



SECOND PARTY OPINION

TOKYO CENTURY CORPORATION SUSTAINABILITY-LINKED FINANCE AND TRANSITION-LINKED FINANCE FRAMEWORK

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: 7 May 2024

Ref. Nr.: PRJN- 722384-2024-AST-JPN-01

Contents

Executive Summary	3
I. Introduction	10
II. Scope and Objectives	18
III. Responsibilities of Tokyo Century and DNV	19
IV. Basis of DNV's Opinion	20
V. Work Undertaken	23
VI. Findings and DNV's Opinion	24
Schedule-1 Selection Process of Eligible Fundraisers by Tokyo Century as an Enabler (quoted from the Framework)	30
Schedule-2 Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) as an Enabler	31
Schedule-3 Sustainability-Linked Finance Eligibility Assessment Protocol as an Enabler	32

Revision History

Revision Number	Date of Issue	Main Changes
0	7 May 2024	Initial

Disclaimer

Our assessment relies on the premise that the data and information provided by Fundraiser to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.DNV.com)

Executive Summary

Tokyo Century Corporation (hereinafter, “Tokyo Century” or “Enabler”^{*1}) was formed through the merger of Century Leasing System, Inc. and Tokyo Leasing Co., Ltd., and with its founding business in leasing, they are engaged in co-creation with domestic and overseas partner companies in five business fields: "Domestic Leasing Business Field," "Automobility Business Field," "Specialty Business Field," "International Business Field," and "Environmental Infrastructure Business Field." Tokyo Century is developing a business model that combines “FINANCE x SERVICES x BUSINESS.”

The Tokyo Century Group has set a target to reduce its greenhouse gas (hereinafter, “GHG”) emissions to net zero by FY 2040 compared to FY 2021, with an interim target of a 50% reduction in GHG emissions by FY 2030.

Recognising that tackling environmental issues is one of its social responsibilities, Tokyo Century is committed to carry out its corporate activities that take environmental conservation into account in all areas of its business activities in order to realise a sustainable, recycling-oriented economic society, and as a funder, supports investments and loans that contribute to low-carbon and decarbonisation by its fundraisers. They believe that it is essential to support the promotion of low-carbon and decarbonisation in the aircraft and shipping business sectors, which have particularly high GHG emissions; thus, as an Enabler, they have followed international frameworks and have established the Tokyo Century Sustainability-Linked Finance and Transition-Linked Finance Framework (hereinafter, “the Framework”).

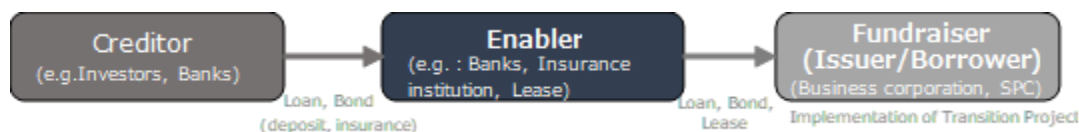
The Framework is structured as a comprehensive framework that includes the elements necessary for Tokyo Century to execute the following financing as an Enabler.

- Sustainability-Linked Finance (Loan and Equity^{*2})
- Transition-Linked Finance (Loan and Equity^{*2})

As an external reviewer, DNV Business Assurance Japan K.K. (hereinafter, “DNV”) provided an eligibility assessment of the Framework. Specifically, DNV has conducted eligibility assessment on Tokyo Century’s business plans and structure through applying and referring^{*2} to the framework (e.g., principles and guidelines) centred around the following to properly assess and determine fundraisers’ business activities, which are eligible for Tokyo Century's Sustainability-Linked Loan and Transition-Linked Loan, are adequately contributing to the transition strategy and to the realisation of low-carbon and decarbonisation.

- Sustainability-Linked Loan Principles (SLLP), LMA et al, 2023
- Sustainability-Linked Loan Guidelines (SLLGL), Ministry of the Environment, 2022
- Climate Transition Finance Handbook (CTFH), International Capital Market Association (ICMA), 2023
- Basic Guidelines on Climate Transition Finance (CTFBG), FSA, METI, MOE, 2021

A summary of the results of Tokyo Century's assessment of the fundraisers' eligibility assessment process against the common elements set out in the above Framework is shown on the following page.



*Edited extract from a METI material

- *1 Enabler : In this report, the Enabler is defined as the transition finance body (the entity that procures the funds, including investments and loans) underlined below, as describes in the relevant questions in the “Climate Transition Finance Handbook” (ICMA) and the “Basic Guidelines on Climate Transition Finance” (Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment).
- “Financial institutions that finance (transition) projects”**
- “Entities that plan to take initiatives that enable others to implement transition strategies through their own products and services. In such cases of financial institutions, a financier should articulate how the underlying projects or activities themselves fit into the fundraiser’s strategy”.**
- This report is to evaluate the eligibility of financial institution’s plans and structures as Enablers to evaluate that targeted transition projects and activities contribute to the realization of appropriate transition strategies of the fundraiser.
- *2 Since this equity is different from loan instruments, available principles and requirements are referred for eligibility assessment with understanding the five requirements of the SLLP (including *SLLGL) and the four common elements of the CTFH and CTFBG

<Assessment Result of Fundraiser's SLLP Eligibility Assessment Process as an Enabler>

From the documents and information provided by Tokyo Century, DNV has confirmed that Tokyo Century, as an Enabler, has an SLLP eligibility assessment process for the Fundraisers that is eligible. SLLP-1 to SLLP-5 below are the findings and DNV's opinion on the five SLLP requirements (including *SLLGL).

Selection of Eligible Fundraisers (Lessees):

As an Enabler, Tokyo Century defines and selects businesses that meet the criteria in Table-1 (Figure-1) as Eligible Fundraisers (Lessees), which are candidates to provide leases. After understanding the environmental management policy and transition strategy of the fundraisers (Lessees), Tokyo Century will select some of the fundraisers (Lessees) as eligible fundraisers (Lessees) once Tokyo Century can confirm subjected fundraisers' suitability for Sustainability-Linked Finance or Transition-Linked Finance.

In the case of fundraisers (Lessees) have never previously executed Sustainability-Linked Loans and/or Transition-Linked Loans, a separate third-party assessment of the adequacy of the KPIs/SPTs and transition strategy is required.

Table-1 Eligible Fundraisers (Lessees)

Eligible Fundraisers (Lessees)	
Case 1.	<ul style="list-style-type: none"> Where a 'Sustainability-Linked Framework' or 'Transition-Linked Framework' has already been developed, for which an eligible assessment by a third-party assessment reviewer has been obtained. The framework needs to be updated according to its content; However, it is not necessary if it is within three years of its formulation.
Case 2.	<ul style="list-style-type: none"> Where there is a track record of executing 'Sustainability-Linked Loans/Bonds' and 'Transition-Linked Loans/Bonds' for which a Framework has not yet been developed, but for which a qualified assessment by a third-party assessment reviewer has already been obtained.

※ In principle, the eligible fundraisers (lessees) meet the two cases listed in Table-1, but the fundraisers who can develop a new 'framework' or assess the execution of 'individual loans,' as described in Figure-1, may also be eligible.

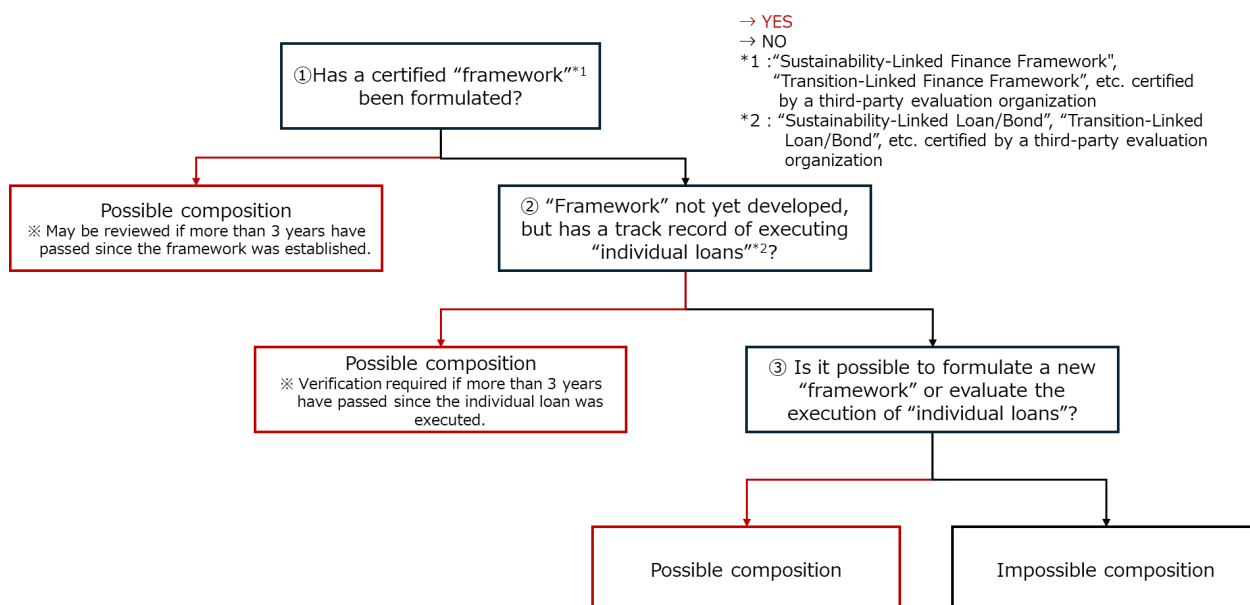


Figure-1 Selection process for qualifying fundraisers (Lessees) (Table-1 explained as a block flow diagram)

