling Society (Water)	Challenge V Environmental Preservation and living with Nature	Challenge VI Environmental management
Expansion of water recycling. Wastewater discharged in a cleaner condition.	Coordinated coexistence with nature and promotion of ecosystem preservation activities with related companies, government agencies and NPOs.	Actively disseminating information and conducting activities with the participation of all employees Develop human resources who can lead environmental activities

<Mid-term Plan (2025 Business Plan)>

The environment surrounding the automobile industry is expected to change remarkably in the next 10 years with the worldwide sense of crisis to the climate change issue and the heightening of social demands. According to the Borrower's business plan, three major changes will come into the automotive manufacturing industry. First, there are increases in electric vehicles (EVs, FCVs, PHVs, and HVs), dramatic advances in automated driving technologies, and the expansion of non-owned mobile services (Maas). Second, as changes in the automobile market, there are market drivers of emerging countries, further tightening of environmental regulations (realization of zero emission vehicles), introduction of safety regulations equivalent to those of developed countries in emerging countries, etc. Third, in automotive parts, which are the business of Borrowers themselves, demand for lighter and quieter automobiles in response to changes in automobiles, and demand for electronic parts and software are expected to increase. In both cases, further environmental considerations are required in response to climate change. In anticipation of these changes, the Borrower has established three pillars of business activities in the 2025 Business Plan. In particular, Pillars I and III of the activities emphasize the following environmental considerations.²

² EV: Electric Vehicles, FCV: Fuel Cell Vehicles, PHEV: Plug-in Hybrid Electric Vehicles, HV: Hybrid Vehicles

2025 Business Plan



(Source: Toyota Gosei Co., Ltd. 2025 Business Plan)

Pillar I activities:

Commercialization in new fields utilizing core technologies (safety in the near future (health and environmental))

Develop new technologies and products that respond to changes in the automobile industry (CASE) to accommodate electrification and lighter weight

Pillar III activities:

Realization of high-value-added factories through innovation in manufacturing sites

(reduction of environmental impact through innovation in production technology, utilization of renewable energy, etc.)

In implementing the above-mentioned business plan, the following three points were identified as material issues related to our ESG initiatives in terms of specific environmental initiatives.

1. Building Low-Carbon Societies, 2. Building Recycling Societies, 3. Environmental Management

From the above, JCR evaluates that the reduction of CO₂ emissions and the reduction of waste, which are the SPTs established by the Borrowers, are appropriate indicators of their contributions to the building low-carbon societies and a building recycling societies, and that these indicators form the basis of the Borrowers' management philosophy and business plans, and are consistent with the Borrowers' sustainability goals.

1-2. Confirmation of Consistency between the Sustainability Strategy and the SLLP Concerning the Consistency of the SPT

Items for Evaluation of Framework	Evaluation Results by JCR
<p>Does Framework associate with the sustainability targets set out in the Borrower's CSR strategies? How are those objectives aligned with the SPT?</p>	<p>The SPT determined by the Borrower is identified as a material issue in the Borrower's management philosophy and business plan. The borrower's ESG targets (borrowing policy) include three environmental targets, of which two are indicators of the current SPT. Details are as follows.</p> <p>ESG Policy (Environment)</p> <ol style="list-style-type: none"> 1. Reducing CO₂ Emissions to Building Low-Carbon Societies, 2. Waste Reduction to Building Recycling Societies <p>These are consistent with the SLLP as stated here.</p>
<p>Is information on overall sustainability targets, strategies, policies or processes provided to lenders?</p>	<p>Information on the overall objectives, strategies, policies, or processes of the Borrower's sustainability is widely provided, including to lenders, through the Integrated Report (the Toyoda Gosei Report).</p>
<p>Does the Borrower disclose the standards and certifications that trying to comply with?</p>	<p>As environmental-related standards and certifications, it obtains a third-party verification for ISO 14001 and that for GHG emissions which covers SCOPE1 and SCOPE2.</p>

2. Establishment and validity of the SPT, and verification of incentives under the terms of the Loan

2-1. Outline of the SPT established by the Borrower

The Borrower established the following indicators as the SPT.

