



Second-Party Opinion Iwatani Corporation Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Iwatani Corporation Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Clean Transportation – is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in hydrogen supply facilities under the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11, while noting one substantial limitation attributed to Iwatani Corporation’s sources of hydrogen.



PROJECT EVALUATION / SELECTION In terms of Iwatani Corporation’s project evaluation and selection process, eligible projects will be selected by the Accounting Department through discussion and verification with responsible business departments, and after confirming compliance with the eligibility criteria defined in the Framework, from the prospective eligible projects approved by the Board of Directors. The final decision will be made by the Director in charge of accounting. Iwatani Corporation has a process for managing environmental and social risks which applies to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Iwatani Corporation’s project evaluation and selection process is in line with market practice.



MANAGEMENT OF PROCEEDS The Accounting Department will track the use of green bond proceeds quarterly, using an internal management system. Iwatani Corporation intends to complete the allocation of proceeds within two years after green bond issuance. Pending allocation, unallocated proceeds will be held in cash or cash equivalents. Iwatani Corporation’s management of proceeds is aligned with market practice.



REPORTING Iwatani Corporation intends to report on the allocation of proceeds and positive environmental impacts on its website or Corporate Report. The disclosure will include the amounts allocated and unallocated to eligible projects, the ratio of proceeds allocated to financing and refinancing, and the expected timing of allocation of unallocated proceeds, as well as qualitative and quantitative environmental impact metrics. Sustainalytics views that Iwatani Corporation’s reporting is aligned with market practice.

Evaluation Date November 1, 2021

Issuer Location Osaka, Japan

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Alignment with Japan’s Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Iwatani Corporation Green Bond Framework is in line with Japan’s Green Bond Guidelines 2020 (elements described with the word “should”) developed by the Ministry of the Environment of Japan.

Introduction

Iwatani Corporation (hereinafter referred to as “Iwatani” or the “Company”) is a Japanese trading company centered on the gas and energy business, founded in 1930. The Company operates in the following four business segments: Integrated Energy Business, Industrial Gases & Machinery Business, Materials Business, and Agri-bio & Foods Business. Having operated the hydrogen business since 1941, Iwatani is engaged in the production, transportation, storage, supply, and security of hydrogen. The Company’s share of domestic hydrogen sales in Japan is 70% as of the end of March 2021.

Iwatani has developed the Iwatani Corporation Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, projects which delivers environmental benefits. The Framework defines eligibility criteria in the following areas:

1. Clean Transportation

Iwatani engaged Sustainalytics to review the Iwatani Corporation Green Bond Framework, dated November 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and Japan’s Green Bond Guidelines 2020.² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the GBP as administered by ICMA and Japan’s Green Bond Guidelines 2020;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Iwatani’s relevant divisions to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Iwatani representatives have confirmed (1) they understand it is the sole responsibility of Iwatani to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Iwatani.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

³ The Iwatani Corporation Green Bond Framework is available on Iwatani Corporation’s website at: <http://www.iwatani.co.jp/eng/investor/investor01.html>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Iwatani has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Iwatani Corporation Green Bond Framework

Sustainalytics is of the opinion that the Iwatani Corporation Green Bond Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Iwatani's Green Bond Framework:

