

———— JCR Green Loan Evaluation by Japan Credit Rating Agency, Ltd. ————

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Loan Evaluation Results.

JCR Assigned Green 1 to Long-term Loan Borrowed by Shindengen Electric Manufacturing Co., Ltd.

Subject	:	Long-term loan borrowed by Shindengen Electric Manufacturing Co., Ltd.
Type	:	Long-term loan
Borrowing Amount	:	JPY 10 billion (Loan 1: JPY 5 billion, Loan 2: JPY 5 billion)
Loan Execution Date	:	Loan 1: January 25, 2021, Loan 2: August 25, 2021
Final Repayment Date	:	Loan 1, Loan 2: September 30, 2031
Repayment method	:	Scheduled Repayment
Use of Proceeds	:	Funds for construction of a new building

<Green Loan Evaluation Results>

Overall Evaluation	Green 1
Greenness Evaluation (Use of Proceeds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

Shindengen Electric Manufacturing Co., Ltd. ("Shindengen Electric Manufacturing" or the "Company") is a power electronics manufacturer established in 1949. In addition to the semiconductor and rectifier business since its establishment, Shindengen has also expanded into related businesses such as electrical components for motorcycles, solenoid products that use electromagnetic force to convert electrical energy into mechanical motion, and environmental and energy products. Shindengen Electric Manufacturing has 15 domestic bases, including subsidiaries, and has expanded overseas since the 1980s. As of 2020, it also had 18 overseas bases (branches, affiliates, etc.).

Shindengen Electric Manufacturing has a corporate mission of "Maximizing energy conversion efficiency for the benefit of humanity and society." In addition, the Company has reviewed its environmental policy in response to the revised ISO14001 in 2015. Under the new environmental policy from 2018, the Company is striving to create environmentally conscious products and reduce the environmental impact of its business activities, among others, so that it can contribute

to resolving social issues, such as responding to climate change risks, in order to realize the Paris Agreement adopted under COP21 and the United Nations Sustainable Development Goals (SDGs).

The use of proceeds is the funds for the construction of the newly constructing Asaka office. The Asaka office has acquired five star in BELS evaluation, as well as ZEB Ready, which is given to buildings with particularly high energy-saving performance. In addition, it is an A ranked property in CASBEE Saitama Prefecture. JCR confirmed that the Asaka office is a green building with energy-saving features, and that it has environmental improvement effects such as CO₂ reduction effects. JCR confirmed that Shindengen Electric Manufacturing has taken appropriate measures to avoid or mitigate the possible negative impact on the environment, and that the negative impact on the environment is unlikely to exceed the environmental improvement effects with this project. Based on the above, JCR has evaluated that the project for which proceeds of the subject of the evaluation will be used have environmental improvement effects.

JCR also confirmed that the management and operation system of the Green Project for which borrowed funds have been well-established, that the selection criteria and processes and fund management are highly transparent, and that the management of Shindengen Electric Manufacturing has positioned environmental issues as high priority matters.

Based on the JCR Green Finance Evaluation Method, JCR assigned "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation". As a result, JCR assigned "Green 1" for JCR Green Loan Evaluation. Detailed evaluation is discussed in the next chapter.

This loan is considered to meet the criteria for items required by the Green Loan Principles and the Ministry of the Environment's Green Loan and Sustainability Linked Loan Guidelines.¹²

1 LMA (Loan Market Association), APLMA (Asia Pacific Market Loan Association), LSTA (Loan Syndications and Trading Association) Green Loan Principle 2020 <https://www.lma.eu.com/>

2 Ministry of the Environment's Green Loan and Sustainability Linked Loan Guidelines <http://www.env.go.jp/press/files/jp/113511.pdf>

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluations

Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1," the highest rating on JCR evaluation Phase 1: Evaluation on Greenness.

Rationale: The project has used 100% of proceeds of loans for green projects as described below.

(1) JCR's Key Consideration in This Factor

In this section, JCR first assesses whether the funding money will be allocated to green projects that have explicit improvement effects on environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current Status of Evaluation Targets and JCR Evaluation

Overview of Use of Proceeds

The use of the proceeds is the funds for the new construction of the Asaka office.