Enabler SLLP-1. Selection of Key Performance Indicators (KPIs):

Tokyo Century selects the best and most meaningful indicators for fundraising using the framework from the KPIs defined by the fundraiser (lessee).

Enabler SLLP-2. Calibration of Sustainability Performance Targets (SPTs):

Tokyo Century selects the most appropriate indicators for funding through the framework from among the SPTs defined by the fundraiser (lessee), and the ambition of the SPTs will be determined after consultation between Tokyo Century and the fundraiser (lessee).

Enabler SLLP-3. Finance Characteristics:

At least once a year, Tokyo Century determines the achievement of the SPTs determined under SLLP-1 and SLLP-2. Tokyo Century also applies equity financing, as illustrated in the diagram below, and will vary the equity and loan terms depending on whether the SPTs have been achieved, as follows:

<Equity Characteristics>

If the SPTs are achieved, the funder (Lessor), a wholly owned subsidiary of Tokyo Century, will in principle reduce the fundraiser's (Lessee's) lease payments once a year. In the event of non-achievement, the funds remaining in the funder's (Lessor) ESG Reserve Account will be donated to a fund designated by Tokyo Century for environmental protection activities or distributed to anonymous investors.

<Loan Characteristics>

If the SPTs are achieved, a reduction in the lease fee of the fundraiser (Lessee) and a preferential interest rate on the funder's (Lessor's) loan apply. If not achieved, the normal interest rate applies.

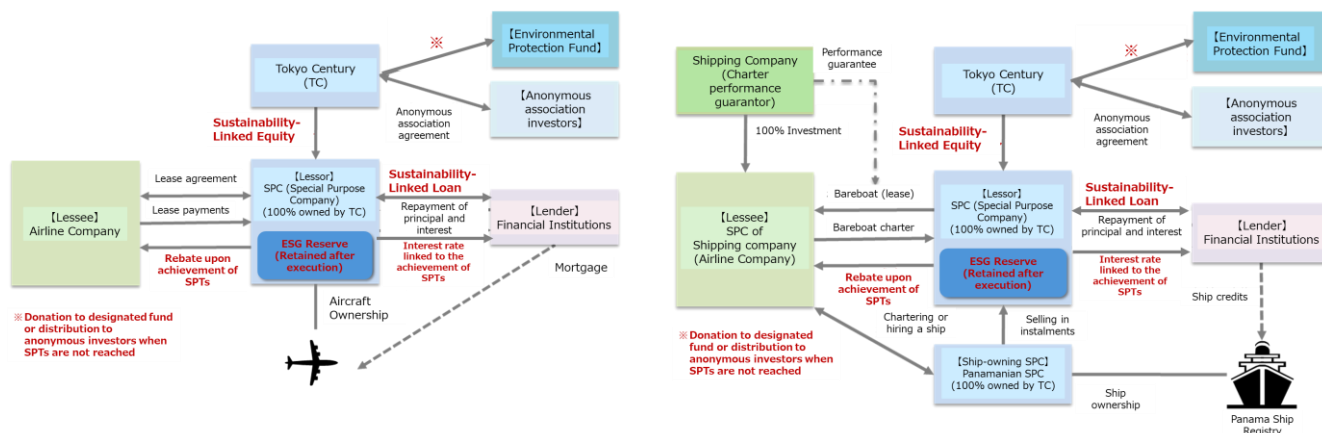


Image of Tokyo Century's Finance Scheme as an Enabler (left: aircraft leasing business, right: ship leasing business)

Enabler SLLP-4. Reporting:

Once a year, Tokyo Century will confirm with the fundraisers (Lessee) and submit to the anonymous investors and lenders the results of the achievement of the SPTs determined in SLLP-1 and SLLP-2 and the characteristics of the Financing. In addition, the status of the execution of the Financing will be published on the website of Tokyo Century and in some other communication formats.

Enabler SLLP-5. Verification:

Tokyo Century will receive an independent third-party verification report from the fundraisers (Lessee) on the achievement of the SPTs against the set KPIs.

<Assessment Result of Fundraiser's SLLP Eligibility Assessment Process as an Enabler>

From the documents and information provided by Tokyo Century, DNV has confirmed that Tokyo Century, as an Enabler, has a CTF eligibility assessment process for eligible fundraisers (Lessees) to fund Transition Loans with general corporate purpose.

Enabler CTF-1 to CTF-4 below outline the eligibility assessment process for the four common elements of the CTFH and CTFBG. DNV has confirmed through its assessment of Tokyo Century that the eligibility assessment process (Framework) is consistent with the CTFH and CTFBG.

Enabler CTF-1. Fundraiser's (Lessee) Climate Transition Strategy and Governance:

Climate Transition Strategy: Through its Framework, Tokyo Century ensures that the fundraisers' (Lessees') transition strategies are consistent with the goals of the Paris Agreement, have a concrete plan with a scientific basis, and that the plan is transparent and sets credible and feasible targets. In addition, Tokyo Century will consider the main GHG reduction measures and their contribution to the SDGs in the implementation of the fundraisers' (Lessees') transition strategies.

Governance: Tokyo Century checks what kind of organisational or meeting committee body manages the fundraisers' (Lessees') transition strategies and if such an organisation body has implemented execution process. If the fundraisers (Lessees) intend to update or already updated their transition strategies, Tokyo Century will check with the fundraisers (Lessees) and explain the changes and their reasons to stakeholders.

Enabler CTF-2. Business Model Environmental Materiality:

Environmental Materiality: In its materiality selection process, Tokyo Century ensures that its fundraisers' (Lessees') GHG reduction efforts contribute to the transformation of core business activities that are environmentally significant in terms of their business characteristics, given that they have an impact on Tokyo Century's Scope 3.

Climate Change-related Scenarios: Tokyo Century confirms what scenarios the fundraisers' (Lessees') transition strategies are based on that have a scientific basis and that it will consider several future scenarios that may affect the eligible projects that are candidates for the use of the proceeds.

Enabler CTF-3. Climate Transition Strategy to be 'Science-Based' including Targets and Pathways:

Science-based Strategies, Targets and Pathways: Tokyo Century confirms that the targets and pathways quantified as absolute or relative values set by the fundraiser (Lessee) are set by reference to the scientifically based trajectories required to achieve the goals of the Paris Agreement. It also ensures that the fundraiser's (lessee's) GHG emissions reduction targets cover GHG protocols or are set by other appropriate indicators, targets, etc., depending on business characteristics, technology development and reduction progress timelines.

Enabler CTF-4. Implementation Transparency:

Investment Plan: Tokyo Century confirms the overall investment plan for the realisation of the fundraisers' (Lessees') transition strategies. If the timeline for realising the strategy is long or if the overall investment plan is difficult to set due to external factors other than the company itself, such as common technological innovation, Tokyo Century confirms the short-term investment plan, including the project in question, to the extent practicable.

Just Transition, Mitigation of Negative Impacts and Avoidance of Lock-In: Tokyo Century ensures that just transition, avoidance of lock-in and negative impacts are appropriately identified, considered and addressed in the fundraisers' (Lessees') transition strategies and the impact of the introduction of the carbon tax.

