



SECOND PARTY OPINION

DIAMOND ELECTRIC HOLDINGS CO., LTD. SUSTAINABILITY WARRANT PERIODIC REVIEW (1ST)

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

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Revision

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Scope and Objectives

Diamond Electric Holdings Co., Ltd (hereinafter “Diamond Electric HD”) commissioned DNV business assurance Japan K.K. (hereinafter “DNV”) to conduct periodic review for sustainability warrant.

The purpose of the periodic review in DNV is to conduct assessment to ensure that the finance refers to the four core elements with reference to Green Bond Principles (ICMA, 2018 hereinafter GBP), Social Bond Principles (ICMA, 2020 hereinafter SBP) and Sustainability Bond Guidelines (ICMA, 2018 hereinafter SBGL) described below and to provide a second party opinion on the eligibility of the finance.

Diamond Electric HD exercised its rights for the sustainability warrant from March 2021. The total amount of proceeds through the sustainability warrant and back-up loans for this sustainability project is JPY 1,589.2 million. Of this amount, the total amount raised through the exercise of the sustainability warrant, which is the subject of this evaluation, is JPY 1,089.2 million as shown in Table-1, and the amount raised through back-up loans is JPY 500 million. DNV's review team referred to the GBP, SBP, etc. and conducted the first periodic review for the period from March 2021 to March.

Table-1: The exercising status of the sustainability warrant

Year and month of exercise	Amount of proceeds	Total amount raised
Mar 2021	JPY 198.5 million	JPY 198.5 million
Jun. 2021	JPY 172.8 million	JPY 371.3 million
Jul. 2021	JPY 717.9 million	JPY 1,089.2 million

This report refers to the four core elements (elements 1 to 4 described below) set out in the GBP, SBP, etc., which are widely recognized in the sustainability finance market, to conduct a post-issuance periodic review.

DNV declares that it has no interest in the facts and perceptions of Diamond Electric HD in providing its second party opinion.

In addition, this report does not provide any guarantees regarding the financial performance of the sustainability warrant, the value of any investments, or the long-term environmental and social benefits.



Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner	Applied level ^{*1}
1.	The Green Bond Principles (GBP)	International Capital Market Association (ICMA), 2018	Refer
2.	The Social Bond Principles (SBP)	International Capital Market Association (ICMA), 2020	
3.	The Sustainability Bond Guidelines (SBGL)	International Capital Market Association (ICMA), 2018	
4.	Green and Social Bonds: A High Level Mapping to the Sustainable Development Goals	International Capital Market Association (ICMA), 2018	
5.	Handbook Harmonized Framework for Impact Reporting	International Capital Market Association (ICMA), 2020	

*1: Refer ; Based on the DNV assessment protocol, DNV has evaluated the eligibility by referring to the main requirements of the four core elements defined by the globally recognized GBP and others. At this time, we considered the warrant-specific proceeds management and reporting.



Responsibilities of Diamond Electric HD and DNV

The manager of the Issuer has provided the necessary information and data to DNV to conduct this review process.

DNV's statement represents an independent opinion and is intended to inform the Issuer and other interested stakeholders in the bond as to whether it meets the criteria of widely recognized international principles/guidelines, based on the information provided for DNV.

In conducting the review, we have relied on the information and the facts presented to us by the Issuer. DNV shall not be responsible for any aspect of the transition project assets referred to in this opinion and shall not be held liable.

DNV shall not be held liable even if any of the information or data provided by the manager of the Issuer and used as a basis for this review are not correct and/or complete.



Basis of DNV's Opinion

To provide as much flexibility as possible to Diamond Electric HD, DNV has created specific sustainability warrant Assessment Protocol (the "Protocol"), taking into account requirements of various standards such as GBP and SBP. The Protocol applies or refers four core elements such as GBP and SBP.

The Protocol includes a set of suitable criteria that can be used to underpin its opinion. The holistic principle behind the criteria is that the sustainability finance should "enable capital-raising and investments for new and existing projects to realize environmental and social benefits."

As per the Protocol, the evaluation criteria, with which the framework is under review, are grouped into the following four elements:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that the issuer that established the framework must use the proceeds from the sustainability warrant which is exercised to eligible activities in framework. The eligible activities should produce clear environmental and/or social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of the sustainability warrant should outline the process it follows when determining eligibility of an investment using Finance proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Finance Proceeds criteria are guided by the requirements that a Finance should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds (from exercise of warrant to disbursement to the project) will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the sustainability warrant investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.