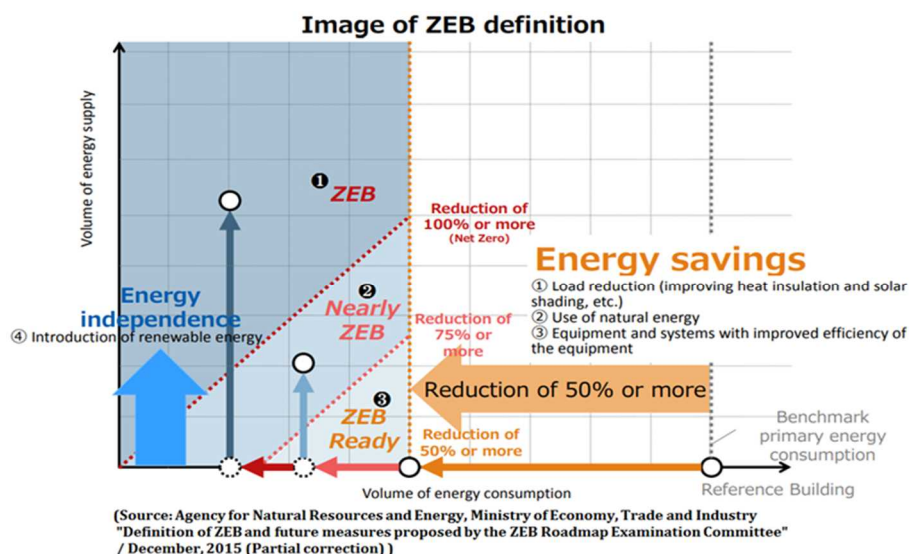
a. On the environmental improvement effects of the project

- i. **All of the funds are newly invested in the construction cost of the Asaka Office, which meets the eligible criteria specified by Shindengen Electric Manufacturing, and high environmental improvement effects can be expected.**

<Environmental improvement effects of eligible criteria>

The funding raised by this loan will be allocated for the construction of the Asaka Office, which is under construction in Asaka City, Saitama Prefecture, by Shindengen Electric Manufacturing. The Asaka Office has obtained ZEB Ready with a BELS evaluation five stars, and is also rated A in CASBEE Saitama.

ZEB (Net Zero Energy Building) are buildings that achieve net zero or approximately zero annual fossil-energy consumption. There are three stages of ZEBs: 1) ZEB (buildings that achieve a reduction in primary energy consumption of 100% or more with energy creation (50% or more)); 2) Nearly ZEB (buildings that achieve a reduction in primary energy consumption of 75% or more with energy conservation (50% or more); and 3) ZEB Ready (buildings that achieve a reduction in primary energy consumption of 50% or more).



The Asaka Office has been certified by 3). ZEB Ready. This is the result of efforts to save energy by improving the thermal insulation of the outer skin, using air conditioning and ventilation systems with the latest energy-saving performance, and adopting natural lighting and LED lighting. As a result, the Asaka Office has achieved a 52% reduction in primary energy consumption. The construction of the Asaka Office is also intended to consolidate several locations within the existing Hanno Plant and the departments dispersed in the headquarters in Otemachi, Tokyo Prefecture, and this is expected to achieve more effective use of energy than in the past. Based on the above, JCR has evaluated this property as having an environmental improvement effect.

