

# **Diamond Electric Holdings Co., Ltd.**

## **Sustainability Warrant**

### **Sustainability Finance**

### **Eligibility Assessment report**

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### **DNV GL Second party opinion**



Feb. 2021 (Rev. 0)

DNV GL Business Assurance Japan K.K.

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### Revision





Rev. No.	Issue date	Contents
Rev. 0	26 <sup>th</sup> Feb. 2021	Initial

## Executive Summary

Diamond Electric Holdings Co., Ltd (hereinafter “Diamond Electric HD”, or “Issuer”) was established in Oct. 2019 with Diamond Electric Co., Ltd. (established in 1937) and Tabuchi Electric Co., Ltd. (established in 1925). Diamond Electric HD’s main businesses segment are “Automotive device”, “Electric device” and “Energy solution”.

Diamond Electric HD updated its medium-long term plan and promotes “Connect vehicles and houses” as new management vision. Diamond Electric HD establish the Sustainability Finance Framework (herein after “Framework”) to implement Sustainability Warrant includes DIAMOND&ZEBRA Sustainability Project (hereinafter “Sustainability Project”, see table below) which contributes to both environmental and social, through utilizing renewable energy such as solar PVs to promote the achievement of the sustainable society as “Manufacturing company”.

Diamond Electric HD engages DNV GL business assurance Japan K.K. (hereinafter “DNV GL”) as external reviewer to assess its eligibility of sustainability finance. DNV GL referred to 4 core components which are widely recognized as basic requirements in the global capital market, such as Green Bond Principles (ICMA, 2018 hereinafter GBP), and Social Bond Principles (ICMA, 2020 hereinafter SBP) and Sustainability Bond Guidelines (ICMA, 2018 herein after SBG) and assessed its eligibility. Following table shows outlines of sustainability projects described in its framework.

No.	Sustainability Category		Sustainability Project	SDGs
	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)	7.Afordable and Clean Energy 9.Industry, Innovation and Infrastructure 11.Sustainable Cities and Communities 13.Climate Action  
			(2) Design, R&D and facility Expansion for tri-phase power conditioner production and electricity storage(for industrial use)	
02	Clear Transportation (Charging system of EV, etc)		(1) Design, R&D and facility Expansion for V2H (Vehicle to Home) system	 

Assessment summary against its 4 core components in the GBP and SBP are following.

**1. Use of Proceeds** : Proceeds raised from sustainability warrant would be fully allocated to the sustainability project as disbursement of both finance and refinance. Sustainability projects are categorized renewable energy and clean transportation which contribute CO2 emission reduction directly or indirectly. Sustainability projects are also categorized basic infrastructure (electricity) and also have social contribution when disaster occurs. Sustainability projects contribute to both environmental and social issues and are exemplified project in GBP and SBP.

**2. Process for Project Evaluation and Selection** : Sustainability project has been selected and evaluated based on the internal procedure of Diamond Electric HD, being considered above mentioned principles, guidelines, laws and regulation, Diamond Electric HD environmental policy. This process has been implemented by project division, technical headquarter, treasury division and CFO, finally approved by CEO.

**3. Management of Proceeds** : The proceeds from the exercise of sustainability warrant will be deposited into subaccount and managed with its identified project code by the relevant division. The allocation status would be monitored quarterly. The unallocated proceeds would be held as cash or cash equivalent. \*Specific procedures of proceeds management from warrant is described in the section IV(3).

**4. Reporting** : Diamond Electric HD will disclose annual report/information on the Diamond Electric HD website includes status of fund allocation, project progress and environmental/social impact, at least once a year, considering its confidential information. These reporting items conform against the requirements in GBP and SBP.

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

## I Introduction

### -1- Overview of the Issuer

Diamond Electric Holdings Co., Ltd (hereinafter “Diamond Electric HD”, or “Issuer”) was established and listed with the first section of Tokyo Stock Exchange in 1<sup>st</sup> Oct. 2019 as holding company of Diamond Electric Co., Ltd. (established in 1937) and Tabuchi Electric Co., Ltd.

Diamond Electric HD’s main businesses segment are “Automotive device”, “Electric device” and “Energy solution”. Diamond Electric HD holds unique technology of power transformation and control technology of the electric device.

