



SECOND PARTY OPINION

OKINAWA DEVELOPMENT FINANCE CORPORATION SUSTAINABILITY BOND FRAMEWORK

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Executive Summary

On May 15, 1972, when Okinawa was returned to Japan, the Okinawa Development Finance Corporation was established under “the Okinawa Development Finance Corporation Law” with the purpose of providing policy-based finance in Okinawa in a centralized and comprehensive manner. Okinawa Development Finance Corporation provides long-term funds to complement or encourage private financial institutions’ financing and private investment for the purpose of promoting the development of industries in Okinawa. In addition, the Okinawa Development Finance Corporation is intended to contribute to the promotion of the economy and society of Okinawa by providing funds to people lived in Okinawa to whom funds are not adequately supplied by private financial institutions, including persons who need housing, those who are engaged in agriculture, forestry, or fisheries, those who manage medium and small-sized companies, those who plan to establish a hospital or other medical facilities, environmental health related business operators, etc. Okinawa Development Finance Corporation has contributed to the promotion of the economy and the development of society in Okinawa by supplying funds in line with its purpose since its establishment. In advancing efforts to achieve such business objectives, the Okinawa Development Finance Corporation decided to raise a part of the funds as a Sustainability Bond and has established the Okinawa Development Finance Corporation Sustainability Bond Framework (hereinafter referred to as the “framework”) in order to implement it in a manner that conforms to the internationally established framework.

DNV Business Assurance Japan Co., Ltd. (hereinafter, DNV), as an external reviewer, evaluated the eligibility of the framework and the Okinawa Development Finance Corporation Sustainability Bond (hereinafter, Sustainability Bond). Specifically, DNV provided the eligibility evaluation for framework against the relevant frameworks centered on sustainability bond guidelines.

- Sustainability Bond Guidelines (ICMA/2021, hereinafter, SBG)
- Green Bond Principles (ICMA/2021, hereinafter, GBP)
- Social Bond Principles (ICMA/2021, hereinafter, SBP)
- Green Bond Guidelines (Ministry of the Environment/2020, hereinafter, GBGLs)

The executive summary of the eligibility evaluation results for the four core common elements defined by SBG, GBP, SBP and GBGLs, as follows.

SBG-1. Use of Proceeds :

The Okinawa Development Finance Corporation stipulates a loan or investment that meets the sustainability bond guidelines and related principles as a sustainability (social and green) eligible project, and plans to allocate the proceeds. Table 1 shows examples of Okinawa Development Finance Corporation sustainability (social and green) eligible project (loans or investments).

Specific examples of loans and investments include loans that contribute to improving the employment situation in Okinawa, creating and improving employment opportunities, comprehensive promotion of industry rooted in the region, improving education standards and improving educational opportunities, investments in the introduction of renewable energy to reduce CO₂ emissions and in energy-saving equipment, also include loans that contribute to the prevention of marine pollution, etc. These loans and investments are evaluated to have a social impact or environmental impact, and are expected to contribute to the SDGs. These processes meet SBG-1.

SBG-2. Process for Project Evaluation and Selection :

The Okinawa Development Finance Corporation confirms that the loan or investment meets the eligibility criteria of SBP-1 based on the established sustainability bond framework. Specifically, the loan and investment will be evaluated and selected based on the specific loan criteria stipulated in the internal regulations and will be decided by the prescribed approval procedures. These processes meet SBG-2.







SBG-3. Management of Proceeds :












Based on internal regulations, the proceeds will be appropriately managed as ODFC deposits in the national treasury and will be promptly allocated to sustainability eligible projects (loans or investments). Even if unallocated funds are generated, the unallocated funds will be safely managed as Finance Corporation deposit. In addition, the use and management of the proceeds of the Okinawa Development Finance Corporation will be inspected by the Board of Audit from the perspectives of accounting accuracy, legality, economic efficiency, efficiency and effectiveness based on Article 90 of the Constitution of Japan and Article 20 of the Board of Audit Act. In addition, based on Article 8 of the Okinawa Development Finance Corporation Law, it is constantly inspected and confirmed by the inspection and audit system inside the corporation, such as being audited by an auditor. These processes meet SBG-3.