- Use of Proceeds:
 - The eligibility category for the use of green bond proceeds, Clean Transportation, is recognized by the GBP as a project category with positive environmental impacts. Please refer to Section 3 for Sustainalytics' in-depth assessment of positive environmental impacts from the use of proceeds.
 - In the Clean Transportation category, Iwatani intends to allocate the proceeds to expenditures associated with the development and construction of hydrogen supply facilities for fueling low-carbon transport which is equipped with fuel cell or using hydrogen as fuel, including FCV, truck, bus, forklift, and ship. Sustainalytics considers that the eligibility criteria established by Iwatani is in line with market practice.
 - Iwatani has confirmed to Sustainalytics that it will exclude on-site hydrogen supply facilities that produce hydrogen inside the facility from the use of proceeds, and will allocate proceeds only to off-site hydrogen supply facilities that receive supply of hydrogen produced or procured outside the facility.
 - While green bond proceeds will not be used to finance hydrogen production, Sustainalytics notes that Iwatani Corporation is involved in the production of hydrogen from fossil fuels and that it will supply such hydrogen to the supply facilities financed under the Framework. Sustainalytics notes further that, in order for hydrogen to play a role in the greening of transportation systems, it is necessary to transition toward the production of "green hydrogen" through electrolysis powered by low-carbon electricity. Sustainalytics considers Iwatani's financing of assets that will be supplied by hydrogen produced from fossil fuels to be a substantial limitation of the Framework and encourages the Company to transition its production and distribution toward green hydrogen. (Please refer to Section 2 for Iwatani's initiatives for production and distribution of green hydrogen)
 - Iwatani has limited its use of proceeds to CAPEX. For refinancing existing projects, Iwatani has set a look-back period, limiting the use of proceeds to projects implemented within five years of the issuance of green bond. Sustainalytics considers this to be in line with market practice.
- Project Evaluation and Selection:
 - Each responsible business department develops business plan of the candidate eligible projects, the review committee consisted of members from the Corporate Planning and Coordination Department and the Accounting Department makes pre-consideration, and the Board of Directors will make final approval for development and construction of eligible hydrogen supply facilities. Eligible projects will be selected by the Accounting Department through discussion and verification with responsible business departments, and after confirming compliance with the eligibility criteria defined in the Framework. The final decision will be made by the Director in charge of accounting.

- In the Framework, Iwatani described that, it will confirm compliance with environmental laws and regulations required by the national government or municipality where the eligible project is located, along with the compliance with laws and regulations related to the handling of hydrogen and the construction and operation of hydrogen supply facilities, and ensure to provide sufficient explanation to local residents. This process is applicable to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Iwatani's environmental and social risk management systems are adequate. Please refer to Section 2 for further details.
- Sustainalytics is of the opinion that Iwatani's project evaluation and selection process is in line with market practice.
- Management of Proceeds:
 - The proceeds are allocated and managed by the Accounting Department. Until the maturity of green bonds, the Company will track the proceeds quarterly using an internal management system.
 - Pending allocation, Iwatani will hold unallocated proceeds in cash or cash equivalents. The Company also intends to complete the allocation of proceeds within two years after the issuance of green bond.
 - Sustainalytics is of the opinion that Iwatani's process to manage proceeds is in line with market practice.
- Reporting:
 - Iwatani will report on the allocation of proceeds and positive environmental impacts annually on its website or Corporate Report.
 - In the allocation reporting, Iwatani will disclose to the extent practicable, the allocated amounts to eligible projects and unallocated amount, the ratio of finance for new investments and refinance, and expected timing of allocation of unallocated proceeds, until the proceeds are fully allocated. The Company has committed to disclosing the allocation of proceeds on a timely basis even after full allocation, in the event that material changes occur.
 - Impact reporting will be updated until the maturity of green bond and will include an overview of the hydrogen supply facilities installed and the total hydrogen supply capacity combining all hydrogen supply facilities constructed.
 - Given the frequency and details of disclosure, Sustainalytics is of the opinion that the Company's allocation and impact reporting is in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Iwatani Corporation Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with Japan's Green Bond Guidelines 2020 developed by the Ministry of the Environment of Japan. The guidelines communicate what an issuer should do to issue a credible green bond. Sustainalytics assessed the alignment between the Framework and the elements described with the word "should" outlined in the Japan's Green Bond Guidelines 2020. For detailed information please refer to Appendix 1: Alignment with Japan's Green Bond Guidelines 2020.

