

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	GPSS Holdings, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	GPSS Holdings, Inc. Green Finance Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	March 26, 2020
Publication date of review publication:	March 26, 2020

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.

GPSS Holdings Inc. (GPSS) is a company that develops renewable energy, established in 2012 as Japan Megasolar Inc. As of December 2019, GPSS had 72 sites, 140 MW of renewable energy power generation facilities nationwide (including those under development), and has established a system for covering the upstream and downstream of renewable energy contracts, including development, construction, and management, with subsidiaries within GPSS Group. GPSS aims to form a sustainable society with "grid parity", where the electricity cost by renewable energy becomes less than the existing electricity cost. GPSS's policy is to contribute to the creation of a sustainable society and the creation of new value through the use of renewable energy.

GPSS has established a "Sustainability Policy" to achieve their policy. The Sustainability Policy identifies 10 items to be achieved in relation to environmental, social, and governance (ESG). GPSS is making efforts to achieve the policy. JCR has confirmed that GPSS established a framework for promoting sustainability, including the Sustainability Committee, in order to put the Sustainability Policy into practice, and is promoting activities related to sustainability.

The scope of evaluation is the green finance framework ("the Framework") established by GPSS to limit proceeds from green bonds or green loans (the "green finance") to the use of proceeds with environmental improvement effects. JCR evaluates whether the Framework complies with the Green Bond Principles (2018 edition), the Green Loan Principles, the Green Bond Guidelines 2020 edition, and the Green Loan Guidelines and the Sustainability Linked Loan Guidelines 2020 edition. The Green Bond Principles, Green Loan Principles, Green Bond Guidelines 2020, Green Bond Guidelines and Sustainability Linked Loan Guidelines 2020 are not binding because they are the principles or guidelines voluntarily published by the International Capital Markets Association (ICMA), the Ministry of the Environment, the Loan Market Association (LMA), and the Asia-Pacific Loan Market Association (APLMA), which are not regulated, but JCR evaluates with reference to these principles and guidelines as currently unified standards worldwide.

In the Framework, the funds procured through green finance will be used to capital expenditures, including development costs or the refinance of the capital expenditures of 1. solar power, 2. wind power, and 3. small and medium-sized hydroelectric power plants (centered on less than 1 MW). JCR evaluates that the use of proceeds is a green project that contributes to the decarbonization of renewable energy, and that it has a high environmental improvement effect. With respect to the negative environmental and social impacts assumed in the construction and management of the above-mentioned power generation facilities, several checks are conducted before the completion of the project by a department with in-house expertise. In the case of large-scale development, a third-party technical evaluation report and an attorney's opinion are prepared to identify risks and take countermeasures. As a result, there is little likelihood that the negative impacts will exceed the environmental improvement effects.

JCR confirmed that GPSS has established a robust management and administration system and has a high degree of transparency in green finance. This is because the selection process for green projects has been established, proceeds from finance are managed separately for each project to be appropriated, reports on proceeds appropriation and environmental improvement effects are scheduled to be published annually, KPIs for environmental improvement effects have been set appropriately, and environmental efforts by GPSS's each organizations are carried out under the leadership of management.

As a result, based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1(F)" for the "Greenness Evaluation (Use of Proceeds)" and "m1(F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1(F)" for "JCR Green Finance Framework Evaluation." The Framework is considered to meet the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines 2020 Edition, and the Green Loan Guidelines and the Sustainability Link Loan Guidelines 2020 Edition.

<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. On the environmental improvement effects of the project

- i. The green eligible projects in the Framework are renewable energy projects such as solar, wind, and small and medium-sized hydroelectric power, and have a high environmental improvement effect.
- ii. GPSS's renewable energy facilities fall under "renewable energy" among the green projects defined in the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines 2020 Edition, and the Green Loan Guidelines and Sustainability Linked Loan Guidelines 2020 Edition.

b. Negative impact on Environment

In the development of projects, GPSS Group conducts an in-house examination of factors that may negatively affect the environment (e.g., wildlife sanctuary, special areas such as national parks, special areas subject to sediment-related disasters, rivers and soil erosion areas) and other factors (e.g., areas with cultural reserves, plans for use by local governments, etc.). GPSS Group then decides on projects based on its own in-house evaluation criteria. JCR confirmed through the interview with GPSS that it conducts due diligence not only at the beginning of the case, but also several times according to the progress made. In the event that there is a negative impact on the environment, GPSS suspends construction until measures are implemented. JCR also confirmed that it refers to the technical evaluation reports of third-party organizations and opinions of law firms depending on the scale of the project.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input 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 | <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):

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.

Such matters are disclosed in the JCR's evaluation report.

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) :

As described in this evaluation report, the use of proceeds is to finance capital expenditures of solar, wind and small and medium-sized hydro power generation facilities which are existing and planned construction (including under construction), or to refinance them. Therefore it is not to be used for any other purposes.

The proceeds are transferred to accounts managed by SSIM through GPSS accounts. Subsequently, the proceeds will be allocated to the green projects. The transfer of funds from GPSS to SSIM is decided by the Board of Directors of GPSS, and the allocation of funds from SSIM to the subject green projects is done with the approval of the person responsible for SSIM's Finance and Accounting Department. JCR confirms that the allocation to the subject green project is carried out in the form of investment in SPC established for each project from SSIM, and separate management is carried out for each project. The proceeds are confirmed on a quarterly basis. JCR confirms that if there are unallocated funds, the funds are managed with deposits. Based on the above, JCR evaluates that fund management is highly appropriate and transparent.

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 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> : |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The use of the proceeds from green financing will be disclosed annually on GPSS's website. The contents are outline of the green project to be appropriated, amount to be appropriated to the green project, item on the unallocated funds (amount or ratio, timing of appropriation, operation method). JCR evaluates that the above disclosure items are appropriate.

b. Impact reporting for environmental benefits

GPSS plans to report its environmental benefits on three items: CO2 emissions, power generation, and household-equivalent reductions from eligible green projects. These three items are quantitative indicators, and JCR has evaluated them to be appropriate.
JCR also evaluates that the above reporting is planned to be disclosed appropriately to investors, etc. in terms of both the funds allocation and the effects of environmental improvement.

Use of proceeds reporting:

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

Information reported:

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

frequency:

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

Information reported (expected or ex-post):

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

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (please specify):
Show on the 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.)

ESG initiatives by GPSS	https://gpssgroup.jp/about-us_esg_en/
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): Japan Credit Rating Agency, Ltd.

Date of publication: March 26, 2020

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. 1.
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.