### -2- Environment and Social Initiatives of Issuer and sustainability Warrant

Diamond Electric HD has continued to promote the technology development in the field of aiming to streamline the efficient energy utilization and reduce CO<sub>2</sub> emissions, based on Diamond Electric HD’s management philosophy of “Contribute to the growth of customers, building trust, and welfare of the society through products manufacturing business”. Diamond Electric HD’s also has established social and environmental activities, and environmental policy<sup>\*1</sup> to achieve circular economy by business activities and production development aligning with management philosophy.

Diamond Electric HD joined RE100 on 1<sup>st</sup> Dec. 2021. They apply 100% renewable energy (electricity) to its global business activities by 2050 and take initiative to achieve CO<sub>2</sub> free products manufacturing<sup>\*2</sup>.

Diamond Electric HD updated its medium and long term plant “DSA 2021 Re-Ignite the world ” and established new management vision themed “Connect vehicles and houses” and drive forward its business activities. Diamond Electric HD established Sustainability Finance Framework (hereinafter, Framework) in order to fund to DIAMOND & ZEBRA sustainability project (hereinafter sustainability project) which intends to contributes to both environmental and social, through utilizing renewable energy such as solar PVs to promote the achievement of the sustainable society as “Manufacturing company”.

Diamond Electric HD would implement sustainability warrant based on the framework.

\*1 Social and environmental activities, and environmental policy, Diamond Electric HD website : <https://www.diaelec.co.jp> (CSR info.)

\*2 RE100, Diamond Electric HD website : <https://www.diaelec-hd.co.jp/2020/12/01/>

\*3 DSA 2021 Re-Ignite the world, Diamond Electric HD website : <https://www.diaelec-hd.co.jp/2020/09/08/>





**-3- SDGs Initiatives of Issuer**

Sustainability project implemented based on the Framework is considered to contribute to the renewable energy promotion, improve the resilience to the disaster which result to support sustainable industrialization. These projects directly or indirectly contribute to the following Sustainable Development Goals (SDGs) set forth by the United Nations:

\*

- “ 7. AFFORDABLE AND CLEAN ENERGY”[7.2] [7.3]
- “ 9. INDUSTRY INNOVATION AND INFRASTRUCTURE” [9.2] [9.4]
- “11.SUSTAINABLE CITIES AND COMMUNITIES” [11.b]
- “13. CLIMATE ACTION” [13.1]

**Diamond Electric HD SDGs Contribution**

SDGs		
Goals 7	AFFORDABLE AND CLEAN ENERGY Ensuring access to cheap, reliable and sustainable modern energy for all	
Goals 9	INDUSTRY INNOVATION AND INFRASTRUCTURE Build robust infrastructure, promote inclusive and sustainable industrialization, and promote innovation	
Goals 11	SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	
Goals 13	CLIMATE ACTION Take urgent measures to mitigate climate variability and its impacts	

\* The relevance to SDGs is based on the reference to “Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals” published by the International Capital Market Association, or ICMA, which defines the Green Bond Principles (“GBP,” announced by ICMA in 2018). It is a complementary explanation of the Green Equity Offering and is not directly defining its use of proceeds.

## II Scope and Objectives

Diamond Electric HD established Framework with reference to the four core common elements defined in Green Bond Principles (ICMA, 2018 hereinafter GBP), Social Bond Principles (ICMA, 2020 hereinafter SBP) and Sustainability Bond Guidelines (ICMA, 2018 herein after SBG) and relevant guidelines when implementing the sustainability warrant.

The proceeds from the sustainability warrant are planned to be allocated to new or existing investment or expenditure for the following Sustainability projects. Sustainability projects are identified as representative green and social projects listed in GBP, SBP and related criteria, as follows:

### <Green project category>

- Project 01 : "Renewable Energy"**
- Project 02 : "Clean Transportation"**

### < Social project category >

- Project 01 and 02 : Basic infrastructure (electricity supply when disaster)**

DNV GL, as an external reviewer, evaluated the eligibility of the Framework with reference to GBP, SBP and related criteria, as well as with assessment of the unique proceeds management from the sustainability warrant.

Diamond Electric HD commissioned DNV GL to conduct assessment for the Framework. The purpose of the Framework assessment in DNV GL is to ensure that the Diamond electric HD and the framework meets the key requirements of the four core elements with reference to GBP, SBP and related criteria described below and to provide a second party opinion on the eligibility of the framework.

DNV GL 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 new investment units to be issued through the sustainability warrant, the value of any investments, or the long-term environmental and social benefits.