<p>Targets by 2020 (3 items below)</p> <p>CO₂ emissions per unit of sales (CO₂ emissions per unit of sales) (globally consolidated): 12% reduction compared to 2012,³</p> <p>Unit CO₂ consumption (CO₂ emissions per unit of sales) (parent company): 17% reduction compared to 2012,⁴</p> <p>Waste per unit of sales (Index) (parent company): 12% reduction compared to 2012</p> <p>Achieve the above three levels in fiscal 2020 and maintain them until maturity thereafter.</p>
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The following are the major measures related to the achievement of the objectives including the SPT established (the SPT is the highlighted item in blue in the table below) in the concepts of environmental initiatives by theme and value chain listed in the TG2050 of Toyoda Gosei.

(1) Reduction of CO₂ Emissions

<ul style="list-style-type: none"> ✓ Impact category: Building Low-Carbon Societies (developing environmentally friendly products, such as improving the fuel efficiency of vehicles and promoting the development of next-generation vehicles) ✓ Approach to Initiatives and Implementation Matters Providing parts for next-generation environmentally friendly cars Designing and development lighter rubber and plastic parts and developing automotive LED products that will improve the fuel efficiency of automobiles Developing new products and technical in response to new energy trends ✓ KPI: No quantitative targets. Specific product developments include the replacement of materials (metal → resins, rubber → resins, etc.) for interior components such as peripheral parts of instruments panels, and functional components such as hoses, the reduction of the number of components, the integration of functions, and the securing and thinning of strength.

(2) Reduction of CO₂ Emissions

<ul style="list-style-type: none"> ✓ Impact category: Building Low-Carbon societies (reduce through development of new production methods and daily improvements at the production stage) ✓ Approach to Initiatives and Implementation Matters
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³Figures for CO₂ emissions per unit of sales (index) are based on the base year (2012) as 100.

⁴Figures for CO₂ emissions per unit of sales (index) are based on the base year (2012) as 100.

<Production: CO₂>

- Reducing CO₂ Emissions at the Manufacturing Stage
 - Daily improvement at plants (thorough elimination of waste)
 - Improving the energy efficiency of facilities (such as using lighting LEDs, utilities, and upgrading air conditioners)
 - Development and introduction of new construction methods to minimize energy consumption
 - Energy displacement

* The TG-ESCO, formed in 2016, provides cutting-edge technologies through on-site and reduction activities. The TG-ESCO conducts Improvement activities on-site including the gathering and application of information on best practices from other companies.

- ✓ KPIs: CO₂ reduce targets (production)

	Item	Base year	Targets (FY2020)
Global	per sales unit	FY2012	12% reduction
Domestic	per sales unit	FY2012	15% reduction
	Toyoda Gosei	FY2012	17% reduction
	Amount released	FY2012	17% reduction

✓

(3) Reduction of CO₂ Emissions

- ✓ Impact category:
 - Reducing environmental impact throughout the product life cycle (materials, parts procurement, and logistics)
- ✓ Contents:
 - Establishment of Green Procurement Guidelines and Periodic Survey of Suppliers
 - Reduce CO₂ emissions by improving transportation efficiencies through increasing truck loads, shortening logistic lines, reviewing transportation methods, etc.
- ✓ KPIs: Logistics CO₂ reduce targets

	Item	Base year	Goal
Toyoda Gosei	per sales unit	FY2012	8% reduction

(4) Reduction of CO₂ Emissions

- ✓ Impact Category: Renewable Energy
- ✓ Contents:
 - Installation of solar and wind power generation systems,

Purchase of green power, etc.

✓ KPI:

	Item	Base year	Goal
Global	Percentage of total electricity	FY2012	2% by 2020
			20% or more by 2030

(5) Building recycling societies

✓ Impact category: Reduction of waste (production stage)

✓ Contents:

- Reducing the consumption of rubber, resin, and waste liquids, and promotion of in-house recycling, in addition to measures at the source by improving yield, etc.
- Promotion of recycling of waste materials
- Domestic: Continue to reduce landfill waste to zero

Overseas: Promote activities to reduce landfill waste

* Amount of Waste and Recycling Rate (FY2018 Performances)

Amount of internal reusing :2,333 t

Amount of paid recycling (sold) :5,464 t

Waste amount 11,002t

(Of which, payments were 10,995t (99.9%), depreciated waste 7t (0.1%), and landfill (0t)

✓ KPI: Waste reduction targets

	Item	Base year	Goal
Domestic	Per sales unit	FY2012	10% reduction
Toyoda	Per sales unit	FY2012	12% reduction
Gosei	Per sales unit	FY2012	12% reduction
Overseas	Per sales unit	FY2013	6% reduction

(6) Building circular economy societies

✓ Impact Category: Reduction of waste (logistics and packaging)

✓ Detail: Reduction of packaging materials by reviewing packaging and packaging specifications, etc.