Based on its assessment of the Framework and other relevant documents and information provided by Tokyo Century, DNV has confirmed that the Framework established by Tokyo Century to promote leases executed through financing with general corporate purpose by Tokyo Century as an Enabler meets the criteria required by the SLLP, SLLGL, CTFH and CTFBG, and is eligible.

I. Introduction

i. About Tokyo Century

Tokyo Century was formed through the merger of Century Leasing System, Inc. and Tokyo Leasing Co., Ltd., and with its founding business in leasing, they are engaged in co-creation with domestic and overseas partner companies to develop a business model that combines 'FINANCE x SERVICES x BUSINESS.' Specifically, Tokyo Century operates in the following business areas:

Equipment Leasing Segment	: Provide finance and services for all types of properties, including information and communications equipment, office equipment, manufacturing facilities, construction machinery, and commercial equipment.
Automobility Segment	: Provide high-quality services tailored to the purpose of use under an extensive service line-up ranging from corporate and individual auto leasing to car rental.
Specialty Financing Segment	: Provide highly specialised finance and services in shipping, aviation, real estate, structured finance and principal investments.
International Business Segment	: Provide highly specialised finance and services that meet the specific needs of each country by promoting an alliance strategy with leading companies and financial institutions in Japan and abroad as business partners.
Environmental Infrastructure Segment	: In addition to the renewable energy business, the company provides various services that contribute to a decarbonised society, including efficient business management and profitability improvement services in the power generation business.

Management Philosophy

Tokyo Century Group will work alongside customers in pursuit of their growth as a highly specialized and unique financial services company and will contribute to the creation of an environmentally sound, sustainable economy and society.

Figure-2 Tokyo Century Group Management Philosophy

ii. Tokyo Century's Sustainability Initiatives

As a financial and service company, Tokyo Century, together with all its stakeholders, sees sustainability as the basis for achieving sustainable growth and increasing corporate value and contributing to the realisation of a recycling-oriented economy and society. In its "Medium-Term Management Plan 2027 - TC Transformation and Sustainable Growth," formulated in May 2023, Tokyo Century has set the promotion of ESG as a basic policy to enhance its corporate value over the medium to long term. The company is committed to "Contribute to the creation of a sustainable economy and society," "Expand human capital investment and contribute to social infrastructure development for the resolution of social issues" and "Strengthen the effectiveness of governance" to achieve sustainable growth and increase corporate value, thereby contributing to and taking up the challenge of realising a sustainable economy and society.

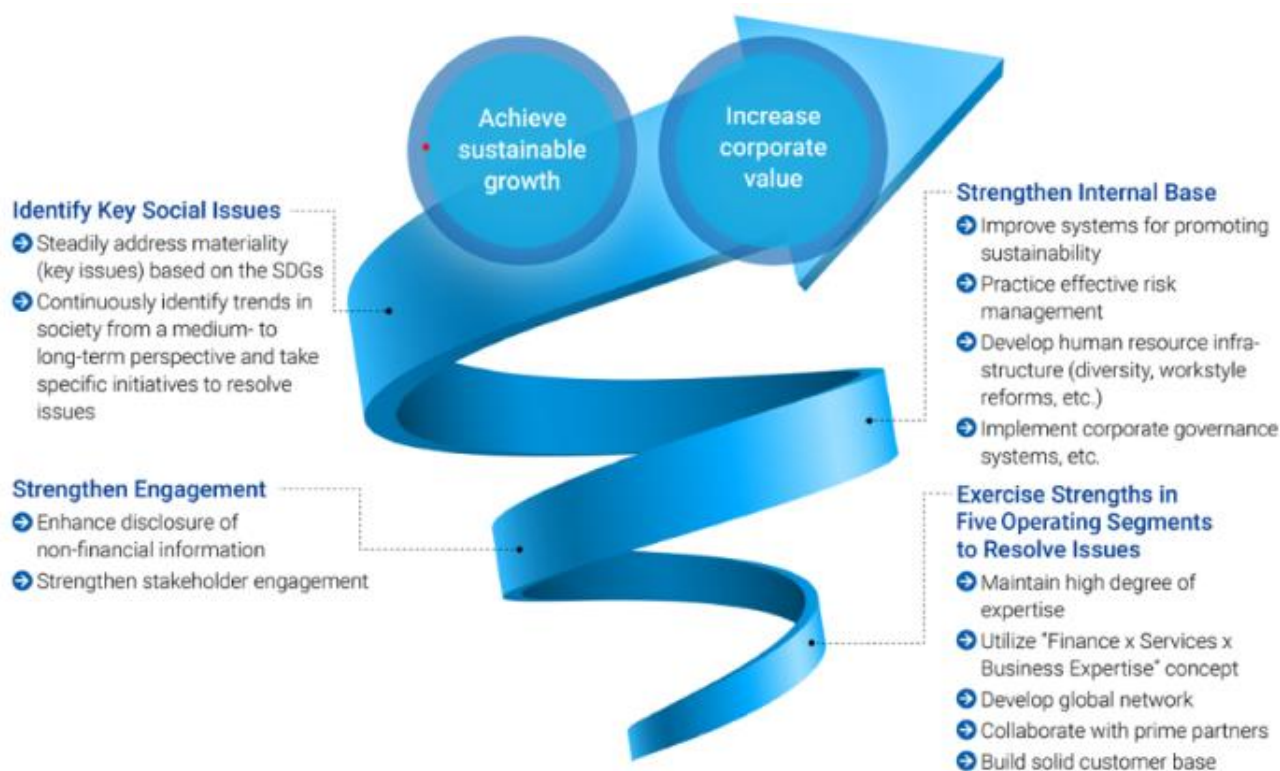


Figure-3 Contribute to the creation of an environmentally sound, sustainable economy and society through our business activities

Established in April 2018, the Sustainability Committee is responsible for deliberations related to sustainability management at Tokyo Century. This committee meets twice a year, in principle. Important matters deliberated on by the Sustainability Committee are reported to and discussed by the Management Meeting and the Board of Directors to allow for oversight by the Board of Directors.

The Sustainability Committee is chaired by the president of the Corporate Planning Unit and promotes initiatives for addressing materiality items that position sustainability as an important management issue. In addition, the Sustainability Committee also collaborates with the Comprehensive Risk Management Committee, which handles climate change risk from the perspective of risk management. Regarding climate change risk as an operational risk in a non-financial risk category, Tokyo Century has a system in place to report monitoring results to the Board of Directors twice a year through the Comprehensive Risk Management Committee as a risk indicator for non-financial information.

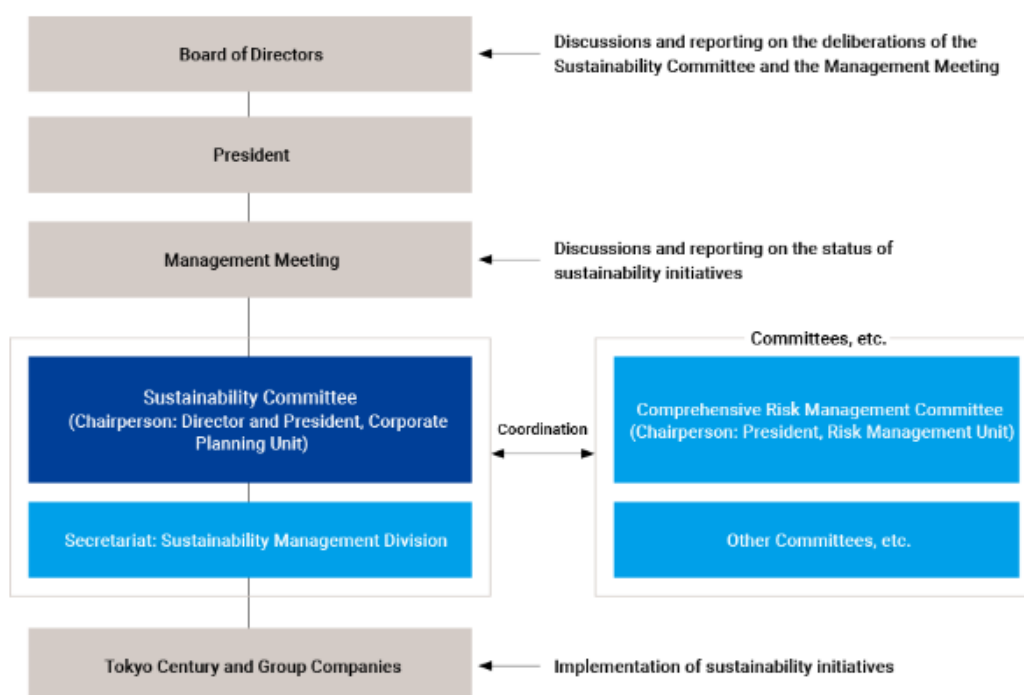


Figure-4 Structure for Promoting Sustainability Management

iii. Tokyo Century's Environmental Initiatives

The Tokyo Century Group recognises that addressing environmental issues is one of its key management tasks and has formulated a basic environmental policy in line with the United Nations Sustainable Development Goals. Under this policy, Tokyo Century contributes to and takes on the challenge of realising a sustainable, recycling-oriented economy and decarbonised society by taking environmental issues into consideration and addressing them in all areas of its business activities, including prevention of environmental pollution, reduction of greenhouse gas emissions, mitigation of and adaptation to climate change, and conservation of biodiversity and ecosystems.