SBG-4.Reporting :

The Okinawa Development Finance Corporation will disclose the status of allocation of the proceeds and the degree of impact toward solving social and environmental issues on the Okinawa Development Finance Corporation HP and documents such as business reports annually. In this impact reporting, the Okinawa Development Finance Corporation plans to disclose the number of loans or investment projects used, the balance of the amount, and one or more of the quantified social contributions/environmental impact. These processes meet SBG-4.

Table-1 Okinawa Development Finance Corporation Sustainability (Social and Green) eligible project (loan/investment)

No.	Eligible project (Loan/investment) category	Category	Overview of loan/investment implemented by Okinawa Development Finance Corporation	Contribution to SDGs
1	Industrial development loans	Social	<ul style="list-style-type: none"> - Loans for project realization such as urban infrastructure, transportation infrastructure development, information and communication network development, and distribution facility development, and loans for major industries such as energy, tourism, transportation, and manufacturing. - single parent support/ Employment environment improvement loan interest rate exception - Loan to promote the development of the site of the former military site 	
2	Small and medium-size enterprise loans		- Loans to SMEs	
3	Micro business loans		<ul style="list-style-type: none"> - loans to small businesses, new practitioners, and businesses that have just been founded - Education loan 	
4	Environmental health business loans		- Loan to Life hygiene related businesses	
5	Primary sector loans (agriculture, forestry, fisheries)		- Loans for equipment funds such as acquisition of farmland, acquisition of facilities necessary for production of agriculture, forestry and fisheries and improvement of facilities, or for long-term working capital required for planting fruit trees, getting livestock, purchasing feed and fertilizers, etc.	
6	Medical service loans		- Loans for new construction, extension and renovation of hospitals, long-term care health facilities, clinics, training of medical staff. Loans for purchasing medical equipment and for long-term working capital.	

No.	Eligible project (Loan/investment) category	Category	Overview of loan/investment implemented by Okinawa Development Finance Corporation		Contribution to SDGs
7	Housing loans		- Loans for construction of disaster restoration housing, construction of rental housing for the elderly with energy-saving support and services, remodeling of common areas of individual housing and condominiums, construction for individual housing, purchasing condominium, etc.		
8	Investment funds		- Loans for large-scale regional development projects such as improvement of transport system and redevelopment of urban areas. Loans to strengthen competitiveness such as business expansion of companies related to Okinawa's leading industry.		
9	Self-sufficient economic development in Okinawa (Industrial development loans)	Green	Renewable energy	- Loans to acquire facilities to introduce renewable energy	 
10	Loans for environmental and energy measures (Small and medium-size enterprise loans/Micro business loans)		Energy efficiency/pollution prevention and control	- Loans required for investment in energy-saving equipment	 
11	Low interest rates for the prevention of red soil and other forms of erosion (Small and medium-size enterprise loans/Micro business loans)		pollution prevention and control	- the "Ordinance on the Prevention of Red Soil Erosion in Okinawa" applies, and for business operations which keep the suspended matter in muddy water being discharged to 100mg/l or less, lower than the standard prescribed in this ordinance (200mg/l)	
12	Forestry infrastructure development fund (Agriculture, forestry and fisheries funds)		environmentally sustainable management of living natural resources and land use	- Providing funds necessary for planting artificial plants, improving natural forests, raising forests, conserving forests, improving equipment for raising seedlings, creating trees, and recovering from disasters.	
13	Energy saving rental housing loan (Housing loans)		Energy efficiency	- Loans for the construction of energy-saving rental housing that meets the standards set by JFC	  

(Not) Eligible project (loan / investment) classifications 09 to 13 are the green category of loans / investment for businesses with greenness in the social category.

DNV has confirmed that the framework meets the criteria required by the relevant framework and is eligible by evaluation based on the framework and other related documents and information provided by the Okinawa Development Finance Corporation. DNV also confirmed that sustainability bonds are expected to be properly planned and implemented in accordance with this framework.

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Disclaimer

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

Statement of Competence and Independence

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

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

I Introduction

i. About the Issuer

On May 15, 1972, when Okinawa was returned to Japan, the Okinawa Development Finance Corporation was established under “the Okinawa Development Finance Corporation Law” with the purpose of providing policy-based finance in Okinawa in a centralized and comprehensive manner.

