

SHINSEI SUSTAINABLE  
IMPACT ASSESSMENT

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 (Code: 8303, TSE First Section)

## “Sustainable Impact” Arrangement of Project Finance for a Single Flash-Steam Geothermal Power Plant

- Closing of a Shinsei Green Loan with Minami-Aso Yunotani Geothermal Power Co., Ltd. -

Tokyo (Friday, June 18, 2021) --- Shinsei Bank, Limited (hereinafter, “Shinsei Bank”) promotes "Sustainable Impact Initiatives" by integrating the perspectives of ESG, SDGs as well as Sustainability into our business with the concept of social impact which aims to have a positive impact on society, adding the environmental, social and the economic value. We provide financing to companies and their businesses addressing social issues with positive impacts through continuous dialogue with those corporate customers.

On June 18, 2021, we arranged Project Finance for the construction of a geothermal power plant and entered into a loan agreement, as a “Shinsei Green Loan”, with Minami-Aso Yunotani Geothermal Power Co., Ltd. (hereinafter the “Borrower”) that is co-invested by Focus Co. Ltd. (Minato-ku, Tokyo, Hitoshi Iwase, President and Representative Director, hereinafter “Focus”), RENOVA, Inc. (Chuo-ku, Tokyo, Yosuke Kiminami, Founding CEO) and Denergy Thermal Co., Ltd<sup>\*1</sup>. (Chiyoda-ku, Tokyo, Kohei Shiotani, President and Representative Director), (hereinafter collectively the “Sponsors”).

In this geothermal power project, the Borrower is planning to employ a flash-steam technology<sup>\*2</sup> in Aso-gun, Kumamoto Prefecture. Geothermal energy is regarded as an environmentally-friendly energy resource with one of the lowest range of life-cycle CO<sub>2</sub> emissions among renewable energies, and it is promoted and expected to be more developed as a part of Japan’s Strategic Energy Plan that indicate further expansion of renewable energy, considering the stable and high capacity factor as a base-load power source and the potential of abundant geothermal resources untapped in Japan.



(Flow-tests for this project, September 2020)

Shinsei Bank has arranged a number of project finances for renewable energy power plants with our expertise in advanced financial structuring capabilities. This project is the first geothermal energy power plant in Japan that Shinsei Bank arranged as a project finance by exercising our expertise. In addition, Sustainable Impact Assessment Department reviewed environmental benefits of this project and assessed this loan as a "Shinsei Green Loan" (see the “Attachment”).


The Shinsei Bank Group commits to build a sustainable society through continuously financing to renewable energy businesses as one of the means of implementing our materiality, providing solutions for environmental and social issues.

<sup>\*1</sup> A company co-founded by Marunouchi Infrastructure Inc.(Chiyoda-ku, Tokyo, Shigeru Kizawa, President and Representative Director) and dEnergy Co., Ltd.(Shinagawa-ku, Tokyo, Daigo Nakano, President and Representative Director).

<sup>\*2</sup> Flash-steam technology is a type of geothermal power generation system in which steam pumped from underground directly strikes the turbine to generate energy without heat exchange.

## Summary of Shinsei Green Loan Assessment

"Shinsei Green Loan" is a loan which designates use of funds for businesses or projects that can provide clear environmental benefits. Shinsei Green Loan aligns with the "Shinsei Green Finance Framework"<sup>\*3</sup> formulated in May 2020.