iv. Tokyo Century's Climate Change Initiatives

In line with its management philosophy that is to 'contribute to the creation of an environmentally sound, sustainable economy and society,' the Tokyo Century Group recognises that addressing climate change is an important growth opportunity and has set 'contributing to a decarbonised society' as one of Tokyo Century's materialities. They are promoting initiatives aimed at both resolving social issues and increasing Tokyo Century's sustainable growth and corporate value.

The Tokyo Century Group has a carbon neutrality policy and plans to be carbon neutral in FY 2040 compared to 2021 in Scope 1 and 2, with an interim target of a 50% reduction in FY 2030. For Scope 3, as shown in Figure-6, GHG emissions by category have been disclosed and 90% of the GHG emissions are in category 13*. As well as expanding the scope of calculation and refining the calculation method, Tokyo Century has taken various measures to reduce GHG emissions in Scope 1 and 2, including reducing its own direct and indirect energy-based emissions and decarbonising its biomass co-firing power plants in line with its Transition Plan. In Scope 3, the company plans to reduce GHG emissions by increasing the ratio of fuel-efficient aircraft in its aviation business, strengthening the handling of EV vehicles in its Automobility business, and introducing renewable energy in its real estate business.

*Category 13: Criteria for calculating GHG emissions from leased assets (downstream).

The Tokyo Century Group^{*1} promotes the reduction of greenhouse gas (GHG) emissions^{*2} and aims to achieve carbon neutrality by fiscal 2040.

As the interim target for achieving carbon neutrality, the Tokyo Century Group aims to achieve a 50% reduction in GHG emissions by fiscal 2030 (vs. FY2021^{*3}).

^{*1} Major consolidated subsidiaries where personnel are located (including the biomass co-firing power plant of Shunan Power Corporation)

^{*2} Direct emissions from Company-owned and controlled resources (Scope 1) and indirect emissions from the consumption of purchased electricity, heat, and steam (Scope 2)

^{*3} Greenhouse gas emissions of 1,365,000 t-CO₂ in fiscal 2021 (Emissions volume as calculated in relation to carbon-neutrality target = Fiscal 2021 greenhouse gas emissions + Estimated annual greenhouse gas emissions from hotel business and biomass co-firing power plant of Shunan Power)

Figure-5 The Tokyo Century Group's Carbon-Neutrality Policy



DNV

Greenhouse Gas Emissions by Scope 3 Category (thousands of t-CO₂)

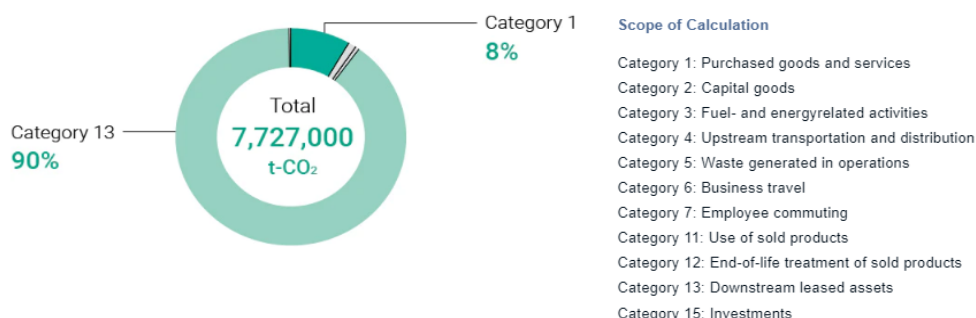


Figure-6 Scope 3 GHG Emissions by Category (2022)

Reference Table: Tokyo Century Group GHG Emissions by Scope (prepared by DNV based on disclosed data)

	GHG Emissions in 2022 (thousand t-CO ₂)
Scope 1	1,083
Scope 2 (L) *	15
Scope 3	7,727

*) (L): location criteria

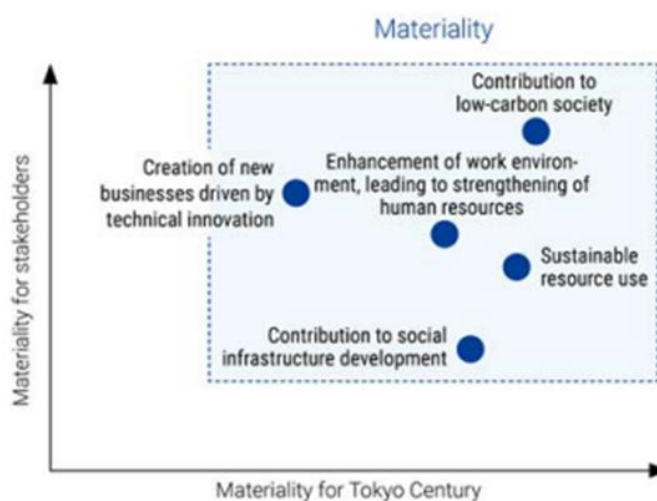
v. Tokyo Century's Commitment to the SDGs

In order to identify materialities and organise their relationship to the SDGs, Tokyo Century has implemented the following process:

Consideration of 'key ESG issues' from the perspective of external stakeholders

Linking the Sustainable Development Goals (SDGs) to key ESG assessments and non-financial disclosure criteria (e.g., Dow Jones Sustainability Index, FTSE4Good Index) to determine their importance to stakeholders.











Consideration of 'key ESG issues' from the company's perspective



Linking Tokyo Century's management philosophy and financial information to the SDGs, determining their importance to the company and creating a materiality map.

Management discussion and deliberation

After interviews with relevant departments, discussions in the Sustainability Committee and the Management Board and Board of Directors, the five materialities and the common foundations that support them were determined.

Materiality	Priority materiality Initiatives	SDGs
Contribution to decarbonized society	Contribute to widespread use of clean energy through climate change response and environmental efforts	 
Creation of new businesses driven by technical Innovation	Create new businesses by integrating new technologies into financial services and contribute to the digital economy	 
Contribution to social infrastructure innovation	Respond to advances in global mobility services and corporate with local communities to contribute to social infrastructure development	 
Sustainable resource use	Contribute to development of a circular economy focused on the value of assets	 
Enhancement of work environment, leading to strengthening of human resources	Promote human resource development, diversity, and workstyle reforms that improve job satisfaction and foster a sense of personal growth	
Shared platforms	Utilize diverse partnerships to create new value	

* The relevance to the SDGs was drawn from Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, published by ICMA, which sets out the Green Bond Principles. It is complementary when executing Sustainability-Linked Loans and Transition-Linked Loans and is not directly associated with them as a financing objective.

vi. About the Sustainability-Linked Finance and Transition-Linked Finance Framework

Tokyo Century has established the Tokyo Century Sustainability-Linked Finance and Transition-Linked Finance Framework (hereinafter, "the Framework") based on an international framework in order to promote finance with general corporate purpose as an Enabler to contribute to the environment by supporting the implementation of environmental strategies by lessees.

The Framework is structured as a comprehensive document containing the elements required for Tokyo Century to execute with general corporate purpose as an Enabler.



The framework specifically referred to and applied by this Framework is described in the 'Standards/guideline to be applied or referred to' in section II below.

Enabler Name: Tokyo Century Corporation

Framework Name: Tokyo Century Sustainability-Linked Finance and Transition-Linked Finance Framework

Name of External Review Organisation: DNV Business Assurance Japan K.K.

