

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. 2nd Unsecured Bonds
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 29, 2021
Publication date of review publication:	January 29, 2021

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 November 2020, GPSS had 75 renewable power generation facilities (including those under development) generating 135 MWs nationwide, and it has established a system that covers everything from upstream to downstream, from contract to development, construction, and operation related to renewable energy by its group subsidiaries. GPSS has been targeting "grid parity" where electricity costs from renewable energy are equal or less than the existing electricity costs, as well as forming a sustainable society through grid parity. GPSS's policy is to contribute to the creation of a sustainable society at each area of Japan and the new value through the use of renewable energy.

GPSS has established a Sustainability Policy to achieve the 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, promoting activities related to sustainability.

The bonds to be valued are private placed bonds (the Bonds) issued by GPSS. The proceeds of the issuance of the Bonds are used for capital investment and development cost (capital investment etc.) for 13 solar and wind power facilities that are being developed by GPSS, and the annual CO2 savings from the assets subject to the use of proceeds in this project are expected to be 155,300t-CO2, so JCR evaluates that they can be highly effective in improving the environment. JCR examined the nine solar power facilities that would be eligible for this funding by GPSS and the divisions in charge at the Group's subsidiaries, and confirmed through hearings that GPSS had identified potential risks in its development/management. JCR confirmed that if its four wind power generation facilities are expected to continue to have a negative impact on the environment going forward, construction work will be suspended until countermeasures are taken. Consequently, the possibility of serious negative environmental impacts that exceed the benefits of environmental improvements is small, and JCR has evaluated it as a green project that greatly contributes to reducing CO2 emissions. In addition, based on the corporate philosophy at the time of establishment and various specific initiatives, GPSS management views environmental issues as a high-priority issue. Thereby JCR has confirmed that GPSS established a robust management and operation system and has a high level of transparency with respect to the Bonds. As a result, based on the JCR Green Bond Evaluation Method, JCR assigned "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation, and Transparency Evaluation." Consequently, JCR assigned "Green 1" for overall evaluation of the bonds.

The Bonds are considered to meet the standards for items required in the "Green Bond Principles" and the "Green Bond Guidelines 2020."

<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. 100% of proceeds will be allocated to the capital expenditures for solar power generation facilities and highly contribute to CO2 reductions.
- ii. The use of proceeds fall under "renewable energy" defined in the "Green Bond Principles," and "renewable energy projects" exemplified in the "Green Bond Guidelines."

b. Negative impact on Environment

In the project development related to solar and wind power generation facilities, GPSS Group is considering and deciding whether the planned land has factors that could negatively affect the environment (e.g., special areas such as wildlife sanctuaries and national parks, sediment-related disaster special warning areas, rivers and sand control areas) and other factors (e.g., areas where there are reserve cultures, plans for use by local governments, and risks such as shadow flickers, noise, and bird strikes at wind power generation facilities) based on the in-house evaluation criteria.

JCR confirms that due diligence is carried out not only at the start of the project but also for several times according to the progress of the project, and that if there is a negative impact on the environment, construction will be halted until countermeasures are implemented.

As mentioned earlier, GPSS has an in-house department specializing in due diligence for renewable energy projects and evaluates them internally. However, it may also order assessment reports from third-party organizations for confirmation. Among the candidates for the subjects of the use of funds, JCR confirmed that the risk assessment reports and hazard reports have been obtained for the Akutada, Hirakida, and Nishiura among the nine solar power projects, and that similar third-party evaluation reports will be obtained for four wind power generation facilities.

After reviewing internal due diligence materials and third-party evaluation reports, nine out of the thirteen solar and wind facilities used for funding were considered to have little negative impact on the environment. As for the four wind power generation facilities, the evaluation work has just begun, and JCR confirmed that if its four wind power generation facilities are expected to continue to have a negative impact on the environment going forward, construction work for them will be suspended until measures are taken.

JCR confirmed that solar and wind power facilities eligible for funding will be insured against natural disasters and that efforts will be made to restore solar and wind power facilities in the event of damage, and that funds will be allocated to other projects out of the 13 solar and wind power facilities eligible for recovery if recovery is not possible.

Use of proceeds categories as per GBP:

☒ Renewable energy

☐ Energy efficiency

☐ Pollution prevention and control

☐ Environmentally sustainable management of living natural resources and land use

☐ Terrestrial and aquatic biodiversity conservation

☐ 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) :

- a. The proceeds of the issuance of the Bonds to be evaluated will be used to fund capital expenditures for 13 solar and wind power facilities currently under construction, and are not expected to be used for any other purposes.
- b. For account management, the proceeds of the bond issue are deposited into GPSS's account and then transferred to the account of SSIM, a subsidiary of GPSS, and managed. Regarding fund transfers from GPSS to SSIM and expenditures from SSIM to respective projects, JCR confirmed that responsibilities are made by resolutions of the Board of Directors and by persons in charge of SSIM's Accounting and Finance Department, respectively. The proceeds are checked on a quarterly basis, and any unallocated funds are managed in deposits
- c. With regard to tracking, SSIM holds and checks construction progress meetings for the respective divisions implementing the project.
- d. GPSS plans to subject the proceeds from the Bonds to internal and external audits.
- e. Prior to the redemption of the Bonds, JCR confirms that if solar or wind power facilities that are subject to the use of funds are destroyed by natural disasters or if unused funds arise due to project cancellation, they will promptly select alternative solar or wind power facilities and appropriate funds. In the process, it is also planned that the facilities to be

replaced will be invested with deposits until the alternative equipment is selected.
Based on the above, JCR evaluates that GPSS fund management is appropriate and disclosures to investors are appropriate.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocations to future investments only | <input 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 proceeds from the Bonds will be used to fund capital expenditures for the 13 solar and wind power facilities described in Phase 1. JCR confirmed that GPSS plans to spend about six months until the full amount is appropriated and the unappropriated funds are managed in cash and cash equivalents.

Reporting of the proceeds raised by the Bonds will be published on GPSS website on an annual basis for the three items listed below.

1. Outline of green project to allocate funds procured through green bond issuance
2. Amount of funds appropriated for green projects
3. The amount or proportion of unappropriated funds, the timing of allocation, and the method of investment, if any.

JCR confirmed that in the event that unappropriated funds arise prior to the redemption of the Bonds due to such factors as the loss of solar facilities that are subject to use or the cancellation of projects to construct wind power facilities, GPSS will promptly select alternative solar or wind power facilities and appropriate funds. If such unused funds occur during the period, GPSS plans to report to investors any changes in their appropriations.

b. Impact reporting for environmental benefits

GPSS plans to disclose three items of CO2 emissions, power generation, and household-equivalent reduced by eligible green projects on GPSS website on an annual basis as a report of environmental remediation benefits. GPSS is expected to undergo an annual JCR third-party review of the accuracy of the status of reporting through the redemption date.

JCR believes that the above reporting is planned to be disclosed appropriately to investors, etc. in terms of both the appropriation of funds 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 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> :
<i>Power Output, Power Output converted to household</i> |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other <i>(please specify)</i> :
<i>Show on the website</i> |
| <input type="checkbox"/> Reporting reviewed
<i>Yes, both use of proceeds and impact reporting are subject to external review.</i> | |

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: January 29, 2021

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.