Work Undertaken

Our work constituted a high level of review of the available information, based on the understanding that this information was provided to us by the Issuer in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

Initial (Pre-Issuance) Assessment of Sustainability Finance: **not included in this report*

- Creation of the Issuer-specific Protocol, adapted to the purpose of the finance;
- Assessment of documentary evidence provided by the Issuer on the bond and supplemented assessment by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with the Issuer, and review of relevant documentation;
- Documentation of findings against each element of the criteria.

Periodic (Annual) Review: **this report*

- Evaluation of the supporting documents provided by the Issuer related to the sustainability warrant, high level desktop surveys, document reviews, and interviews with key personnel of the issuer. These checks refer to current assessment best practices and standard methodologies;
- Discussion with the Issuer management and review of relevant documentation.
- Field survey and inspection, if required;
- Review of the nominated projects and assets as described in Schedule 2 as at the time of periodic assessment;
- Documentation of findings for Periodic assessment as detailed in this document.

Our opinion in a following section is a summary of the work undertaken above.

Findings

Element 1: Use of Proceeds

DNV has confirmed that, as of the end of March 2022, Diamond Electric HD had used the proceeds of the sustainability warrant for the following projects. All projects have been assessed for eligibility for greenness, sociality or both before the sustainability warrant was executed.

01-(1) Design, R&D and facility expansion for next generation power conditioner production and electricity storage (for residential use)

The project has generally been progressing as originally planned, and the production is expected to start during this year.

Installation status of equipment: To be completed in July 2022

Scheduled date of operation: Start in September 2022

01-(2) Design, R&D and facility expansion for tri-phase power conditioner production and electricity storage (for industrial use)

The project has generally been progressing as originally planned, and the development is underway with a view to operation in 2024.

02-(1) Design, R&D and facility expansion for V2H (Vehicle to Home) system

The project has generally been progressing as originally planned, and the production is expected to start during this year.

Installation status of equipment: To be completed in October 2022

Scheduled date of operation: Start in December 2022



Element 2: Process for Project Evaluation and Selection

DNV has confirmed that, the process for project evaluation and selection has been established in Diamond Electric HD, in which the compliance with related criteria, guidelines, etc. is confirmed and assessed by the project division, technical headquarter, treasury division and CFO, finally approved by the CEO.

DNV also confirmed that Diamond Electric HD, through compliance with the environmental law and the group environmental policy as well as the activities aligns ISO 14001 (Environment Management System) to take appropriate measures against negative impacts to the environment, and that it would present a low risk of environmental and social impact.

Element 3: Management of Proceeds

DNV reviewed the evidence presented on how Diamond Electric HD managed the proceeds of the first exercise in March 2021 to the end of March 2022.

DNV has confirmed that the proceeds from the exercise of sustainability warrant were deposited into subaccount and managed with its identified project code by the relevant division. DNV also confirmed that the proceeds were managed by the Treasury Division in accordance with the internal accounting management regulations. Furthermore, DNV confirmed that the balance (of proceeds in the period between the exercise and allocation) has been monitored monthly and reviewed quarterly.

The total amount of proceeds of the sustainability warrant and back-up loans in this sustainability project is JPY 1,589.2 million. Of this amount, the total amount raised through the exercise of the sustainability warrant is JPY 1,089.2 million, and the amount raised through back-up loans is JPY 500 million. As of the end of March 2022, JPY 984.3 million raised through the exercise of the sustainability warrant had been allocated to eligible projects, and JPY 104.9 million were unallocated. The unallocated proceeds are managed in cash or cash equivalents and are expected to be fully allocated within 2022. The project is progressing as planned, including through back-up loan allocations.

Note that, as stated above, DNV provides no assurance regarding the financial performance of the Finance, the value of any investments in the Finance, or the long-term environmental benefits of the transaction.

Table-3: Allocation status of proceeds (first exercise in March 2021 ~ end of March 2022)

No.	Sustainability Category		Sustainability Project	Allocation Status
	Green	Social		
01	Renewable Energy (Solar PVs and Electricity Storage)	Basic infrastructure for disaster (Electricity Storage and Charging system)	(1) Design, R&D and facility expansion for next generation power conditioner production and electricity storage (for residential use)	Amount raised: JPY 1,589.2 million (of which JPY 500 million for back-up loans) Amount allocated: JPY 1,484.3 million (of which JPY 0 billion for refinancing)
			(2) Design, R&D and facility expansion for tri-phase power conditioner production and electricity storage (for industrial use)	
02	Renewable Energy (Solar PVs and Electricity Storage)		(3) Design, R&D and facility expansion for V2H (Vehicle to Home) system	Unallocated balance: JPY 104.9 million



Element 4: Reporting

DNV has confirmed that Diamond Electric HD will disclose the progress of the project, the allocation status of proceeds and the environmental benefits on the Diamond Electric HD’s website. The environmental benefits are shown in Table-4.