Date of Report: 7 May 2024

vii. Tokyo Century's Financing Scheme as an Enabler

Tokyo Century will promote finance for aircraft and ship leasing projects. Specific financing schemes are shown in Figure-7 and Figure-8. Financing under the Framework will be provided as a low-carbon and decarbonising financing entity of the fundraiser (Lessee) with KPIs/SPTs in accordance with the SLLP and SLLGL. If funding is provided as Transition-Linked Finance, the fundraiser's (Lessee's) transition strategies will also be confirmed as CTFH and CTFGB compliant.

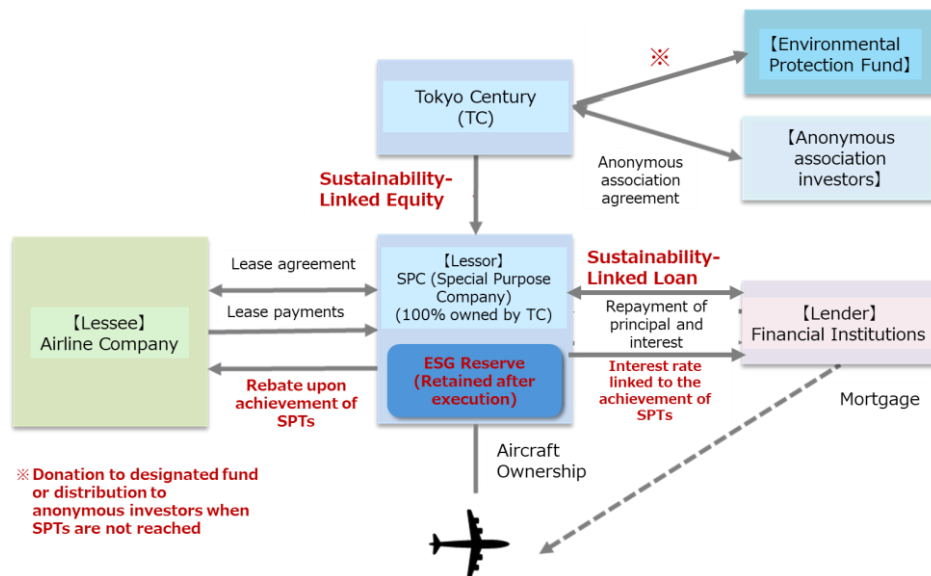


Figure-7 Scheme diagram when the fundraiser (Lessee) is an airline

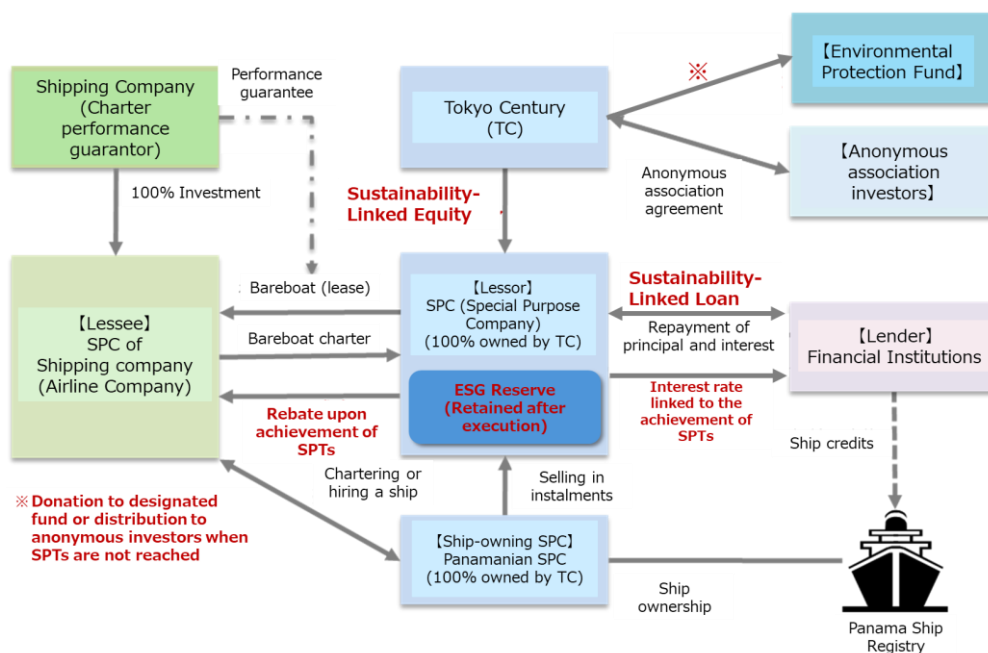


Figure-8 Scheme diagram when the fundraiser (lessee) is a shipping company

II. Scope and Objectives

DNV has been commissioned by Tokyo Century to provide an eligibility assessment on the Framework. Our objective has been to implement an assessment on the adequacy of the eligibility assessment process for fundraisers (Lessees) by Tokyo Century as an Enabler and whether it is aligned with the SLLP, SLLGL and/or CTFH, CTFBG, and to provide a second party opinion on the eligibility of the Framework.

DNV, as an independent external reviewer, has identified no real or perceived conflict of interest associated with the delivery of this second party opinion for Tokyo Century.

In this report, no assurance is provided regarding the financial performance of individual Sustainability-Linked Loans and Transition-Linked Loans, the value of any investments, or the long-term environmental benefits of the transaction.

(1) Structure of finance at the time of finance execution

- | | |
|---|---|
| <input checked="" type="checkbox"/> Stepping up the structure | <input checked="" type="checkbox"/> Changes in reimbursement structures |
|---|---|

*Any of the above or others, set individually based on the internal processes of the fundraiser (lessee) at the time of financing execution.

(2) Scope of review*

The review assessed the following elements and confirmed their alignment with the main thrust of the five key elements of the SLLP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Evaluate all the following elements (all elements reviewed) | <input type="checkbox"/> Only some elements are rated (partial review) |
| <input checked="" type="checkbox"/> Selection of KPIs | <input checked="" type="checkbox"/> Finance Characteristics |
| <input checked="" type="checkbox"/> Calibration of SPTs | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |

*The scope of review is to be applied as a part of the evaluation of the transition finance with general corporate purpose

*The four disclosure elements of CTFH/CTFBG are also included in the scope of the review.

(3) Role(s) of review providers (General Corporate Purpose)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |

*The scope of the review is applied as the evaluation part for the Transition Finance with general corporate purpose.

*The four disclosure elements of CTFH/CTFBG are also included in the scope of the review.

(4) Standards/guidelines to be applied

No.	Standards/Guidelines	Scheme Owner	Application Level ^{*3}
1.	Sustainability-Linked Loan Principles (SLLP) ^{*1}	Loan Market Association (LMA) and others, 2023	Apply
2.	Sustainability-Linked Loan Guidelines (SLLGL) ^{*1}	Ministry of the Environment, 2022	Apply
3.	Climate Transition Finance Handbook (CTFH) ^{*2}	International Capital Market Association (ICMA), 2023	Apply
4.	Basic Guidelines on Climate Transition Finance (CTFBG) ^{*2}	FSA, METI, MOE, 2021	Apply

*1 This includes compliance with the five core elements that must be met if the loan is to be executed as a transition loan with general corporate purpose, meeting the four elements of a transition.

*2 Climate transition: The concept of climate transition focuses principally on the credibility of an issuer's (fundraiser's (Lessee's)) climate change-related commitments and practices. (Quoted from CTFH and CTFBG)

*3 Apply: Assessment that Tokyo Century qualifies or has a suitability assessment process to determine eligibility for all elements of each principle and guideline required for executing finance with general corporate purpose as an Enabler.

III. Responsibilities of Tokyo Century and DNV

Tokyo Century has provided the information and data used by DNV during the delivery of this review. DNV's second party opinion represents an independent opinion and is intended to inform Tokyo Century and other interested stakeholders in the finance 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 Tokyo Century. DNV is not responsible for any aspect of the nominated assets or organisations 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 Tokyo Century's management and used as a basis for this assessment were not correct or complete.

IV. Basis of DNV's Opinion

To provide as much flexibility for the Enabler, Tokyo Century as possible, we have adapted our assessment methodologies, which incorporates the requirements of the SLLP, SLLGL, CTFH and CTFBG, to create a Tokyo Century Finance with general corporate purpose. Eligibility Assessment Protocol (hereinafter, "Protocol"). Please refer to Schedules-3 to 4. The Protocol is applicable to finance under the SLLP, SLLGL, CTFH and CTFBG, which are carried out by Tokyo Century as Enabler.

DNV, as an independent external reviewer, provides second party opinion according to the Protocol.

Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching Sustainability-Linked Finance and Climate Transition Finance principles behind the criteria are as follows:

"product incentivises the fundraiser (lessee) to achieve material (as climate transition), ambitious, pre-determined, regularly monitored and externally verified ESG (on climate transitions) through KPIs and SPTs"

"provide an investment opportunity with transparent sustainability credentials for the Climate Transition Finance"

As per our Protocol, the criteria against which the finance with general corporate purpose has been reviewed are grouped into four common elements (disclosure elements) respectively (1) and (2) below. DNV will also review whether Tokyo Century has an appropriate suitability assessment process in place for elements (1) and (2) when assessing a fundraiser's (Lessee's) approach to finance with general corporate purpose as an Enabler.

(1) Five Elements of SLLP and SLLGL ^{*1}

Principle One: Selection of Key Performance Indicators (KPIs)

The Fundraiser (Lessee) of Sustainability-Linked Finance or Transition-Linked Finance should clearly communicate to investors or lenders the overarching sustainability objectives set out in the sustainability strategy and how these objectives align with the proposed SPTs. KPIs should be reliable, material to the Fundraiser's (Lessee's) core sustainability and business strategy, address relevant ESG challenges of the industry sector and be under management control.

Principle Two: Calibration of Sustainability Performance Targets (SPTs)

The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.

Principle Three: Finance Characteristics

The finance should include the financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The finance documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of structural characteristics of sustainability-linked finance or transition-linked finance. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.

Principle Four: Reporting

The fundraiser (Lessee) should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report (see Principle Five) outlining the performance against the SPTs and the related impact and timing of such impact on the finance's financial and/or structural characteristics, with such information to be provided to those institutions participating in the finance or to investors participating in the finance at least once per annum.

Principle Five: Verification

The Fundraiser (Lessee) should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, at least once per annum. The verification of the performance against the SPTs should be made publicly available.

*1: The Sustainability-Linked Finance DNV Assessment Protocol consists of five requirements set out based on the SLLP (2023) and encompasses the SLLGL.

**(2) Transition Loan Eligibility Assessment of Fundraisers (Lessees) for the Transition Loan with General Corporate Purpose as an Enabler
(Four common elements of CTFH and CTFBG)****Principle One: Fundraiser's (Lessee's) climate transition strategy and governance**

The financing purpose should be for enabling a Fundraiser's (Lessee's) climate change strategy.

Principle Two: Business model environmental materiality

The planned climate transition trajectory should be relevant to the environmentally-material parts of the Fundraiser's (Lessee's) business model.

Principle Three: Climate Transition Strategy to be 'Science-Based' including Targets and Pathways

Fundraiser's (Lessee's) climate transition strategy should reference science-based targets and transition pathways.

Principle Four: Implementation Transparency

Market communication in connection with the offer of a financing instrument which has the aim of funding the Fundraiser's (Lessee's) climate transition strategy should also provide transparency of the underlying investment program.

V. Work Undertaken

Our work constituted a comprehensive review of the available information, based on the understanding that this information was provided to us by Tokyo Century 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 includes:

i. Pre-Financing Assessment

- Creation of an Enabler-specific Protocol, adapted to the purpose of the Tokyo Century's Finance with general corporate purpose, as described above and in Schedules-3 to 4 to this assessment;
- Assessment of documentary evidence provided by Tokyo Century on the Finance with general corporate purpose and supplemented assessment by a comprehensive desktop research. These checks refer to current assessment best practice and standards methodologies;
- Discussions with Tokyo Century, and review of relevant documentation;
- Documentation of findings against each element of the criteria;
- Where necessary, documentation of an eligibility assessment against the assessment results of the Finance with general corporate purpose implemented by the Enabler, Tokyo Century.

ii. Post-Financing Assessment (**not included in this report*)

- Interview with Enabler and review of relevant document control;
- Field research and inspection (if necessary);
- Document creation of post-financing observation results.

VI. Findings and DNV's Opinion

DNV's findings and opinions are described as follows:

DNV reviewed whether Tokyo Century, as an Enabler, has an appropriate eligibility assessment process for the following elements when assessing the Fundraiser's (Lessee's) initiatives to finance with general corporate purpose.

In Tokyo Century's assessment process, a company is considered as an eligible fundraiser (Lessee) if it meets any of the following criteria:

- ① A framework for finance with general corporate purpose has been developed, certified by a third-party independent evaluation body.
- ② Although the framework has not yet been developed, there is a track record of executing the finance with general corporate purpose that has been certified by a third-party independent evaluation body.
- ③ At present, there is no track record for both ① and ②, but it is possible to develop a new 'framework' or to be evaluated the execution of the finance with general corporate purpose.

Enabler SLLP-1 to SLLP-5 and Enabler CTF-1 to CTF-4 below outline the eligibility assessment process for the five common elements of SLLP and SLLGL and the four common elements of CTFH and CTFBG.

Through the assessment to Tokyo Century, DNV has confirmed that the eligibility assessment process is aligned with the SLLP, SLLGL, CTFH and CTFBG.

(1) Findings and DNV's opinions on the five SLLP requirements

Process for Selecting Eligible Fundraisers (Lessees):

- The process for selecting qualified fundraisers (Lessees) for Tokyo Century is shown in Figure-1.
- Tokyo Century only provides funding as an Enabler to the Fundraisers (Lessees) that meet the criteria in Table-1. Furthermore, Tokyo Century plans to confirm and understand the environmental management policy and transition strategy of the Fundraiser (Lessee) and select the Lessee that can be confirmed as eligible for Sustainability-Linked Finance or Transition-Linked Finance as a Fundraiser (Lessee).
- In the case of the Fundraisers (Lessees) that have not previously executed Sustainability-Linked Loans and Transition-Linked Loans, a separate third-party assessment of the adequacy of the KPIs/SPTs and transition strategy will be required

Table-1 (Reiterated) Eligible Fundraisers (Lessees)

Eligible Fundraisers (Lessees)	
Case 1.	<ul style="list-style-type: none"> Where a 'Sustainability-Linked Framework' or 'Transition-Linked Framework' has already been developed, for which an eligible assessment by a third-party assessment reviewer has been obtained. The framework needs to be updated according to its content; However, it is not necessary if it is within three years of its formulation.
Case 2.	<ul style="list-style-type: none"> Where there is a track record of executing 'Sustainability-Linked Loans/Bonds' and 'Transition-Linked Loans/Bonds' for which a Framework has not yet been developed, but for which a qualified assessment by a third-party assessment reviewer has already been obtained.

※ In principle, the eligible fundraisers (lessees) meet the two cases listed in Table-1, but the fundraisers who can develop a new 'framework' or assess the execution of 'individual loans,' as described in Figure-1, may also be eligible.