Section 2: Sustainability Strategy of Iwatani

Contribution of framework to Iwatani Corporation's sustainability strategy

Iwatani has confirmed that it will address social issues through its business based on its corporate philosophy.⁵ The Company has also defined "Transitioning to a CO₂-Free Society" as one of its five materiality areas on sustainability and is committed to contributing to the proliferation and stable supply of clean energy.⁶

⁵ Iwatani Corporation, "Corporate Philosophy & Concept", at: <http://www.iwatani.co.jp/eng/about/about02.html>

⁶ Iwatani Corporation, "CSR (Japanese only)", at: <http://www.iwatani.co.jp/jpn/csr/csr01.html>

In its Medium-term Management Plan “PLAN23,”⁷ which envisions three years up to FY2023, Iwatani has set a basic strategy of “Strengthen initiatives for a decarbonized society,” and demonstrated a plan to invest approximately JPY 60 billion (USD 524 million)⁸ in the hydrogen business by FY2023 with the aim of promoting a hydrogen energy society. For generating more hydrogen demand, the Company has been undertaking an initiative to increase the number of hydrogen fueling stations for FCVs in Japan and the U.S. In PLAN23, it has set a goal of constructing 30 new hydrogen fueling stations in Japan by FY2023 to bring the total to 83 stations, as well as constructing hydrogen fueling stations in the U.S, and to expand the number of stations including those for heavy-duty trucks from the existing four to 23.

In PLAN23, Iwatani has also set a long-term vision of contributing to the reduction of CO₂ emissions from society as a whole by building a “CO₂-free hydrogen supply chain” using green hydrogen and “blue hydrogen,” a type of hydrogen derived from fossil fuels utilizing CO₂ recovery and storage technologies. As for the production of green hydrogen, the Company has participated in the “Fukushima Plan for a New Energy Society,” which aims to demonstrate technologies to convert electrical power generated using solar power generation into green hydrogen, and to store it and utilize it in local communities.⁹ It has also been engaged since 2020 in a study to commercialize the production of liquid green hydrogen in collaboration with a local enterprise in Australia.¹⁰¹¹ ¹²As a long-term vision, Iwatani intends to strengthen the domestic platform for supplying CO₂-free hydrogen and to make more investments in the CO₂-free hydrogen production business abroad. In the long-term vision, the Company also aims to achieve its own carbon neutrality target by reducing the amount of CO₂ emissions (total of Scope 1 and Scope 2) from the Iwatani Group by 50% from the FY2019 level by FY2030. The Company aims to achieve the target through measures such as converting the Company’s delivery and sales of vehicles into FCVs, installing solar panels in its factories, and procuring electricity derived from renewable energy.

Based on the above policies, goals, and plans, Sustainalytics considers that the use of proceeds defined by the Framework, the development and construction of hydrogen supply facilities, is aligned with the Company’s priority in the sustainability area, and is expected to provide support for the achievement of its goals and initiatives aimed at promoting a hydrogen energy society.

Well-positioned to address common environmental and social risks associated with the projects

While the eligible projects in the Clean Transportation category defined in the Framework by Iwatani are expected to provide positive environmental impacts, Sustainalytics is aware that such projects entail potential environmental and social risks. Major risks include noise and vibration, risks related to workers’ safety and health, and adverse effects on local residents associated with the development, construction and operation of hydrogen supply facilities. Iwatani has the following policies and processes for managing and reducing risks associated with eligible projects:

- In the Framework, Iwatani has committed to confirming the compliance with environmental laws and regulations required by the national government or municipality where the eligible project is located, along with the compliance with laws and regulations related to the handling of hydrogen and the construction and operation of hydrogen supply facilities. As major laws and regulations applicable to its eligible projects located in Japan, Iwatani listed the following: the High Pressure Gas Safety Act, the Regulation on Safety of General High Pressure Gas, Building Standards Act, Construction Business Act, Fire Service Act, Industrial Safety and Health Act, Waste Management and Public Cleansing Act, Construction Material Recycling Act, Noise Reduction Act, Vibration Regulation Act, and municipal ordinances on noise and vibration. Responsible business departments will ensure the compliance with these laws and regulations at the project planning stage and at each stage of the construction process. Iwatani is also committed to providing sufficient explanations to local residents by the construction process stage.
- Iwatani has established the “Risk Management Committee,” which is responsible for managing risks faced by the Group as a whole. Under the Risk Management Committee, the Company set up the