**(1) Scope of review**

The review assessed the following elements and confirmed their alignment with the SBP:

- Use of Proceeds
- Management of Proceeds
- Process for Project Evaluation and Selection
- Reporting

**(2) Role(s) of review provider**

- Consultancy (incl. 2<sup>nd</sup> opinion)
- Verification
- Other (*please specify*):
- Certification
- Rating

**(3) Standards/guidelines to be applied**

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

\*<sup>1</sup>: Refer ; Based on the DNV GL assessment protocol, DNV GL 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.



### III Responsibilities of Diamond Electric HD and DNV GL

Diamond Electric HD has provided the necessary information and data to DNV GL to conduct this review process. DNV GL's second party opinion represents an independent opinion and is intended to inform Diamond Electric HD and other interested stakeholders in the sustainability warrant as to whether it meets the criteria of widely recognized international principles/guidelines, based on the information provided for DNV GL. In preparing this report, we have relied on the information and the facts presented to us by Diamond Electric HD. DNV GL shall not be responsible for any aspect of the candidate projects and assets referred to in this opinion and shall not be held liable if estimates, findings, opinions or conclusions are inaccurate. DNV GL shall not be held liable even if any of the information or data provided by NPR and used as a basis for this assessment are not correct and/or complete.

## IV Basis of DNV GL's opinion

To provide as much flexibility as possible to Diamond Electric HD, DNV GL 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.

## V 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:**

- Creation of the Issuer-specific Protocol, adapted to the purpose of the sustainability warrant, as described above and in Schedule-2 to this Assessment.
- Assessment of documentary evidence provided by the Issuer on the sustainability warrant 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) Assessment: *\*periodic assessment is not included in 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.

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## VI Findings and DNV GL's opinion

DNV GL's findings and opinions are as follows.

### (1) Use of Proceeds

DNV GL has confirmed that the net proceeds raised by the sustainability warrant is planned to be allocated to the nominated sustainability projects (table-1) related expenditure\*1 as new finance or refinance that meet the representative green and social project category in GBP and SBP criteria below:

It is expected that both environmental and social benefit are provided through the sustainability projects which reduce CO<sub>2</sub> emission reduction ascribed to the electricity consumption by efficient renewable energy utilization and supply electricity when disaster occurs.

\*The proceeds amount from the warrant depends on the timing of each exercise of the warrant. Full amount of the proceeds from the warrant is determined sum amount of the exercise of the warrant from the first exercise to final.

#### <Green project category>

- Project 01 : "Renewable Energy"**  
(Project related to the Solar PVs and electricity storage system)
- Project 02 : "Clean Transportation"**  
(Project related to the charging system for EV,etc. )

#### < Social project category >

- Project 01 and 02 : Basic infrastructure (electricity supply when disaster)**  
(Project related to the electricity storage system and charging system)

The sustainability projects include renewable energy, clean transportation and their support system (electricity storage system). The sustainability projects clearly align with “5<sup>th</sup> Strategic Energy Plan”(Jul. 2018) and its various national measures. The sustainability projects (power conditioner, electricity storage system and V2H system for residential and industrial use including connecting to the EV) support the achievement of the national measures directly and indirectly.

Moreover, electricity storage system support not only efficient renewable energy utilization and clean transportation but also can be utilized back up electricity for power source when/where disaster occurs. It is considered as sustainability (green+social) project which usually contributes environmental impact, and in the case of emergency due to the disaster, contributes social impact.

\*1 : 5th Strategic Energy Plan:Ministry of Economic, Trade and Industries, Agency for Natural Resources and Energy

Table-1 Sustainability project  
(details are shown in Schedule-1)

No.	Sustainability Category		Sustainability Project	Sustainability Project Outlines
	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)	- Effective utilization of renewable energy - Design, R&D and facility Expansion for next generation power conditioner production and electricity storage for the society which interconnects the grids and individual power sources
			(2) Design, R&D and facility Expansion for tri-phase power conditioner production and electricity storage(for industrial use)	- Effective utilization of renewable energy - Design, R&D of power conditioner and electricity storage system with power capacity and output for electricity black-out - Production facility and warehouse expansion.
02	Clear Transportation (Charging system of EV, etc)		(1) Design, R&D and facility Expansion for V2H (Vehicle to Home) system	- Effective utilization of renewable energy - Design, R&D of the infrastructure production for disaster - Production facility expansion.