Borrower	Minamiaso-Aso Yunotani Geothermal Power Co., Ltd
Use of funds	Funds for construction of the Minami-Aso Yunotani Geothermal Power Plant (Aso-gun, Kumamoto Prefecture)
Environmental benefits	<p>Expansion of the Introducing Renewable Energy</p> <ul style="list-style-type: none"> <li>➤ This is an utilization of geothermal energy which has not been introduced as much as other renewable energies and fallen short of Japanese government's introduction target due to the uncertainty of underground resources, long term and high cost development, regulations in natural parks where geothermal resources are, and the essentiality of community engagement to untangle concerns of affecting negatively to their assets such as hot spring.</li> <li>➤ Expected to generate 14,800 MWh per year (annual average of total electricity generated during the project period) by the renewable energy.</li> <li>➤ This is equivalent to reducing 2,264 ton-CO<sub>2</sub> per year (compared to annual average CO<sub>2</sub> emission in all types of power generation) and 6,394 ton -CO<sub>2</sub> per year (compared to annual average CO<sub>2</sub> emission in all thermal power generation).</li> </ul>
Contribution to social issues of the project through its environmental benefit	<p>This project can contribute mainly to the SDGs Goal 7: "AFFORDABLE AND CLEAN ENERGY", Goal 9: "INDUSTRY, INNOVATION AND INFRASTRUCTURE", and Goal 13: "CLIMATE ACTION". The Japanese government has set "Decarbonized Society" as the final achievement, and the "SDGs Implementation Guiding Principles" sets the promotion of renewable energy as one of its priority areas. Hence, the project can be aligned with issues and the policies that the national and regional government have.</p> <div style="text-align: center;">  </div>
Other assessment points of the Loan	<ul style="list-style-type: none"> <li>✓ Focus which leads the development of this project, whose management philosophy is "Creating New Value for Society Through Investment", sets a goal to utilize national geothermal resources and contribute to local communities and dedicates efforts to the development of geothermal power plants in energy business unit. Advancing this project contributes to realizing the company goal.</li> <li>✓ The Borrower and the Sponsors identifies the environmental and social risks and community concerns of this project by conducting a voluntary environmental impact assessment and coordinating with various stakeholders through a local committee, establishes HSE system based on ISO 14001 (environmental management system standards) with supports from an external consulting firm and conducts appropriate mitigate measures.</li> <li>✓ The Borrower and the Sponsors is planning the community contribution activities for the project to become a "long-term sustainable geothermal power generation that everyone in Minami Aso-mura loves". The activities include the removal of abandoned buildings and waste left in/around the project site and holding events for local people to get more understanding of geothermal energy. The Borrower and the Sponsor commits to actively involved with the community.</li> </ul>

\*3 Please refer to the Reference; "Shinsei Green / Social / Sustainability Finance Framework"

## Shinsei Green/Social/Sustainability Finance Framework

In recent years, more companies have chosen financial instruments which restrict use of loan proceeds to specific businesses with environmental / social benefits, such as green loans, social loans or sustainability loans as a means of raising funds. In order to support our customers to solve their environmental / social issues through the implementation of these finances, we formulated the "Shinsei Green Finance Framework", "Shinsei Social Finance Framework" and "Shinsei Sustainability Finance Framework" (hereinafter collectively referred to as "the Frameworks") in May 2020.

Sustainable Impact Assessment Department, our in-house independent assessment function, confirms whether a loan is aligned with the Frameworks after assessing the loan proceeds, the management of proceeds, potential negative environmental / social impacts or other elements.

We have also obtained a third-party opinion from Japan Credit Rating Agency, Ltd. (JCR) stating that the Frameworks are consistent with the relevant principles<sup>\*4</sup> and that the internal implementation system of the Framework are robust.

We use the following logos to verify compliance with the Frameworks.

[Environmental]



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[Social]



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\*4 The frameworks operates in accordance with the following related principles, which are domestic and international guidelines.

- "Green Bond Principles", "Social Bond Principles" and "Sustainability Bond Guidelines" published by the International Capital Market Association (ICMA)
- "Green Loan Principles" formulated by the Loan Market Association (LMA) and the Asia Pacific Loan Market Association

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*Shinsei Bank is a leading diversified Japanese financial institution providing a various range of financial products and services to both institutional and individual customers. The Bank has a network of outlets throughout Japan and is committed in its pursuit of uncompromising levels of integrity and transparency in all of its activities in order to earn the trust of its customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders. News and other information about Shinsei Bank is available at <https://www.shinseibank.com/corporate/en/index.html>*

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