⁷ Iwatani Corporation, “Medium-Term Management Plan “PLAN23” (2021~2023)”, at: http://www.iwatani.co.jp/eng/investor/images/pdf/plan23_e.pdf

⁸ Conversion by Sustainalytics (114 JPY per 1 USD)

⁹ Iwatani Corporation, “For the Environment (Japanese only)”, at: <http://www.iwatani.co.jp/jpn/csr/csr02-5.html>

¹⁰ Iwatani Corporation, “Commencement of discussions with Stanwell of Australia on green hydrogen production, liquefaction, and import business (Japanese only)”, at: http://www.iwatani.co.jp/img/jpn/pdf/newsrelease/1374/20201127_news_jp2.pdf

¹¹ Iwatani Corporation, “Commencement of Discussions for Commercialization of Green Hydrogen Production, Liquefaction and Import with Fortescue Metals Group and Kawasaki Heavy Industries, Australia (Japanese only)”, at: http://www.iwatani.co.jp/img/jpn/pdf/newsrelease/1379/20201214_news_jp1.pdf

¹² Iwatani Corporation, “Conducting a feasibility study for the establishment of a large-scale green liquefied hydrogen supply chain between Japan and Australia (Japanese only)”, at: http://www.iwatani.co.jp/img/jpn/pdf/newsrelease/1408/20210915_news2.pdf

following committees specialized in responding to the Company's key risks and hold meetings regularly: the Disaster Response and Environment Control Committee, which is in charge of developing disaster response measures and deliberating on important environment management issues and the Factory Security Control Committee, which develops priority measures for the safety of high-pressure gas. Members of these special committees confirm the compliance status with applicable laws and regulations and progress in compliance initiatives, and report the details of discussions to the Risk Management Committee.¹³

For the reduction of environmental burden associated with its business activities, Iwatani has adopted the "Iwatani Group Environmental Charter" to the Group as a whole and committed itself to the following: 1) Improvement of the eco-efficiency of its use of energy and natural resources and promotion of recycle; 2) Compliance with environmental laws, regulations, and international treaties; 3) Existence in harmony with local communities; 4) Promotion of the environmental management system; and 5) Provision of education and promotional activities to all employees of the Iwatani Group.¹⁴ As for the environmental management system, Iwatani received the ISO 14001 certification, an international standard for environmental management systems, at its Tokyo and Osaka Head Offices, all branch offices, and the Iwatani R&D Center. Its non-certified branches also have developed an environmental management system under the guidance of the Head Offices and key business sites.¹⁵

Given the above, Sustainalytics is of the opinion that Iwatani is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible projects.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and Japan's Green Bond Guidelines 2020 as projects that generate environmental benefits. Sustainalytics explains below how the project category produces positive environmental impacts globally and in Japan.