**Use of proceeds categories as per GBP:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency                                  |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation                    |
| <input type="checkbox"/> Sustainable water management   | <input type="checkbox"/> Climate change adaptation                          |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes  | <input type="checkbox"/> Other ( <i>please specify</i> ):                   |
| <input type="checkbox"/> Unknown at Sustainability finance issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs |   |

**Use of proceeds categories as per SBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                        |
| <input type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security   | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other ( <i>please specify</i> ): <i>issuer applies the SBP</i> |

## (2) Process for Project Evaluation and Selection

DNV GL has confirmed that the nominated sustainability projects described in the Schedule-1 is in line with issuer's management philosophy and environment and social initiatives.

Sustainability project has been selected and evaluated based on the internal procedure of Diamond Electric HD, being considered above mentioned principles, guidelines, laws and regulation, Diamond Electric HD environmental policy. This process has been implemented by project division, technical headquarter, treasury division and CFO, finally approved by the CEO. Diamond Electric HD established the process for project evaluation and selection as internal documents.

Sustainability projects (Design, R&D, Facilities and warehouses expansion) would be implemented in the issuer's property. Therefore, negative impact to environment is limited to additional energy consumption (indirect CO2 emission using electricity) due to the products manufacturing activities. Diamond Electric HD measures and plans it through joining RE100 to reduce CO<sub>2</sub> emission reduction, compliance the environmental law, group environmental policy and activities aligns ISO 14001 (Environment Management System) certification to mitigate negative impact to environment. DNV GL resulted that the sustainability projects would present a low risk of environmental and social impact.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's green and social objectives                         | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available        | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |   |

### (3) Management of Proceeds

DNV GL has reviewed and confirmed evidence and information showing how the Diamond Electric HD traces/manages the proceeds from sustainability warrant, from exercise of warrant to the time of disbursement. the DNV GL has confirmed that the Issuer would allocate the proceeds to the sustainability project appropriately and promptly.

Full amount of the proceeds from the warrant is determined sum amount of the exercise of the warrant from the first exercise to final. Diamond Electric HD intends to allocate the proceeds to the sustainability project in 2 years from the time of final exercise of warrant.

The proceeds from the exercise of sustainability warrant will be deposited into subaccount and managed with its identified project code by the relevant division. The allocation status would be monitored quarterly. The unallocated proceeds would be held as cash or cash equivalent.

Note that, as stated above, DNV GL 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.

Specific aspects of warrant in this Finance are described details below.

<Note> Finance (warrant) specific aspects

Whether Diamond Electric HD would receive proceeds upon exercise of warrants and its timing will depend on a judgement by the warrant holder, and also strike price of warrants can be reset. Therefore, the amount of funds to be raised and its timing is not fixed at this point, and there could be a discrepancy between the expected and actual amount and timing.

If Diamond Electric HD cannot raise enough funds or there is a shortfall for payment due, Diamond Electric HD will make up necessary funds by using loan from this sustainability finance or cash in hand or bank loans among other means. Diamond Electric HD will apply funds raised from exercise of warrants on each use of proceeds as each payment is due.

#### Tracking of proceeds:

- Sustainability Finance proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

#### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements       | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):Refinance only                 |



## (4) Reporting

DNV GL has confirmed that the Diamond Electric HD would report to stakeholders the specific information required by the GBP, SBP and related criteria annually in the issuer's website till the proceeds allocation and manufacturing facility installation & start operation are completed.

The reporting includes 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.

DNV GL confirmed the Diamond electric HD has established the appropriateness of the process of estimation of CO<sub>2</sub> emission reduction which is disclosed as environmental impact.

### -1- Fund Allocation and management of the proceeds

- (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

- (1) Project progress which fund allocated (e.g. facility installation progress, operation plan)

### -3- Environmental and social impact

- (1) **Project-01(1)** : Design, R&D and facility Expansion for next generation power conditioner production and electricity storage(for residential use)
  - CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>/y)and electricity storage capacity (MWh) based on the production plan
- (2) **Project-01(2)** : Design, R&D and facility Expansion for tri-phase power conditioner production and electricity storage(for industrial use)
  - CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>/y)and electricity storage capacity (MWh) based on the production plan
- (3) **Project-02(1)** : Design, R&D and facility Expansion for V2H (Vehicle to Home) system
  - CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>/y)and electricity storage capacity (MWh) based on the production plan

Note that, Diamond Electric HD engages DNV GL as external reviewer to conform its eligibility as sustainability warrant with integrity and objectivity till fund allocation and project completion. It can be flexibly judged due to the fund allocation and project progress.