✓ KPI: Packaging Material Reduction Targets

	Item	Base year	Goal
Toyoda Gosei	Per sales unit	FY2012	8% reduction

2-2. Confirmation of incentive setting in terms of loans

The syndicated loan provides an incentive for the Borrower to make sustainability efforts by maintaining preferential interest rates if the FY2020 reduction target is achieved. The Borrower also makes efforts to maintain

the objective level of reduction per net sales by the repayment deadline at the target level for FY 2020 even after achieving the target, and the lender monitors it annually. JCR confirmed that both the Lender and the Borrower agreed on the conditions.

2-3. JCR impact assessment

In order to confirm that the SPT contributes to the sustainable growth of Borrower, JCR has examined the impact of the SPT from the five factors presented in the PIF principles: (1) Diversity, (2) Effectiveness, (3) Efficiency, (4) Multiplicity, and (5) Additionality, in accordance with the concept of impact measurement in the principles of positive impact finance (hereinafter referred to as "PIF") developed by the United Nations Environment Programme.

(1) Diversity: Is there a diversity of positive impacts?

(Impact on the entire value chain, impact by business segment, Region impact, etc.)

The impact categories are limited to the following two areas: CO₂ emissions reduction and reduction of waste volume for the building recycling societies. While the scope of the impact categories is limited, the positive impact value chains encompass all domains (the product development, production and logistics), and the targets are set globally, including both domestic and overseas affiliates.

(2) Effectiveness: Is there a significant impact?

(Sales, business activities, geographical areas targeted by the SPT, and businesses that perform SPT measurements, Market Share of Activities in Japan and Overseas)

CO₂ reductions are significant because they cover domestic production sites and 28 overseas group companies that have started operation in 2012 and have obtained ISO14001 certification, and because waste reductions are targeted at all production sites of domestic affiliates. In FY2018, net sales in all business activities were JPY 840.7 billion, consisting of JPY 377.9 billion in Japan, JPY 245.4 billion in the Americas, JPY 173.3 billion in Asia, and JPY 43.9 billion in Europe and Africa. According to "Industry Trends 2019-I" published by TEIKOKU DATABANK, Ltd., Borrowers ranked 10th in terms of sales in the automotive parts industry, and the impact of Borrowers' activities is generally large.

(3) Efficiency: Is there a large impact relative to invested capital?

Financial Invested Capital

The Borrower's approach to achieving the SPT is mainly through the production development, new methods for production in the factories, thorough daily improvement of factories, and the achievement of 99.9% recycling of waste. Because these are not necessarily capital invested solely for environmental improvement, it is difficult to calculate purely the cost of achieving the SPT. On the other hand, the positive impact both from the development of new environmentally conscious products as a result of the invested capital, and the maintenance and improvement of competitiveness is expected by appropriately meeting the demand of the automobile industry which is expected to undergo major changes in the next 10 years and cost reduction and productivity improvement by minimizing waste at the production and logistics stages are expected to be much larger.

Human Invested Capital

In the data measurement related to SPT, one to two staff of each factory spends one to two hours a month. Companywide aggregation is an automatic calculation. One employee in the head office's environmental department reconciles all data with the invoices from the power company, and is thought as efficient manpower investments.

(4) Multiplicity: Degree of utilization of private funds for public funds or donations

Public funding related to climate change initiatives in the automotive parts industry is basically not assumed in Japan, but is financed by private funding, including borrowers.

(5) Additionality: Is there any additional impact?

Are the impacts contributing to SDGs areas where they are unable to achieve or respond poorly?

Is it a major step toward realizing SDGs?

Borrowers have identified nine key initiatives (materiality) by considering how we can contribute to the achievement of SDGs' 17 Goals through its business strategies. Of nine materiality, the present SPT relates to the Building Low-Carbon Societies (CO₂ emissions reduction) and the Building recycling societies (Wastes reduction), each of which contributes to the following SDGs Goals.