Importance of clean transportation

In 2018, the amount of CO₂ emissions from the global transportation sector was approximately 8.2 Gt, which accounted for about 24% of energy-related CO₂ emissions as a whole.¹⁶ By means of transportation, road vehicles (passengers and freight) accounts for nearly three-quarters of CO₂ emissions from the sector.¹⁷ According to the International Transport Forum (ITF), due to increase of transportation demands, CO₂ emissions from the transportation sector is expected to increase by 16% from the 2015 level by 2050, even under the condition that its member countries' existing commitment to the transportation-related decarbonization efforts will be completely fulfilled.¹⁸ The ITF requires that, in order to limit the global average temperature rise to 1.5°C, CO₂ emissions from the transportation sector be reduced by 70% from the 2015 level by 2050.¹⁹ The IEA's "Net Zero by 2050—A Roadmap for the Global Energy Sector" states that, to achieve the goal of net zero emissions by 2050 on a global level, the market share of fuel cell (and therefore, zero emission) vehicles and electric vehicles must be increased from 5% in 2020 to 64% by 2030 and 100% by 2050.²⁰ In the shipping industry, which has been undertaking an effort to reduce CO₂ emissions on a global level from 830 Mt in 2020 to 120 Mt in 2050, hydrogen-powered zero-emission vessels are expected to play a very important role as they will, together with ammonia-powered vessels, account for about 60% of the industry's total fuel consumption in 2050.

Hydrogen, the fuel for fuel-cell vehicles (including trucks and buses) and hydrogen-powered vessels, is considered to be a clean energy that does not emit CO₂ at the use stage and is expected to contribute to the decarbonization of the transportation sector. While some hydrogen production methods, including the steam methane reforming of fossil fuels, emit CO₂, green hydrogen produced by using renewable energy does not

¹³ Iwatani Corporation, "Corporate Governance (Japanese only)", at: <http://www.iwatani.co.jp/jpn/csr/csr05-1.html>

¹⁴ Iwatani Corporation, "For the Environment (Japanese only)", at: <http://www.iwatani.co.jp/jpn/csr/csr02-1.html#1>

¹⁵ Iwatani Corporation, "Environmental management system (Japanese only)", at: <http://www.iwatani.co.jp/jpn/csr/csr02-2.html#3>

¹⁶ International Energy Agency (IEA) "Tracking Transport 2020", at: <https://www.iea.org/reports/tracking-transport-2020>

¹⁷ International Transport Forum, "Executive Summary ITF Transport Outlook 2021", at: <https://www.itf-oecd.org/sites/default/files/transport-outlook-executive-summary-2021-english.pdf>

¹⁸ International Transport Forum, "Executive Summary ITF Transport Outlook 2021", at: <https://www.itf-oecd.org/sites/default/files/transport-outlook-executive-summary-2021-english.pdf>

¹⁹ International Energy Agency (IEA), "Net Zero by 2050 A Roadmap for the Global Energy Sector", at:

https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

²⁰ International Energy Agency (IEA), "Transport", at: <https://www.iea.org/topics/transport>

generate any carbon dioxide even at the production stage. Accordingly, the proliferation of hydrogen-based transportation equipment will contribute to a significant reduction of CO₂.²¹

Iwatani intends to allocate the green bond proceeds to the development and construction of hydrogen supply facilities for transportation equipment in the Clean Transportation category. Hydrogen fueling facilities are the infrastructure indispensable for the proliferation of the hydrogen-based clean transportation means. Sustainalytics is of the opinion that Iwatani's use of proceeds is expected to support the proliferation of low-carbon transportation means and contribute to the reduction of CO₂ emissions from transportation sectors across the world and in Japan.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Iwatani Corporation Green Bond Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Conclusion

Iwatani has developed the Iwatani Corporation Green Bond Framework under which it may issue green bonds and use the proceeds to finance and/or refinance, projects related to Clean Transportation. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact, while noting one substantial limitation attributed to Iwatani Corporation's sources of hydrogen.

The Iwatani Corporation Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Iwatani Corporation Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 11. Additionally, Sustainalytics is of the opinion that Iwatani has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Iwatani Corporation is well-positioned to issue green bonds and that the Iwatani Corporation Green Bond Framework is robust, transparent, and in alignment with the four core components of the GBP and Japan's Green Bond Guidelines 2020.