Table-4 Environmental benefits

No.	Sustainability Category		Sustainability Project	Environmental benefits
	Green	Social		
01	Renewable Energy (Solar PVs and Electricity Storage)	Basic infrastructure for disaster (Electricity Storage and Charging system)	(1) Design, R&D and facility expansion for next generation power conditioner production and electricity storage (for residential use)	CO ₂ reduction: 179,992 t-CO ₂ /year* ¹ Storage capacity: 350 MWh
			(2) Design, R&D and facility expansion for tri-phase power conditioner production and electricity storage (for industrial use)	CO ₂ reduction: 92,444 t-CO ₂ /year* ² Storage capacity: 365 MWh
02	Renewable Energy (Solar PVs and Electricity Storage)		(3) Design, R&D and facility expansion for V2H (Vehicle to Home) system	CO ₂ reduction: 5,420 t-CO ₂ /year* ² Storage capacity: 15 MWh

*1: Estimate based on assumed capacity at the start of production, with the above-mentioned environmental benefits expected as a result of the facility expansion in 2022.

*2: Estimate based on assumed capacity at the start of production.



DNV's Opinion

On the basis of the information provided by Diamond Electric HD and the work undertaken, it is DNV's opinion that the Diamond Electric HD sustainability finance (sustainability warrant) meets the criteria established in the Protocol and that it is aligned with the definition or purpose of sustainability finance, which is to "enable capital-raising and investment for new and existing projects with environmental and social benefits", stated in the GBP, SBP, and SBGL.

DNV Business Assurance Japan K.K.

12 Aug. 2022

Mark Robinson

Manager, Sustainability Services
DNV Business Assurance, Australia

Naoki Maeda

Managing Director
DNV Business Assurance Japan K.K.

Masato Kanedome

Project Leader
DNV Business Assurance Japan K.K.

Jun Chokai

Assessor
DNV Business Assurance Japan K.K.

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV : The management of Issuer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete.



Schedule-1 Diamond Electric HD Sustainability Warrant Eligibility Assessment Protocol

Following check list SF*-1 ~ SF-4 are based on DNV's Finance eligibility assessment protocol referred to 4 core components of GBP, SBP and related criteria. *SF; Sustainability Finance. Sustainability finance is regarded as sustainability warrant.

SF-1 Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of Finance	<p>The Finance must fall in one of the following categories, as defined such as the Green Bond Principles:</p> <ul style="list-style-type: none"> • Sustainability Use of Proceeds Finance • Sustainability Use of Proceeds Revenue Finance • Sustainability Project Finance <p>Others</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Sustainability Finance Framework (hereinafter Framework) <p>Discussions with Diamond Electric HD management</p>	<p>The reviewed evidence confirms that the sustainability warrant falls in the category:</p> <ul style="list-style-type: none"> • others <p>-> Diamond Electric HD executes the finance from the proceed by exercise of sustainability warrant based on the Framework (which defines environmental and social eligible projects (sustainability projects), project evaluation and selection, management of proceeds and reporting)</p>
1b	Sustainability (Green and Social) Project Categories	<p>The cornerstone of a Finance is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the Finance.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Framework - Timely disclosure document <p>Discussions with Diamond Electric HD management</p>	<p>DNV confirmed, As identified project list in Framework, the purpose of the sustainability warrant is to use the proceeds to eligible projects falling under the following categories as representative project category in GBP, SBP and related criteria. These information were described in the timely disclosure document and disclosed.</p> <p>Environmental Impact (Green)</p> <ul style="list-style-type: none"> - "Renewable Energy"(Project related to the Solar PVs and electricity storage system) - "Clean Transportation" (Project related to the charging system for EV,etc.) <p>Social Impact (Social)</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				- Basic infrastructure (electricity supply when disaster, Project related to the electricity storage system and charging system)
1c	Green and Social benefits	All designated Sustainability Project categories should provide clear greenly and socially sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Document reviewed : - Framework Discussions with Diamond Electric HD management	<p>DNV confirmed that sustainability projects contribute CO₂ emission reduction as green benefit and supply electricity when disaster occurs as social benefit. Since quantification of the benefits(impact) from the projects depend on the operation condition, DNV understands that it is difficult to evaluate directly its quantitative benefit. Therefore, DNV confirmed that issuer evaluate environmental and social benefit quantitatively based on the products and system specification and their production plan. These are considered confidential information</p> <p>DNV assessment concluded that these projects and assets would present a low risk of environmental and social impact by considering followings ;</p> <ul style="list-style-type: none"> - Join to the RE100 - Compliance of environmental law and regulation, issuer's environmental policy - ISO14001(environmental Management System)
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	Document reviewed : - Framework Discussions with Diamond Electric HD management	DNV confirmed, in case that proceeds allocates as refinance, Diamond Electric HD disclosed in its annual report (fund allocation section). Reporting included the refinance amount or share information as practically possible.