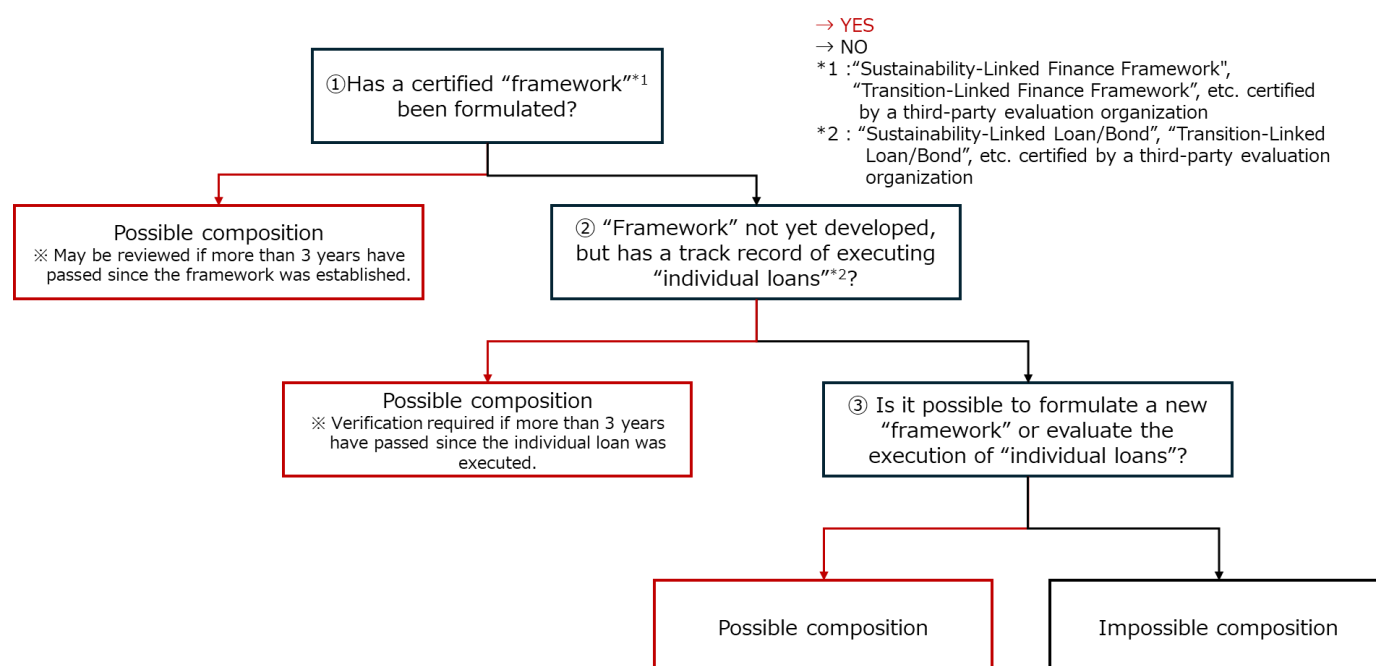


Figure-1(Reiterated) Selection process for qualifying fundraisers (Lessees) (Table-1 explained as a block flow diagram)

Enabler SLLP-1. Selection of Key Performance Indicators (KPIs):

- From the KPIs defined by the Qualified Fundraiser (Lessee), Tokyo Century selects the indicators that are most suitable and meaningful in raising funds using this financing.

Enabler SLLP-2. Calibration of Sustainability Performance Targets (SPTs):

- From among the SPTs defined by the Qualified Fundraiser (Lessee), Tokyo Century will select the most appropriate indicators for raising funds using this financing. The ambition of the SPTs will be determined after discussion between Tokyo Century and the Qualified Fundraiser (Lessee).

Enabler SLLP-3. Finance Characteristics:

- At least once a year, Tokyo Century determines the achievement of the SPTs determined under SLLP-1 and SLLP-2. Tokyo Century also applies equity financing, as shown in Figures 7 and 8, and varies the equity and loan terms depending on whether the SPTs have been achieved. Refer to the following:

<Equity Characteristics>

If the SPTs are achieved, the Funder (Lessor), a wholly owned subsidiary of Tokyo Century, will in principle reduce the fundraiser's (Lessor's) lease payments once a year. In the event of non-achievement, the funds remaining in the Fundraiser's (Lessor's) ESG Reserve Account will be donated to a fund designated by Tokyo Century for environmental protection activities or distributed to anonymous investors.

<Loan Characteristics>

If the SPTs are achieved, a reduction in the lease fee of the Fundraiser (Lessee) and a preferential interest rate on the Funder's (Lessor's) loan apply. If not achieved, the normal interest rate will be applied.

Enabler SLLP-4. Reporting:

- Tokyo Century will confirm the results of the achievement of the SPTs and the characteristics of the Financing determined in SLLP-1 and SLLP-2 with the Fundraiser (Lessee) once a year and submit them to the anonymous investor and the lender. In addition, the status of the execution of the Financing will be published on the website of Tokyo Century and through other communication channels.

Enabler SLLP-5. Verification:

- Tokyo Century will receive an independent third-party verification report from the Fundraiser (Lessee) on the achievement of the SPTs against the set KPIs.

(2) Adequacy of assessment process as an Enabler and DNV's opinion against four common elements (disclosure elements) of CTFH and CTFBG

Enabler CTF-1. Fundraiser's (Lessee's) Climate Transition Strategy and Governance:

- **Climate Transition Strategy:** Through its framework, Tokyo Century ensures that the Fundraisers' (Lessees') transition strategies are consistent with the goals of the Paris Agreement, have a concrete science-based plan, and that the plan is transparent and sets credible and feasible targets. In the implementation of the Fundraisers' (Lessees') transition strategies, Tokyo Century will also consider the main means of GHG reduction and environmental and social impacts other than climate change, as well as the contribution to the SDGs.
- **Governance:** Tokyo Century will ensure that the Fundraiser's transition strategy has processes in place to manage and implement its transition strategy and by what organisational body/meeting committee body. If the fundraiser's (Lessee's) originally planned transition strategy is updated, whether due to external or internal factors, Tokyo Century confirms with the Fundraiser (Lessee) and explains the changes and their reasons to stakeholders.

Enabler CTF-2. Business Model Environmental Materiality:

- **Environmental Materiality:** Tokyo Century will ensure that the Fundraisers' (lessees') efforts to reduce GHG emissions, which will have an impact on Tokyo Century's Scope 3, contribute to the materiality selection process and to the transformation of core business activities that are environmentally significant in terms of business characteristics, both now and in the future. The Fundraisers' (lessees') materiality selection process and the current and future contribution to the transformation of core business activities that are environmentally important due to the nature of the business.
- **Consideration of Scenarios:** Tokyo Century confirms what scenarios the Fundraiser's (Lessee's) transition strategy is based on that have a scientific basis and that it will consider several future scenarios that may affect the eligible projects that are candidates for the use of the funds.

Enabler CTF-3. Climate Transition Strategy to be 'Science-Based' including Targets and Pathways:

- **Science-based strategies, targets and pathways:** Tokyo Century will ensure that the quantified targets and pathways set by the Fundraiser (Lessee), either as absolute or relative values, are set with reference to the science-based trajectories required to realise the goals of the Paris Agreement. It also ensures that the Fundraiser's (Lessee's) GHG emissions reduction targets cover the GHG Protocol or are set by other appropriate indicators, targets, etc., depending on business characteristics, technology development and timelines for reduction progress.

Enabler CTF-4. Implementation Transparency:

- **Investment Plan:** Tokyo Century checks the overall investment plan for the realisation of the Fundraiser's (Lessee's) transition strategy. If the timeline for realising the strategy is long or if the overall investment plan is difficult to set due to the factors other than the company itself, such as the external environment surrounding the transition or the state of technological innovation, the short-term investment plan, including the project in question, is confirmed to the extent practicable.
- **Just Transition, Mitigation of Negative Impacts and Avoidance of Lock-in:** Tokyo Century will ensure that just transition, avoidance of lock-in and negative impacts are appropriately identified, considered and addressed in the Fundraiser's (Lessee's) transition strategy, as well as the impact of the introduction of the carbon tax.

(3) External Review

In order to ensure credibility and transparency that the finance with general corporate purpose to be implemented based on the results of the framework decision process (eligibility assessment results) is an appropriate linked loan, Tokyo Century confirms through an external review that Tokyo Century's eligibility assessment has been properly completed (a written statement of conformity will be obtained from the external evaluation body)



Assessment Conclusion

On the basis of the Framework and other relevant documentation and information provided by Tokyo Century, and the work undertaken, it is DNV's opinion that the Framework established by Tokyo Century as an Enabler to promote lease executed through the finance with general corporate purpose meets the criteria required in the SLLP, SLLGL, CTFH and CTFBG, and is eligible.

Based on the above, we express our opinion that the finance with general corporate purpose to be implemented by Tokyo Century as Enabler is consistent with the following definitions and objectives of SLLP, SLLGL, CTFH and CTFBG.

"product incentivises the fundraiser (lessee) to achieve material (as climate transition), ambitious, pre-determined, regularly monitored and externally verified ESG (on climate transitions) through KPIs and SPTs"

"provide an investment opportunity with transparent sustainability credentials for the Climate Transition Finance"

DNV Business Assurance Japan K.K.

7 May 2024

Jun Chokai

Technical Reviewer

DNV Business Assurance Japan K.K.

Naoki Maeda

Managing Director/SCPA Senior Vice President

DNV Business Assurance Japan K.K.

Masato Kanedome

Project Leader

DNV Business Assurance Japan K.K.

Akira Tsukasaki

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

Schedule-1 Selection Process of Eligible Fundraisers by Tokyo Century as an Enabler (quoted from the Framework)

Table-1 and Figure-1 show the process for selecting Fundraisers (Lessees) in the Framework established for Tokyo Century to execute financing with general corporate purpose as an Enabler.

DNV has confirmed that the Tokyo Century's Fundraiser Selection Process is eligible and meets the criteria required by the relevant frameworks, SLLP, SLLGL, CTFH and CTFBG.