²¹ International Energy Agency (IEA), "The Future of Hydrogen", at: https://iea.blob.core.windows.net/assets/9e3a3493-b9a6-4b7d-b499-7ca48e357561/The_Future_of_Hydrogen.pdf

Appendices

Appendix 1: Alignment with Japan's Green Bond Guidelines 2020

Four elements	Alignment	Sustainalytics' comments
1. Use of Proceeds	Yes	Projects related to Clean Transportation, the eligible category for the use of proceeds defined in the Framework by Iwatani, is recognized by Japan's Green Bond Guidelines 2020 as a project category with clear environmental benefits. In the Framework, the Company also provides explanations about project categories for the use of proceeds, along with environmental risks associated with the eligible projects and its measures to manage and mitigate such risks, allowing investors to access in advance. Furthermore, the Company has confirmed to Sustainalytics that in the event of refinancing assets that require long-term maintenance through multiple issuance of green bonds, it will disclose the assets' age, remaining useful life, and the amount of refinancing, and assess the persistence of the positive environmental impacts at the time of issuance.
2. Process for Project Evaluation and Selection	Yes	In the Framework, the Company explains environmental goals that it aims to achieve through the issuance of green bonds. It also describes, in the Framework, the eligibility criteria and the process for assessing and selecting eligible projects.
3. Management of Proceeds	Yes	In the Framework, the Company explains that, until the maturity of green bond, its Accounting Department will track and manage the amounts of allocated and unallocated proceeds quarterly, using an internal management system. The Company intends to complete the allocation of proceeds within two years after the issuance of green bond. Unallocated proceeds will be managed in cash or cash equivalents.
4. Reporting	Yes	In the Framework, Iwatani describes that it has committed to reporting on the allocation of proceeds and positive environmental impacts annually. The allocation of proceeds will be disclosed until the full allocation of proceeds and on a timely basis in case of material developments even after the full allocation. It will include, to the extent practicable, the amounts allocated and unallocated to eligible projects, the ratio of proceeds allocated to financing and refinancing, and the expected timing of allocation of unallocated proceeds. The positive environmental impacts will be disclosed until the maturity of green bond and include an overview of the hydrogen supply facilities installed (including progress) and the total hydrogen supply capacity combining all hydrogen supply facilities constructed.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name: Iwatani Corporation

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Iwatani Corporation Green Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: November 1, 2021

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds – Clean Transportation – is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in hydrogen supply facilities under the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11, while noting one substantial limitation attributed to Iwatani Corporation’s sources of hydrogen.

Use of proceeds categories as per GBP:

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

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

In terms of Iwatani Corporation’s project evaluation and selection process, eligible projects will be selected by the Accounting Department through discussion and verification with responsible business departments, and after confirming compliance with the eligibility criteria defined in the Framework, from the prospective eligible projects approved by the Board of Directors. The final decision will be made by the Director in charge of accounting. Iwatani Corporation has a process for managing environmental and social risks which applies to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Iwatani Corporation’s project evaluation and selection process is in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Accounting Department will track the use of green bond proceeds quarterly, using an internal management system. Iwatani Corporation intends to complete the allocation of proceeds within two years after green bond issuance. Pending allocation, unallocated proceeds will be held in cash or cash equivalents. Iwatani Corporation's management of proceeds is aligned with market practice.

Tracking of proceeds:

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

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Iwatani Corporation intends to report on the allocation of proceeds and positive environmental impacts on its website or Corporate Report. The disclosure will include the amounts allocated and unallocated to eligible projects, the ratio of proceeds allocated to financing and refinancing, and the expected timing of allocation of unallocated proceeds, as well as qualitative and quantitative environmental impact metrics. Sustainalytics views that Iwatani Corporation's reporting is aligned with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts
- Green Bond financed share of total investment
- Other (*please specify*):
Unallocated amount, the ratio of finance for new investments and refinance, and expected timing of allocation of unallocated proceeds

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Other ESG indicators (*please specify*): Overview of the installed hydrogen supply facility, and total hydrogen supply capacity of all constructed hydrogen supply facilities

Frequency

- Annual
- Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (*please specify*):
The Company's website or Corporate Report
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