Property

Name	Asaka Office (tentative name)
Location	1110-1, Saiwai-cho 3-chome, Asaka City, Saitama Prefecture and other two parcel lands
Principal Uses	Offices and research facilities
Site area	About 29,600 m ²
Total floor area	About 28,500 m ²
Structure	Reinforced Concrete (partially framed with steel)
Number of stories	4 stories above the ground
Scheduled Completion Date	February 2021 (scheduled to open: April 2021)
Amount Invested	Approx. JPY 12 billion
Environmental certification	BELS evaluation five stars (ZEB Ready), A-rank in CASBEE Saitama
Purpose of establishment / Environmental improvement effects	<p>Hanno Plant, which is bearing the Shindengen Group's R&D functions and Group business management functions, has been aging as it is nearly 70 years old, and in addition, departments and divisions are dispersed among multiple buildings on the premises.</p> <p>In addition to consolidating the main functions of the business headquarters and divisions at the Hanno Plant in a single building at the new Asaka Office, Shindengen Electric Manufacturing will consolidate some functions of the Otemachi Head Office in order to ensure business continuity and improve productivity.</p> <p>Achieved energy savings by improving thermal insulation of the outer skin, adopting the latest air condition and ventilation systems with superior energy-saving performance, and adopting natural lighting and LED lighting</p>

ii. The uses of proceeds fall under the categories of "green buildings which meet regional, national or internationally recognised standards or certifications." and "energy efficiency" defined in the Green Loan Principle and the Ministry of the Environment's Green Loan and Sustainability Linked Loan Guidelines.

According to a survey by the World Green Building Association, carbon dioxide emissions from buildings account for 39% of total emissions. As a measure to prevent global warming in our country, it is important to further popularize green buildings with high energy-saving performance to reduce carbon dioxide emissions from buildings. In the fifth strategic energy plan approved by the Cabinet in July 2018, the realization of a thorough energy-saving society is listed as one of the pillars of the strategic policy for 2030. One important aspect of energy efficiency measures in the buildings and housing sector is the promotion of energy efficiency measures, such as the renovation and rebuilding of existing buildings and houses with low energy-saving performance, and the enhancement and dissemination of evaluation and labeling systems for comprehensive environmental performance, including energy efficiency performance. It is also planned to encourage the introduction of high thermal insulation and energy-saving equipment in new buildings and houses, as well as to promote the popularization of low-carbon certified buildings with higher energy-saving performance, and the promotion of ZEB dissemination is important for the promotion of the same policy. As a specific goal of our country concerning ZEB, it is stated that "for buildings, we aim to achieve ZEB on average for new public buildings by 2020 and new buildings by 2030." Based on the above, JCR evaluates that ZEB Ready achieved by Shindengen Electric Manufacturing through the construction of the Asaka Office is in line with national policies.

b. Negative impact on the environment

JCR confirms that Shindengen Electric Manufacturing has thoroughly implemented measures in compliance with laws and regulations in the construction of the Asaka Office, assuming the risk of noise and soil contamination during construction, and has conducted a survey by a third party to confirm that there is no soil contamination. Briefing sessions were held for local residents, and JCR confirmed that no special complaints, had occurred to date.

Shindengen Electric Manufacturing will strive for operation in accordance with the law after operation, and will periodically conduct evaluation of soil contamination risks. JCR confirmed that Shindengen Electric Manufacturing will tackle the negative impact on the environment from under construction until after completion.

c. Consistency with SDGs goals and Targets

The project is classified into green buildings which meet regional, national or internationally recognised standards or certifications and energy efficiency. With reference to ICMA's SDGs mappings, JCR evaluated the project as contributing to the following SDGs goals and targets.



Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



Goal 11: Make cities and human settlements 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.

(Reference) Certification System for each Green Building

1 CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

This is a method for evaluating and rating the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for buildings was established as a joint project with industry, government, and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. Since then, the committee has been continuously conducting development and maintenance. In addition to CASBEE for Buildings and CASBEE for Urban Development, assessment tools include CASBEE for Real Estate developed to provide easy-to-understand environmental performance to the real estate market.

The evaluation results are divided into five grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), Rank B (Slightly Poor), and Rank C (Poor) (CASBEE-real estate scoring has four grades: Rank S (Excellent), Rank A (Very Good), Rank B+ (Good), and Rank B (Satisfaction of mandatory items)). The evaluation method is a reconfiguration and quantification of the performance in the four fields of energy consumption, resource recycling, regional environment, and indoor environment in buildings from the viewpoints of environmental quality of buildings (Q = Quality) and environmental burden of buildings (L = Load). Evaluation is based on the value of BEE (Built Environment Efficiency) with L as the denominator and Q as the numerator. High evaluation requires Comprehensive high quality of building such as energy efficiency and the use of materials and equipment with low environmental impact, in addition to give consideration to indoor comfort and landscape.