Goal 3: Ensure healthy lives and promote well-being for all at all ages

Target 3.9. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



Goal 11: Make cities inclusive, safe, resilient and sustainable

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



Goal 12: Ensure sustainable consumption and production patterns

Target 12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

2-4. Confirm consistency with SLLP regarding target setting

Items for Evaluation of Framework	Evaluation Results by JCR
<p>Appropriate SPTs should be negotiated and set between the borrower and lender group for each transaction.</p>	<p>SPT has been negotiated between the Borrower, Toyoda Gosei Co., Ltd., and MUFG Bank, Ltd., the arranger of syndicated loans.</p>
<p>A borrower may elect to arrange its sustainability linked loan product with the assistance of one or more “Sustainability Coordinator(s)” or “Sustainability Structuring Agent(s)” and, where appointed, they will assist with negotiating the SPTs with the borrower.</p>	<p>There are no specific "sustainability coordinators" or "sustainability structuring agents" in the origination of this loan.</p>
<p>The SPTs should be ambitious and meaningful to the borrower’s business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark. Market participants recognise that any targets should be based on recent performance levels (often data from the previous 6-12 months, but this will vary).</p> <p>SPTs may be either internal (defined by the borrower in line with their global sustainability strategy) or external (assessed by independent providers against external rating criteria).</p>	<p>The established SPT is one of the items listed in the TG Group Environmental Targets 2050 and Materiality, which are long-term targets. It is an indicator that leads to the improvement of its sustainability.</p> <p>Regarding whether it is ambitious and meaningful or not, JCR conducted an impact assessment based on the five elements (1) Diversity, (2) Effectiveness, (3) Efficiency, (4) Multiplicity, and (5) Additionality) presented in the United Nations Environment Programme PIF Principles, and confirmed that all of these elements had a high impact.</p> <p>SPT's numerical targets are based on the most recent data, with 2012 as the base year and monitoring targets up to 2020 and subsequent performance levels.</p> <p>SPT used by the Borrower is an internal indicator.</p>
<p>Sustainability linked loans look to improve the borrower’s sustainability profile. They do so by aligning loan terms to the borrower’s performance against pre-determined SPT benchmarks.</p>	<p>If the targets for FY 2020 cannot be achieved, an incentive is provided for Borrower to achieve SPT by raising the lending rate.</p>
<p>By linking the loan terms to the borrower’s sustainability performance, borrowers are incentivised to make improvements to their sustainability profile over the term of the loan.</p>	<p>If the objective for FY 2020 cannot be achieved, an incentive is provided for borrowers to achieve the SPT by raising the lending rate. In addition, it is planned to maintain and report the same level from 2021 onward, and JCR evaluated that incentives for sustainability improvement have been generated throughout the loan period.</p>

Borrowers may be encouraged to seek a third party opinion as to the appropriateness of their SPTs as a condition precedent to the relevant sustainability linked loan product being made available.

JCR has written this report as a third-party opinion on the appropriateness of the SPT.

3. Appropriateness of monitoring content and methodologies of impact indicators

3-1. Details of monitoring and methodologies

Toyoda Gosei Co., Ltd. will report to MUFG Bank, Ltd., the arranger, the status of the achievement of the SPT upon the finalization of the FY 2020 performances. MUFG Bank, Ltd. confirms the information disclosed and the status of achievements upon receipt of the report, and holds hearings as necessary. From FY 2021 onward, the Borrower will maintain the level expected to be achieved in FY 2020, and will report on the reduction status once a year to the MUFG Bank, Ltd.

With regard to the monitoring, JCR has confirmed that the content and methodologies of monitoring are appropriate based on the SLLP confirm items described below.

3-2. Confirm consistency with SLLP on monitoring

Items for Evaluation of Framework	Evaluation Results by JCR
Should the borrower provide, where possible, up-to-date information on the SPT (e.g., external ESG ratings) and be available immediately, and should such information be provided to financial institutions participating in the loan at least annually?	As described above, the Borrower is expected to report to the lender on the status of achievement of the SPT once a year and is appropriate.
Since transparency is particularly important in this market, borrowers should publish information on the SPT. Are such information scheduled to be published, such as in the borrower's annual report or CSR report? (* does not have to be publicly disclosed at all times and, where appropriate, the borrower may choose to share this information privately with the lender, rather than making it publicly available.)	With regard to information on SPT, the Borrower publishes in the Integrated Report the changes over the past five years and the breakdown of indicators measured by each domestic production base.
Does the borrower also provide details of the underlying valuation methodology and/or assumptions (recommendations)?	Measures to reduce CO ₂ and wastes are published in the Integrated Report.

4. Appropriateness and methodology of review

4-1. Method of reviewing the appropriateness of the SPT established by the borrower

Borrowers have undergone third-party verification of their CO₂ emissions calculations, up to Scope 1 and 2, and the accuracy of these figures is ensured by third parties.