**Use of proceeds reporting:**

- Project-by-project
- Linkage to individual Finance
- On a project portfolio basis
- Other *(please specify)*:

**Information reported:**

- Allocated amounts
- Other *(please specify): total exercised warrant amount at the annual report*
- 'Finance' financed share of total investment

**Frequency:**

- Annual
- Other *(please specify): until completion of fund allocation and project*
- Semi-annual

**Impact reporting:**

- Project-by-project
- Linkage to individual Finance
- On a project portfolio basis
- Other *(please specify)*:

**Frequency:**

- Annual
- Other *(please specify): until completion of fund allocation and project*
- Semi-annual

**Information reported (expected or ex-post): Green benefit**

- GHG Emissions / Savings
- Other ESG indicators *(please specify): production plan and total capacity of electricity storage with considering confidential information*
- Energy Savings

**Information reported (expected or ex-post): Social benefit**

- Number of beneficiaries
- Target populations
- Other ESG indicators *(please specify): production plan and total capacity of electricity storage with considering confidential information*

**Means of Disclosure**

- Information published in financial report
- Information published in ad hoc documents
- Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review):*
- Information published in sustainability report
- Other *(please specify): Diamond Electric HD web site*

## Assessment Conclusion

On the basis of the information provided by Diamond Electric HD and the work undertaken, it is DNV GL'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 stated definition or purpose of sustainability finance, which is to "enable capital-raising and investment for new and existing projects with environmental and social benefits".

DNV GL Business Assurance Japan K.K.

26<sup>th</sup> Feb. 2021



**Mark Robinson**  
Manager, Sustainability Services  
DNV GL – Business Assurance, Australia



**Naoki Maeda**  
Managing Director  
DNV GL – Business Assurance Japan K.K.



**Masato Kanedome**  
Project Leader  
DNV GL – Business Assurance Japan K.K.

**About DNV GL**

Driven by our purpose of safeguarding life, property and the environment, DNV GL 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 GL: The management of Issuer has provided the information and data used by DNV GL 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 GL 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 GL 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 Sustainability Projects

No.	Sustainability Category		Sustainability Project	Sustainability Project outlines (Outline, Location, Plan, CO <sub>2</sub> emission reduction, etc.)
	Green	Social		<Location> Design, R&D : Osaka-city (Tabuchi electric Co., Ltd) Production : Otawara-city, Tochigi (Tabuchi Electronics Industry Co., Ltd)
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)	<Outline> <ul style="list-style-type: none"> <li>- Effective utilization of renewable energy</li> <li>- Design, R&amp;D and facility Expansion for next generation power conditioner production and electricity storage for the society which interconnects the grids and individual power sources</li> </ul> <Operation plan, CO <sub>2</sub> emission reduction and Storage capacity *based on annual production plan> <ul style="list-style-type: none"> <li>- FY2023, apporx. 180,000-CO<sub>2</sub> and 350MWh</li> </ul>
			(2) Design, R&D and facility Expansion for tri-phase power conditioner production and electricity storage(for industrial use)	<Outline> <ul style="list-style-type: none"> <li>- Effective utilization of renewable energy</li> <li>- Design, R&amp;D of power conditioner and electricity storage system with power capacity and output for electricity black-out</li> <li>- Production facility and warehouse expansion.</li> </ul> <Operation plan, CO <sub>2</sub> emission reduction and Storage capacity *based on annual production plan> <ul style="list-style-type: none"> <li>- FY2024, approx. 92,000t-CO<sub>2</sub> and 365MWh</li> </ul>
02	Clear Transportation (Charging system of EV, etc)		(1) Design, R&D and facility Expansion for V2H (Vehicle to Home) system	<Outline> <ul style="list-style-type: none"> <li>- Effective utilization of renewable energy</li> <li>- Design, R&amp;D of the infrastructure production for disaster</li> <li>- Production facility expansion.</li> </ul> <Operation plan, CO <sub>2</sub> emission reduction and Storage capacity *based on annual production plan> <ul style="list-style-type: none"> <li>- FY2023, 54,000t-CO<sub>2</sub>/ year and 160MWh</li> </ul>