Some local governments are obligated to submit environmental plans when constructing buildings of a certain size, using CASBEE.

2 BELS (Building-housing Energy-efficiency Labeling System)

BELS is a building energy efficiency performance indicator system under which third-party assessment bodies evaluate and accredit the energy efficiency performance of new and existing buildings. The outer skin performance (performance standards and specification standards) and primary energy consumption (performance standards and specification standards) are subject to evaluation, and the evaluation results are expressed in stars according to the achievement values of the energy efficiency standards. High evaluation requires excellent energy-efficiency performance. In BELS, this ranking is based on BEI (Building Energy Index). The number of stars is divided from one to five by BEI. BEI is a measure of energy efficiency performance that uses the designed primary energy consumption as the molecular weight and the standard primary energy consumption as the denominator, and is compared with the standard value. One star is the existing energy saving standard, two stars is the energy saving standard, and three stars are the guiding standard.

Evaluation Phase 2: Management, Operations and Transparency Evaluation

JCR assigns "m1", the highest rating on JCR evaluation Phase 2: Evaluation on Management and Operation and Transparency.

Rationale: The project has allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

(1) JCR's Key Consideration in This Factor

In this section, JCR confirms that the objectives to be achieved through the this loan, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current Status of Evaluation Targets and JCR Evaluation

a. Goal

Shindengen Group has established a corporate mission of "Maximizing energy conversion efficiency for the benefit of humanity and society." In response to the growing interest in environmental issues worldwide, such as the "Earth Summit" held in 1992 and the "Rio Declaration on Environment and Development" adopted there, Shindengen Electric Manufacturing also established an organization that specializes in dealing with environmental issues around the same time and started activities. The company thereby is working to address environmental issues as an important management issue at an early stage. Shindengen Electric Manufacturing reviewed its environmental policy in response to ISO14001 revised in 2015, and since 2018 has been striving to create environmentally conscious products and reduce the environmental impact of its business activities, so that it can contribute to resolving social issues, such as responding to climate change risks, in order to realize the Paris Agreement and the United Nations Sustainable Development Goals (SDGs) adopted under COP21 under the new environmental policy.

Specific Environmental Initiatives of Shindengen Electric Manufacturing (excerpt)

1. Providing environmentally friendly products

In line with its corporate mission of "Maximizing energy conversion efficiency for the benefit of humanity and society," the Shindengen Group provides environmentally friendly products through the Electronic Device Business, Car Electronics Business, and Energy Systems & Solutions Business.

Some individual Shindengen Group products are directly contributing to CO₂ reduction by attaining ever higher efficiency and some are indirectly contributing through sales in the mobility market, which is shifting toward electric vehicles, and in the new energy market. The Group aims to ensure that almost all of its products directly or indirectly enhance fuel efficiency and energy conservation in society.

Going forward, we will continue to develop and supply products that provide value and that help solve social issues surrounding the global environment through the use of small, lightweight, and highly efficient technology.

2. Reducing CO₂ Emissions

The Shindengen Group is working to reduce CO₂ emissions to meet the needs of each company. Within the Shindengen Group, the Electrical and Electronics Industry is participating in the "Low-Carbon Society Action Plan" formulated and promoted as a

voluntary action plan. Activities are being made to curb CO₂ emissions by improving the energy efficiency of production processes and facilities in order to improve the energy consumption rate by an average of 1% or more per year. Efforts are being made to reduce CO₂ emissions through a variety of energy-saving activities, such as improving LED lighting, turning off power sources for non-using facilities, improving production facilities and production processes, and improving air-conditioning efficiency. In addition to the above-mentioned efforts, Shindengen Electric Manufacturing has consolidated the main functions of the Head Office and Hanno Plant by opening the Asaka Plant in 2021, aiming to improve production efficiency and reduce power consumption. In the building design of the Asaka Office, advanced building technology with high thermal insulation of the outer skin and high-efficient energy saving facilities was adopted, and the certification of ZEB Ready was obtained in January, 2020.