Okinawa Development Finance Corporation provides long-term funds to complement or encourage private financial institutions’ financing and private investment for the purpose of promoting the development of industries in Okinawa, the. In addition, the Okinawa Development Finance Corporation is intended to contribute to the promotion of the economy and society of Okinawa by providing funds to Okinawan people to whom funds are not adequately supplied by private financial institutions, including persons who need housing, those who are engaged in agriculture, forestry, or fisheries, those who manage medium and small-sized companies, those who plan to establish a hospital or other medical facilities, environmental health related business operators, etc.

As a region-specific comprehensive policy-based financial institution, the ODFC offers services equivalent to the services provided by the Japan Finance Corporation, the Japan Housing Finance Agency, and the Welfare and Medical Service Agency (excluding welfare loans) on the mainland, as well as a unique system that responds to regional political issues, investment for regional development or business revitalization, and venture investment in an integrated fashion.

ii. Addressing social issues

According to the Okinawa Promotion and Development Special Treatment Act, the national government will endeavor to secure the funds necessary to realize the goals of the Okinawa Promotion Policy, and the financing of the Okinawa Development Finance Corporation is positioned as one of the concrete measures.

Okinawa Development Finance Corporation, as a government-affiliated financial institution that centrally and comprehensively conducts policy finance in Okinawa, has been responsible for the policy-financing function integrated with the national and prefectural Okinawa promotion.

Okinawa Development Finance Corporation, as a government-affiliated financial institution that centrally and comprehensively conducts policy finance in Okinawa, is a national and prefectural Okinawa in order to contribute to the development of a private-sector-led self-sustaining economy that takes advantage of Okinawa. It has been responsible for the policy-financing function integrated with the promotion measures.

The policy finance of the Okinawa Development Finance Corporation, which supports private investment, is positioned as the "two wheels of a car" in Okinawa Development Finance, along with the promotion of public investment through special financial provisions.

The Okinawa Promotion (development) Plan has been formulated five times in the past, with a planning period of 10 years, and the fifth promotion plan, the "21st Century Vision Master Plan in Okinawa" is currently being implemented. In these Promotion (development) Plans, regarding the initial "reducing disparities focused on social capital development", various disparities in each field have been reduced by the development of social capital, etc. Since the 4th plan in 2002, ODFC has been working on industrial promotion as the main goal, but "improvement of basic conditions for autonomous development" has not progressed sufficiently and a mechanism for autonomous economic development has not been established. Until now, the per capita prefectural income has not exited the lowest level in Japan since the return to the mainland. The per capita prefectural income is still at the lowest level in Japan. The ratio of non-regular employees and the high poverty rate of children are also severe compared to the whole country, the current situation is that the development of Okinawa Prefecture and the realization of affluent inhabitants' lives are not sufficient.

In this way, Okinawa Prefecture still has special circumstances even now, half a century after its return to the mainland.

iii. About the Framework

The Okinawa Development Finance Corporation has implemented part of the financing for Okinawa Development as a sustainability bond, and positioned it as an opportunity to disseminate the efforts of the Okinawa Development Finance Corporation to stakeholders. The Okinawa Development Finance Corporation has established the Okinawa Development Finance Corporation Sustainability Bond Framework to ensure that this sustainability bond is implemented in a manner that conforms to the internationally established framework.

This framework will be available for the implementation of future sustainability bonds by the Okinawa Development Finance Corporation. The framework specifically referenced to formulate this framework is described in Section II (3) below.

iv. Issuer's Contribution to the SDGs

Table 2 shows the relationship between the eligible loan / investment classifications conducted by the Okinawa Development Finance Corporation and the major related SDGs. Please refer to Table-3 for an overview of each eligible loan / investment category (eligible category). Okinawa Prefecture has formulated the "Okinawa 21st Century Vision" as a future image of Okinawa that is shared by all citizens of the prefecture toward 2030.

Since the basic principles and future image of the vision often overlap with the basic principles of the SDGs and 17 goals, Okinawa Development Finance Corporation decided to promote the SDGs toward the realization of the future vision set forth in the "Okinawa 21st Century Vision", and it has been decided to develop measures based on this plan during the planning period of the "Okinawa 21st Century Vision Basic Plan" (until March 2022). Based on this, we have positioned the "basic measures" of the "Okinawa 21st Century Vision Basic Plan" as the "basic measures" of the promotion policy, and have enhanced measures related to the SDGs, such as responding to new issues. Furthermore, in the new promotion plan starting in 2022, Okinawa Development Finance Corporation plans to incorporate the principles and measures of the SDGs and formulate a new promotion policy based on the new promotion plan.

