

## Green Bond / Green Bond Programme

### Independent External Review Form

#### Section 1. Basic Information

Issuer name:

MEIDENSHA CORPORATION

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Shelf Registration

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

March 29, 2019

Publication date of review publication:

March 29, 2019

#### Section 2. Review overview

##### SCOPE OF REVIEW

*The following may be used or adapted, where appropriate, to summarise the scope of the review.*

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

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |  |
|--|--|
| <input type="checkbox"/> Second Party Opinion    | <input type="checkbox"/> Certification             |
| <input type="checkbox"/> Verification            | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): |  |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Meidensha is a mid-sized heavy electric equipment manufacturer founded in 1897. The company has four businesses: social infrastructure (mainly water treatment facilities and heavy electric equipment for electric power companies), industrial systems (mainly electric motor and inverter equipment for electric vehicles and

semiconductor manufacturing equipment), maintenance and services (mainly maintenance and inspection of delivered products), and real estate.

Bonds to be issued by the Shelf Registration are used for new construction of manufacturing facilities, renovation of existing buildings, construction of mass production lines, expansion of production lines of motors and inverters for electric vehicles (EV), plug-in hybrid vehicles(PHV) and hybrid vehicles(HV), (hereinafter, electric vehicles includes the above three types of vehicles). JCR confirmed the followings; (i) all of these investments are related to the manufacture of electric vehicle components, (ii) they are highly effective in improving the environment, (iii) these projects are unlikely to have serious negative environmental impacts that outweigh the environmental improvement effects and (iv) Meidensha takes necessary measures to minimize negative effects. Therefore, JCR evaluates this project as a green project that greatly contributes to reduce CO2 emissions. It confirms that the management and operation system for the Green Project, which will be used for the proceeds of the bonds, was established and highly transparent, and that Meidensha is tackling environmental issues with concrete goals.

Based on the JCR Green Bond Evaluation Method, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds) " and "m1" for "Management, Operation and Transparency Evaluation". Consequently, JCR assigns "Green1" as an overall preliminary evaluation result to the bonds. Detailed evaluation results are discussed in detail in the next chapter. The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

<https://www.jcr.co.jp/en/greenfinance/>

## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

**Overall comment on section** (if applicable):

**a. Environmental Benefits of the Projects**

I. 100% of the proceeds are allocated to manufacture electric vehicle components, which is expected to contribute to reduce CO2 emissions.

II. The use of proceeds falls under the category of "clean transportation" as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

**b. Negative impact on Environment**

JCR evaluates that the project is unlikely to have a negative effect that exceeds the environmental improvement effect, and that measures are being taken to reduce the negative effect.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

**Overall comment on section** (if applicable):

MEIDENSHA CORPORATION has a clear environmental goal, project selection criteria and process to determine the proceeds, which are shown in the evaluation report composed by JCR.

## Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability 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 Green 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 (please specify):  |

## Information on Responsibilities and Accountability

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

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section (if applicable):

- a. The use of proceeds will be fully allocated to new construction, renovation of existing buildings, construction of mass production lines, and expansion of production lines for motors and inverters for electric vehicles (EV/PHV/HV). In addition, all of the above proceeds are scheduled to be disbursed within one year of issuance.
- b. Accounting & Financing Group Financing Division of Meidensha manages the proceeds using a dedicated form. Meidensha's policy is to monitor the budget and actual expenditures quarterly in accordance with the cash management flow stipulated by Meidensha to prevent proceeds from being allocated to non-eligible projects.
- c. The above proceeds allocation status is approved by Financing Division's General Manager on a quarterly basis, and internal controls are ensured. Meidensha has the policy to preserve documents related to proceeds management in accordance with accounting regulations related to the scope and preservation of accounting documents specified by Meidensha, and to manage them by the Accounting Document Retention Duration Table.
- d. The Company's policy is to invest unallocated proceeds as cash or cash equivalents.

JCR evaluates that it is secured that the proceeds will be allocated to green project, the proceeds are managed in an appropriate manner internally, an internal control system is in place, and there are no particular concerns about the operation of unallocated proceeds.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future |
|---|---|

- |  |   |
|--|---|
| <input 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> :            |

#### 4. REPORTING

##### **Overall comment on section** *(if applicable)*:

##### a. Reporting on the proceeds allocation

Meidensha's policy is to disclose the allocation status once a year on the Meidensha website until the full amount of proceeds is allocated for the Green Project. The Disclosure will include (i) the amount of proceeds which has been already allocated; (ii) the estimated amount or percentage of unallocated proceeds, the timing of allocation and the management method for the unallocated period; and (iii) the estimated amount or percentage in cases where the proceeds are allocated for the refinancing. Meidensha plans to fully allocate proceeds within one year of issuance, but it will disclose in a timely manner if there is a material change in the allocation plan or if there is a material change in the proceeds status after the allocation.

##### b. Reporting on environmental improvement effects

Meidensha's policy is to disclose the progress and environmental improvement effects of the target project once a year on the Meidensha website until the Green Bond is redeemed. The effects of environmental improvements are expected to be quantitatively shown in terms of the CO2 emissions reduced by the Green Project. The above environmental improvement effects will be calculated by Environmental Management Program in Meidensha, and JCR confirmed that the calculation method is appropriate.

Meidensha plans to undergo a third-party review of JCR once a year until the Green Bond is redeemed.

##### **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 checked="" type="checkbox"/> Other <i>(please specify)</i> : Information published in Meidensha's website |

##### **Information reported:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts    | <input type="checkbox"/> Green Bond financed 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):**

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☐ Other ESG indicators (*please specify*):

### Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (*please specify*): Information published in Meidensha's website

☒ Reporting reviewed

Yes, both use of proceeds and impact reporting are subject to external review.

Where appropriate, please specify name and date of publication in the useful links section.

### USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

Meidensha's website about CSR efforts  
[http://www.meidensha.com/csr/csr\\_06/index.html](http://www.meidensha.com/csr/csr_06/index.html)

JCR's website about green bond evaluation methodology  
<https://www.jcr.co.jp/en/greenfinance/>

### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

#### Type(s) of Review provided:

☐ Second Party Opinion

☐ Certification

☐ Verification

☒ Scoring/Rating

☐ Other (*please specify*):

**Review provider(s):**

**Date of publication:**

**Japan Credit Rating Agency, Ltd.**

**March 29, 2019**

## ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.