(Source: Green Loan Framework)

The Shindengen Group sets environmental objectives and targets every year based on its environmental policy.

(Fiscal 2020: Environmental Objectives and Targets)

Objectives	Targets
Promote chemical substance management - Contribute to environmental protection efforts through the proper management of chemical substance information	- Strictly manage information on substances contained in chemical products used in our business activities and develop more efficient methods to measure usage
Promote energy saving - Help to curb global warming and to solve issues related to climate change through efficient energy use and activities to control emissions	- Improve energy intensity by at least 7.73% by the end of FY2020 compared with the Benchmark year, and make steady progress toward 2030 (sustain our FY2012 onward 1% annual average improvement)
Promote proper waste management - Strengthen the system for reducing risk from waste	- Mitigate risks by reviewing our agreements with waste disposal subcontractors

(Source: Shindengen Electric Manufacturing, 2020 CSR Report)

The Asaka Office has acquired ZEB Ready, a certification given to buildings particularly energy-efficient, and can be evaluated as being an initiative in line with Shindengen Electric Manufacturing's specific environmental initiatives and the achievement of its environmental objectives and targets. The Asaka Office will conduct research and development on more efficient eco-friendly products, as set forth by the corporate mission and specific environmental initiatives. Accordingly, JCR has evaluated the implementation of this loan to be consistent with the corporate mission and environmental initiatives of the Shindengen Group.

b. Selection criteria

Shindengen Electric Manufacturing has established the following eligible criteria for origination of this green loan.

Eligibility Criteria

- Achieving energy-saving performance equivalent to ZEB Ready compared to conventional buildings.
- Buildings that are more than B+ Rank in CASBEE Saitama.

(Source: Green Loan Framework)

JCR evaluates the selection criteria we have established as being highly effective in improving the environment, as detailed in Evaluation Phase.

c. Processes

For projects subject to the use of funds, the accounting department confirmed that environmental evaluations have been obtained and considered the funding of this project through green loans, and then the board of directors made a final decision. The content of the Green Loan Framework was also reported to the board of directors. Accordingly, JCR has evaluated that appropriate management involvement was undertaken.

As the criteria for selecting projects and the process for selecting projects are expected to be disclosed to lenders in this report, JCR evaluates that transparency is ensured for lenders.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in This Factor

It is usually assumed that the method of managing the procured funds is diverse depending on borrowers. In this section, JCR confirms whether the funds raised by this loan are allocated to the Green Project without fail, and whether a mechanism and internal system are in place so that the appropriated status can be easily tracked and managed.

There is also importance attached to evaluating the management and operation of the unallocated funds, as well as to confirming that the funds procured from the loan will be allocated to the green projects at an early stage.

(2) Current Status of Evaluation Targets and JCR Evaluation

- a. The funds raised by this loan are scheduled be fully appropriated to fund the new construction of the Asaka Office. The loan agreement states that loans will be provided by the lenders to Shindengen Electric Manufacturing at the timing of construction fund payments (January and August 2021).
- b. Receiving of loans shall be confirmed by a person in charge of the accounting department. For spending of loans decision shall be obtained by the manager of the relevant department and the management. After that, the person in charge of the accounting department will make the final decision.
- c. Receiving and spending shall be managed by the accounting system. Since the funds raised are deposited into the accounts of Shindengen Electric Manufacturing, it is not possible to distinguish them from other money received. For this reason, a "construction fund balance book" is prepared, separately from tracking with the internal system, and the receiving of the procured funds and payment of the construction funds are stated to confirm that the full amount of procured funds have been allocated to the payments of the construction funds. The "construction fund balance book" will be prepared by the accounting department and will be reported at the board meeting until the allocation of procurement funding is completed.
- d. Shindengen Electric Manufacturing conducts accounting audits by the internal auditing department, and conducts accounting audits quarterly. In this way, the internal and external audit systems are in place.
- e. The funds raised by this loan are scheduled to be fully appropriated for each loan execution to fund the new construction of the Asaka Office, and it is not expected that the unappropriated funds will be generated. When such case occurs, the funds will be managed in cash and cash equivalents.