SF-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The issuer of a Finance should outline the decision-making process it follows to determine the eligibility of projects using Finance proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Sustainability (green and social) Projects categories; • The criteria making the projects eligible for using the Finance proceeds; and <ul style="list-style-type: none"> • The environmental and social sustainability objectives 	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Framework <p>Discussions with Diamond Electric HD management</p>	<p>DNV confirmed that the issuer set out the following criteria for project selection as per the Framework,:</p> <ul style="list-style-type: none"> - Project evaluation : Project division, Technical headquarter and treasury division confirmed against GBP, SBP and related criteria - Project selection : CFO selected the projects and decided by CEO
2b	Issuer's environmental, social and governance framework	<p>In addition to information disclosed by an issuer on its Finance process, criteria and assurances, Finance investors may also take into consideration the quality of the issuer's overall framework and performance regarding green and social sustainability.</p>	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Framework - Diamond Electric HD web site (CSR information) <p>Discussions with Diamond Electric HD management</p>	<p>DNV reviewed and notes that sustainability projects in the sustainability warrant align with Diamond Electric HD's "Social and Environmental Activity" and "environment policy"</p> <p>Sustainability projects are also linked with SDGs, and the sustainability of diamond electric HD business activities related to the environment and social. is taken into accounts.</p>



SF-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure-1	The net proceeds of Finance should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Sustainability Projects.	Document reviewed : - Framework - (Proceeds management practice) Discussions with Diamond Electric HD management	The evidence and information reviewed shows how Diamond Electric HD plans to trace the proceeds from the time of exercise of warrant. DNV confirmed Diamond Electric HD prepared subaccount for the deposit of the proceeds and managed as per its proceeds management practice which can identify the project and disbursed in accordance with the obligations.
3b	Tracking procedure-2	So long as the Finance outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible sustainability investments made until green and social benefit appearance or completion of proceeds allocation.	Document reviewed : - Framework - (Proceeds management practice) Discussions with Diamond Electric HD management	The evidence and information reviewed shows that Diamond Electric HD managed the proceeds with its unique project code set by the project division and they disbursed to the sustainability project then reported to the treasury division. Treasury division confirmed the funds allocation and unallocation status quarterly.
3c	Temporary holdings	Pending such investments or disbursements to eligible Sustainability Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Document reviewed : - Framework - (Proceeds management practice) Discussions with Diamond Electric HD management	DNV confirmed that unallocated proceeds (from exercise of warrant to the time of disbursement) were managed as cash or cash equivalents, monitoring by treasury division quarterly.



SF-4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Finance proceeds have been allocated including</p> <ul style="list-style-type: none"> - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected greenly and socially sustainable impact. - 	<p>Document reviewed :</p> <ul style="list-style-type: none"> - Framework <p>Discussions with Diamond Electric HD management</p>	<p>DNV has confirmed that the Diamond Electric HD reported to stakeholders the specific information required by the GBP, SBP and related criteria annually in the issuer's website, and that the annual report was conducted till the proceeds allocation and manufacturing facility installation & start operation are completed.</p> <p>The reporting included description of the allocation and management of the proceeds, project lists and their progress, as well as the associated qualitative and quantitative environmental and social impact for each sustainability projects with considering those confidentially.</p> <ul style="list-style-type: none"> -1- Fund Allocation and management of the proceeds <ul style="list-style-type: none"> (1) Proceeds amount (sum of the exercise of warrant) and allocation amount (2) Balance of the proceeds (unallocated amount) (3) Refinance amount (or share) -2- Project progress <ul style="list-style-type: none"> (1) Project progress which fund allocated (e.g. facility installation progress, operation plan) -3- Environmental and social impact (common items for 3 projects) <ul style="list-style-type: none"> (1) CO₂ emission reduction (t-CO₂/y) and electricity storage capacity (MWh) based on the production plan