4-2. Methods of reviewing the suitability of the Loans for SLLP

When implementing this loan, JCR, with the consent of Toyoda Gosei Co., Ltd. and the Bank of Mitsubishi UFJ as a third-party organization, will conduct a third-party evaluation of the suitability of the loan to the SLLP, compile this Opinion, and distribute it to investors (or members of the syndicated loan group). Post-disbursement reporting will be assessed by reviewing the issuance of the SPT, which is reviewed annually, by the lender.

4-3. Confirm consistency with SLLP on methodologies of reviewing

Items for Evaluation of Framework	Evaluation Results by JCR
The need for external review is to be negotiated and agreed between the borrower and lenders on a transaction-by transaction basis.	The external evaluation of the SPT in this transaction will be set out in the basic loan agreement between the Borrower and the lender.
For loans where information relating to SPTs is not made publicly available or otherwise accompanied by an audit/assurance statement, it is strongly recommended that a borrower should seek external review of its performance against its SPTs.	Information relating to the SPT is published in the Integrated Report. In addition, the company has obtained third-party verifications from SCOPE1 to SCOPE2 for CO ₂ emission.
In transactions where a borrower seeks independent verification, the borrower should have its performance against its SPTs independently verified by a qualified external reviewer, such as an auditor, environmental consultant and/ or independent ratings agency, at least once a year. Any such external reviewer should be agreed by those institutions participating in the loan. Furthermore, it is also recommended that external reviews be made publicly available where appropriate.	With respect to the SLLs, JCR examines the performance of the SPT as a third-party assessor at (1) the beginning of the contract, (2) the completion of the target for fiscal 2020, and (3) the repayment date. Other annual monitoring is conducted by MUFG Bank, Ltd.
When appropriate, and taking into account confidentiality and competition considerations, borrowers should also make publicly available, via their website or otherwise, the description of the internal expertise they have in relation to the SPTs for their sustainability linked loan(s).	The Borrower publishes detailed information on the SPT to the extent possible in their Integrated Report and on its website.
Once reporting has been completed and external review	MUFG Bank, Ltd. has agreed with the Borrower to

has taken place, the lenders will evaluate the borrower's performance against the SPTs based on the information provided.

evaluate the Borrower's performance against the SPT.

IV. Conclusion

Based on the above considerations, JCR has confirmed that the loan to Toyoda Gosei Co., Ltd., which is the subject of third-party opinions, meets the SLLP.

Important explanation of this third-party opinion

1. Assumptions, Significance, and Limitations of JCR Third-party opinions

Third-party opinions granted by the Japan Credit Rating Agency, Ltd. (JCR) represent JCR's current comprehensive opinion on conformity with the principles of Sustainability Linked Loan Principles (SLLP) formulated by the Loan Market Association (LMA) and the Positive Impact Financial Principles (PIF) formulated by the United Nations Environment Programme Finance Initiative (UNEP FI), and do not fully represent the extent of the positive impacts that such assessments have.

This third-party opinion is based on information provided by the client and information independently collected by JCR and is not intended to evaluate the current plans or conditions. This third-party opinion does not quantitatively demonstrate the positive effect of the Sustainability Linked Loan and does not represent a responsibility for its effectiveness. JCR confirms that the funds procured from this project are quantitatively and qualitatively measured by the Borrower or a third party requested by the Borrower in terms of the degree of achievement of the impact indicators set by the Company, but in principle does not directly measure these indicators.

2. International initiatives, principles, etc. referenced in the implementation of this assessment

In performing this assessment, JCR referred to the following principles and guides developed by LMA and UNEP FI.

- Sustainability Linked Loan Principles
- Positive Impact Financial Principles
- Positive Impact Finance Model Framework with Unlimited Capital Uses

3. Relationship with Acts Related to Credit Rating Business

Providing this third-party opinion is undertaken by JCR as a related activity and does not constitute an activity relating to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

There are no conflicts of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

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■ Glossary

Third-Party Opinion: This Report expresses an independent opinion on the suitability of Loan Market Association's Sustainability Linked Loan Principles for sustainability-linked loans extended by lenders to Borrowers from an independent, neutral, and impartial standpoint at the request of the lender.

■ Registration as an External Evaluator of Sustainable Finance

- Members of the United Nations Environment Programme Finance Initiative Positive Impact Working Group
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- ICMA (registration as an observer with the International Association of Capital Markets as an external evaluator) Member of the Working Group on Principles of Social Bonds

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
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