JCR evaluates the appropriation plan of Shindengen Electric Manufacturing's fund management as being appropriate and that the fund procurement is reliably appropriated to the construction fund of the Asaka Office, tracking management is properly implemented, internal control related to tracking management is properly implemented, and there are no special concerns regarding the operation of unused funds. Therefore, the appropriateness and transparency of the fund management are high.

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section, JCR evaluates whether the disclosure system for lenders before and after the execution of green loans is planned in a detailed and effective manner at the time of the execution of green loans

(2) Current Status of Evaluation Targets and JCR Evaluation

a. Reporting on the proceeds allocation

Shindengen Electric Manufacturing plans to state the use of proceeds in the loan agreement with the lenders, and it will be disclosed to the lenders by investor report.

The funding and appropriation schedule will be disclosed to all lenders on a quarterly basis until the appropriation is completed, and the appropriations will be made available on Shindengen Electric Manufacturing's website on an annual basis. If the underlying assets are sold or significantly lost before the green loan repayment date, prepayments are considered and upon determination, all lenders are expected to be notified.

b. Reporting on environmental improvement effects

Shindengen Electric Manufacturing plans to disclose the following items on its website on an annual basis regarding the reporting of environmental improvement effects.

1. Certification of ZEB Ready (after completion of building)
2. Trends in energy consumption of the target asset (after completion of building)

JCR regards the above as an appropriate reporting plan because it is a plan to disclose both the appropriation of funds and the environmental improvement effect to lenders and the general public, and includes quantitative items of disclosure.

4. Organization's Environmental Activities

(1) JCR's Key Consideration in This Factor

This section evaluates whether the borrower's management positions environmental issues as a high-priority management issue, and whether the JCR green loan borrowing policy, process and the criteria for selecting green projects are clearly defined through establishment of a department specializing in the environmental field or through the assistance of external organizations.

(2) Current status of evaluation targets and JCR evaluation

The Shindengen Group pursues its management philosophy of "Together with society, our customers, and our employees" and promotes CSR management through implementation of the aforementioned corporate mission. Shindengen Electric Manufacturing stated in its CSR report that it will contribute to the sustainable development of society and the global environment by viewing various domestic and overseas social issues from the viewpoint of the value chain regarding the 17 goals of SDGs. As mentioned above, the Shindengen Group has been actively tackling environmental issues since 1992, establishing an environmental policy and implementing it.

(Shindengen Group Environmental Policy)

Our management philosophy and mission statement is "Together with society, our customers, and our employees, we will maximize energy conversion efficiency for the benefit of humanity and society." In doing so, we promise to "Listen closely, look ahead, and create a future of value."

Shindengen Group employees are committed in their pursuit to develop sustainable electronics across all stages of production from development, to design, and to manufacturing. Products include semiconductors, power supply units, electrical components and solenoids.

1. We are committed to complying with the applicable requirements including laws, regulations, and contracts.
2. We will evaluate the impacts our business activities and products have on the environment, and we strive for continual improvement.
3. We will regularly update our environmental management systems to improve environmental performance.

The above environmental policy is applied to ISO 14001 certified companies in Shindengen Group (Japan). Other domestic and international group companies, engage in environmental activities in accordance with the Environmental Policy.