Table-1 (Reiterated) Eligible Fundraisers (Lessees)

Eligible Fundraisers (Lessees)	
Case 1.	<ul style="list-style-type: none"> Where a 'Sustainability-Linked Framework' or 'Transition-Linked Framework' has already been developed, for which an eligible assessment by a third-party assessment reviewer has been obtained. The framework needs to be updated according to its content; However, it is not necessary if it is within three years of its formulation.
Case 2.	<ul style="list-style-type: none"> Where there is a track record of executing 'Sustainability-Linked Loans/Bonds' and 'Transition-Linked Loans/Bonds' for which a Framework has not yet been developed, but for which a qualified assessment by a third-party assessment reviewer has already been obtained.

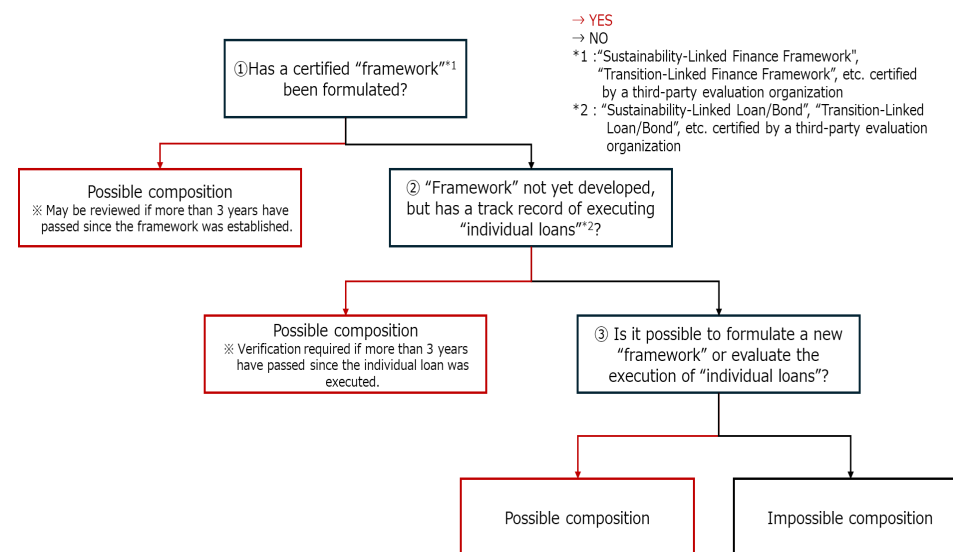


Figure-1(Reiterated) Selection process for qualifying fundraisers (Lessees) (Table-1 explained as a block flow diagram)



Schedule-2 Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) as an Enabler

KPIs Key performance indicators

Select the most appropriate and meaningful indicators for fundraising through this finance from the KPIs defined by the Fundraisers (Lessees) who qualify in the process described in Schedule-1.

SPTs Sustainability Performance Targets

Select the most appropriate indicators for fundraising through this finance from the SPTs defined by the Fundraisers (Lessees) who qualify in the process described in Schedule-1.

Schedule-3 Sustainability-Linked Finance Eligibility Assessment Protocol as an Enabler

The following checklists (SLLP-1 to SLLP-5) are DNV evaluation procedures created for the Framework eligibility assessment of Tokyo Century's finance for the general corporate purpose as an Enabler, based on the requirements of the SLLP and SLLGL. The Confirmed documents in the work undertaken includes Enabler internal documents and other documents, which are provided by Tokyo Century to DNV as evidence for the eligibility decision. In the case of Transition Loans for the general corporate purpose, the term should be read in the context of Transitions as appropriate.

*In the following requirements, "borrower" and "lender" may be read as "Fundraiser (Lessee)" and "Funder (Lessor)", respectively, as appropriate.

SLLP-1 Selection of KPIs (Key Performance Indicators)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI – material to core sustainability and business strategy	<p>The fundraiser's sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the fundraiser's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management's control. The KPI should be of high strategic significance to the fundraiser's current and/ or future operations;</p> <p>It is recommended that fundraiser communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>Confirmed Documents:</p> <ul style="list-style-type: none"> - Framework <p>Interviews with relevant stakeholders</p>	DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	KPI - Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition.</p> <p>Fundraiser are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected. In situations where the KPIs have not been previously disclosed, fundraiser should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<p>Confirmed Documents:</p> <ul style="list-style-type: none"> - Framework <p>Interviews with relevant stakeholders</p>	DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology.	<p>Confirmed Documents:</p> <ul style="list-style-type: none"> - Framework <p>Interviews with relevant stakeholders</p>	DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.

SLLP-2. Calibration of SPTs (Sustainability Performance Targets)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic and meaningful to the fundraiser's business and be consistent with the fundraisers' overall strategic sustainability/ESG strategy.	Confirmed Documents: - Framework Interviews with relevant stakeholders	DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the loan.	Confirmed Documents: - Framework Interviews with relevant stakeholders	As stated in the Framework and Schedule-2, when Tokyo Century selects from among the SPTs specified by the eligible fundraiser (lessee), DNV confirms with the fundraiser (lessee) the requirements listed on the left. After discussions, it was confirmed that the most appropriate indicators for financing using this financing will be selected.
2c	Target Setting - benchmarks	The target setting exercise should be based on a combination of benchmarking approaches: 1. The fundraiser's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI 2. The SPTs relative positioning versus the fundraiser's peers where comparable or available, or versus industry or sector standards	Confirmed Documents: Framework Interviews with relevant stakeholders	DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies.		
2d	Target setting – disclosures	Disclosures on target setting should make clear reference to: <ol style="list-style-type: none"> 1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs. 2. Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used. 3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place. 4. Where possible and taking into account competition and confidentiality. 	Confirmed Documents: <ul style="list-style-type: none"> - Framework Interviews with relevant stakeholders	DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.

SLLP-3. Loan Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Loan Characteristics – SPT Financial/structural impact	The SLL will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	Confirmed Documents: <ul style="list-style-type: none"> - Framework - Assessment presentation materials Interviews with relevant stakeholders	<p>DNV has confirmed that the inclusion of trigger events in the Framework complies with the requirements described in the SLLP.</p> <p>Based on the description of certain loan agreements executed under the Framework, DNV has identified trigger events with specific SPT observation periods and performance requirements and the extent of their impact on the financial characteristics of the loan as the loan interest rate or other financial incentives will change. Specifically, the loan will be subject to a preferential interest rate when the SPT is achieved and a normal interest rate when the SPT is not achieved, depending on the achievement of the SPT in a single year during the planning period of the loan.</p>
3b	Loan Characteristics – Fallback mechanism	<p>Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained.</p> <p>Fundraisers may also consider including, where needed, language in the bond or loan documentation to take into consideration potential exceptional events.</p>	Confirmed Documents: <ul style="list-style-type: none"> - Framework - Assessment presentation materials Interviews with relevant stakeholders	<p>DNV will consider including language in the lease and loan agreements, as set out in the Framework and Schedule-2, confirming with the Fundraisers (Lessees) the requirements set out on the left when Tokyo Century selects from among the SPTs set out by the eligible fundraisers (Lessees). It was confirmed that this is planned.</p>



DNV

SLLP-4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	<p>Fundraisers of SLLs should publish, and keep readily available and easily accessible:</p> <p>Up-to-date information on the performance of the selected KPI(s), including baselines where relevant.</p> <p>A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the loan's financial and/or structural characteristics</p> <p>Any information enabling investors to monitor the level of ambition of the SPTs.</p> <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.</p>	<p>Confirmed Documents:</p> <ul style="list-style-type: none">- Framework <p>Interviews with relevant stakeholders</p>	<p>DNV has confirmed that Tokyo Century intends to confirm the requirements set out on the left with the Fundraiser (Lessee) and select the indicators that are most suitable and meaningful for the fundraising with this finance when selecting from among the KPIs set out by the Eligible Fundraiser (Lessee), as described in the Framework and Schedule-2.</p>

SLLP-5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External Verification	<p>Fundraisers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year and for each SPT trigger event.</p>	<p>Confirmed Documents:</p> <ul style="list-style-type: none">- Framework	<p>As stated in the Framework and Schedule-2, regarding the achievement of the SPTs against the KPIs selected by Tokyo Century from among the KPIs set by the Qualified Fundraisers (Lessee), DNV has confirmed that Tokyo</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			Interviews with relevant stakeholders	Century intends to receive a verification report from the Fundraisers (Lessees) after they receive an independent verification for KPI-related data by a qualified external evaluation body with relevant expertise in SPTs trigger events.