## Schedule-2 Diamond Electric HD Sustainability Warrant Eligibility Assessment Protocol

Following check list SF\*-1 ~ SF-4 are based on DNV GL'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 GL 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"> <li>• Sustainability Use of Proceeds Finance</li> <li>• Sustainability Use of Proceeds Revenue Finance</li> <li>• Sustainability Project Finance</li> <li>Others</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Sustainability Finance Framework (hereinafter Framework)</li> <li>Discussions with Diamond Electric HD management</li> </ul>	<p>The reviewed evidence confirms that the sustainability warrant falls in the category:</p> <ul style="list-style-type: none"> <li>• others</li> </ul> <p>-&gt; 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"> <li>- Framework</li> <li>- Timely disclosure document</li> <li>Discussions with Diamond Electric HD management</li> </ul>	<p>DNV GL 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 will be described in the Timely disclosure document and disclosed.</p> <p><b>Environmental Impact (Green)</b></p> <ul style="list-style-type: none"> <li>- "Renewable Energy"(Project related to the Solar PVs and electricity storage system)</li> <li>- "Clean Transportation" (Project related to the charging system for EV,etc. )</li> </ul> <p><b>Social Impact (Social)</b></p> <ul style="list-style-type: none"> <li>- Basic infrastructure (electricity supply when disaster, Project related to the electricity storage system and charging system)</li> </ul>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
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 GL confirmed that sustainability projects contribute CO<sub>2</sub> 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 GL understands that it is difficult to evaluate directly its quantitative benefit. Therefore, DNV GL 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 GL 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"> <li>- Join to the RE100</li> <li>- Compliance of environmental law and regulation, issuer's environmental policy</li> <li>- ISO14001(environmental Management System)</li> </ul>
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	<p>DNV GL confirmed, in case that proceeds allocates as refinance, Diamond Electric HD will be disclosed in its annual report (fund allocation section). Reporting includes the refinance amount or share information as practically possible.</p>

## SF-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL 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"> <li>• A process to determine how the projects fit within the eligible Sustainability (green and social) Projects categories;</li> <li>• The criteria making the projects eligible for using the Finance proceeds; and               <ul style="list-style-type: none"> <li>• The environmental and social sustainability objectives</li> </ul> </li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Framework</li> </ul> <p>Discussions with Diamond Electric HD management</p>	<p>DNV GL confirmed that the issuer has set out the following criteria for project selection as per the Framework,:</p> <ul style="list-style-type: none"> <li>- Project evaluation : Project division, Technical headquarter and treasury division confirms against GBP, SBP and related criteria</li> <li>- Project selection : CFO selects the projects and decided by CEO</li> </ul>
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"> <li>- Framework</li> <li>- Diamond Electric HD web site (CSR information)</li> </ul> <p>Discussions with Diamond Electric HD management</p>	<p>DNV GL 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 GL 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 GL Confirmed Diamond Electric HD prepare subaccount for the deposit of the proceeds and manage 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 plans to manage the proceeds with its unique project code set by the project division and they disburse to the sustainability project then report to the treasury division. Treasury division confirm 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 GL confirmed that unallocated proceeds (from exercise of warrant to the time of disbursement) will be managed as cash or cash equivalents, monitoring by treasury division quarterly.

## SF-4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL 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"> <li>- when possible with regards to confidentiality and/or competitive considerations</li> <li>- a brief description of the projects and the amounts disbursed, as well as the expected greenly and socially sustainable impact.</li> </ul>	<p>Document reviewed :</p> <ul style="list-style-type: none"> <li>- Framework</li> </ul> <p>Discussions with Diamond Electric HD management</p>	<p>DNV GL has confirmed that the Diamond Electric HD would report to stakeholders the specific information required by the GBP, SBP and related criteria annually in the issuer’s website till the proceeds allocation and manufacturing facility installation &amp; start operation are completed.</p> <p>The reporting includes 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"> <li>-1- Fund Allocation and management of the proceeds               <ul style="list-style-type: none"> <li>(1) Proceeds amount (sum of the exercise of warrant) and allocation amount</li> <li>(2) Balance of the proceeds (unallocated amount)</li> <li>(3) Refinance amount (or share)</li> </ul> </li> <li>-2- Project progress               <ul style="list-style-type: none"> <li>(1) Project progress which fund allocated (e.g. facility installation progress, operation plan)</li> </ul> </li> <li>-3- Environmental and social impact (common items for 3 projects)               <ul style="list-style-type: none"> <li>(1) CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>/y) and electricity storage capacity (MWh) based on the production plan</li> </ul> </li> </ul>