As stated in the above Environmental Policy, all products manufactured by the Shindengen Group's branches and subsidiaries have environmental improvement effects by improving energy-saving performance. On the other hand, in the manufacturing process, the use of electricity and fossil fuels and the use of chemical substances have a negative impact on the environment. Shindengen Electric Manufacturing extends some items of CO₂ generated in the manufacturing process to Scope 3 (CO₂ emissions outside of its own company) for estimates. In addition, it strengthens and thoroughly controls the chemical substances used and publishes numerical values in accordance with laws and regulations. The Company also calculate and disclose environmental accounting, which quantitatively calculates the cost of environmental conservation and the associated economic effects. The Company actively disclose the negative impact on the environment, working to reduce it by setting environmental objectives and targets. Shindengen Electric Manufacturing has an "environment and safety department" within the company as a department related to the environment, and it has human resources for environmental conservation, management, pollution prevention, etc. and is working on the operations. Members of the environment and safety department are

working for the project for the construction of the Asaka Office. Together with personnel from other departments, they are leading efforts related to "environmental considerations," one of the construction policies of the Asaka Office. A specialized organization called the Environmental Committee has been established to formulate the environmental policies, establish environmental objectives and targets, and report on daily environmental management initiatives. The Environment Committee is an organization established with the chairman of the director in charge and the executive officers as members. In the Environment Committee, the environment issues are discussed by the management. The Environment Committee was established in 1992, when the Earth Summit was held, as aforementioned, and is currently held twice a year. JCR evaluates that management of Shindengen Electric Manufacturing recognized environmental issues as an important management issue at an early stage, evaluating it as an example of active discussion.

Shindengen Electric Manufacturing has recently analyzed the important issues for the company and for society and stakeholders, and formulated materiality plotting the important issues for both. This decision was made after analyzing and assessing issues from 2017 and then considering the consistency with the goals set in SDGs from 2019 to 2020, with experts from both inside and outside the company. JCR evaluates the above initiatives as a reflection of the management of the Company's commitment to implementing its corporate mission and actively addressing various environmental and social issues.

From these results, JCR confirmed that the Company has cooperative relationships with external parties on various issues related to the environment and society and is carrying out initiatives accordingly.

Based on the above, JCR confirmed that Shindengen Electric Manufacturing has positioned environmental issues as a high priority in its environmental efforts. In addition to setting environmental policies, objectives and targets by the department with expertise, the accounting department and the board of directors also evaluate that the Green Loan Procurement Policy, the process, and the criteria for selecting green projects are clearly positioned based on the abovementioned content.

■ Evaluation result

Based on the JCR Green Finance Evaluation Method, JCR assigned "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation". Consequently, JCR assigned "Green 1" as an overall evaluation results of the loans. The loans is are also considered to meet the standards for items required by the Green Loan Principles and the Ministry of the Environment's Green Loan and Sustainability Linked Loan Guidelines.

[JCR Green Loan Evaluation Matrix]						
		Management, Operation and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

■ Subject

Borrower: Shindengen Electric Manufacturing Co., Ltd. (Security code: 6844)

[Assignment]

Subject	Borrowing Amount	Loan Execution Date	Final Repayment Date	Evaluation
Long-term loan	Total JPY 10 billion (Loan 1: JPY 5 billion, Loan 2: JPY 5 billion)	Loan 1: Jan. 25, 2021 Loan 2: Aug. 25, 2021	Sept. 30, 2031	JCR Green Loan Evaluation : Green1 Greenness Evaluation : g1 Management, Operation and Transparency Evaluation : m1

Analysts in charge of this evaluation: Atsuko Kajiware and Kosuke Kajiware

Important explanation of the Green Loan Evaluation

1. Assumptions, Significance, and Limitations of JCR Green Evaluation

JCR Green Loan Evaluation, which is granted and provided by the Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured green loans, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green loans are ensured. The JCR Green Loan Evaluation does not fully indicate the extent to which the funds procured from such green loans are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Loan Evaluation evaluates the planning and status of the appropriation of funds at the time of the green loan procurement plan or procurement, and does not guarantee the appropriation of funds in the future. In addition, the JCR Green Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loan on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

The JCR Green Loan Evaluation is determined and provided by JCR as a related business, which is different from the activities related 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 Evaluation of JCR's Green Loan

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

■Disclaimers

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■Glossary

JCR Green Loan Evaluation: The JCR Green Loan Evaluation evaluates the extent to which the funds procured from the Green Loan are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■Status of registration as an external assessor of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- CBI Approved Verifier

■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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