As a comprehensive policy financial institution targeting only Okinawa, the Okinawa Development Finance Corporation supports efforts to realize the Okinawa 21st Century Vision and achieve the goals of the SDGs by developing various financial support systems that meet policy needs and promoting their utilization.

Table-2 The relationship between the sustainability (social and green) eligible loan/investment and SDGs

(Lending schemes related to sustainability bonds and corresponding goals)

eligible loan/investment category	Corresponding goals
Industrial development loans	   
Small and medium-size enterprise loans	 
Micro business loans	  
Environmental health business loans	
Primary sector loans (agriculture, forestry, fisheries)	
Medical service loans	
Housing loans	
Investment funds	
Self-sufficient economic development in Okinawa (Industrial development fund)	 
Loans for environmental and energy measures (Small and medium-size enterprise loans/Micro business loans)	 
Low interest rates for the prevention of red soil and other forms of erosion (Small and medium-size enterprise loans/Micro business loans)	
Forestry infrastructure development fund (Agriculture, forestry and fisheries funds)	
Energy saving rental housing loan (Housing loans)	  



II Scope and Objectives

DNV will conduct pre-issuance eligibility assessment of the “Okinawa Development Finance Corporation Sustainability Bond Framework” and “Sustainability Bond”. The objective of the pre-issuance eligibility assessment of DNV is to conduct assessment in order to confirm that the “Okinawa Development Finance Corporation Sustainability Bond Framework” and “Sustainability Bond” meets the criteria such as GBP, SBP, and GBGLs, centering on SBG, which will be described later, and to provide a second-party opinion on those eligibility.

DNV, as an independent external reviewer, has identified no real or perceived conflict of interest associated with the delivery of this second-party opinion for Okinawa Development Finance Corporation.

In this paper, no assurance is provided regarding the financial performance of the Sustainability Bond, the value of any investments in the BOND, or the long-term environmental benefits of the transaction.

(1) Scope of review

The review assessed the following items and confirmed their alignment with four core elements such as SBG.

- | | |
|--|--|
| <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 |

(2) 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>): | |

(3) Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner	Applied level*1*2
1.	Sustainability Bond Guidelines (SBG2021)	International Capital Market Association (ICMA), 2021	Apply
2.	The Green Bond Principles (GBP2021)	International Capital Market Association (ICMA), 2021	Apply
3.	Social Bond Principles (SBP2021)	International Capital Market Association (ICMA), 2021	Apply
4.	Green Bond Guidelines (GBGLs2020)	Ministry of the Environment, 2020	Apply
5.	Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals	International Capital Market Association (ICMA), 2020	Refer
6.	Handbook Harmonized Framework for Impact Reporting	International Capital Market Association (ICMA), 2021	Refer

*¹Apply: Eligibility for all four core common elements to each handbook, principle and guideline was evaluated

*²Refer : Based on the project (loan or investment) and execution plan that are the target candidates this time, the related contents were partially considered.



III Responsibilities of Okinawa Development Finance Corporation and DNV

Okinawa Development Finance Corporation has provided the information and data used by DNV to carry out this review. DNV's second party opinion represents an independent opinion and is intended to inform Okinawa Development Finance Corporation and other interested stakeholders in the finance as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by Okinawa Development Finance Corporation. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by management of Okinawa Development Finance Corporation and used as a basis for this assessment were not correct or complete.

IV Basis of DNV's opinion

To provide as much flexibility for the issuer, Okinawa Development Finance Corporation as possible, we have adapted our sustainability bond assessment methodologies, which incorporates the requirements of the SBG, GBP, SBP and GBGLs, to create an Okinawa Development Finance Corporation Sustainability Bond Eligibility Assessment Protocol (hereinafter, "Protocol"). (Refer to Schedule-2) The Protocol is applicable to Sustainability Bond based on SBG, GBP, SBP and GBGLs.

Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle and guidelines behind the criteria are that a sustainability bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the sustainability bond has been reviewed are grouped into four common elements, represented by SBG, GBP, SBP and GBGLs:

Principle One: Use of Proceeds

The Use of Proceeds criteria are guided by the requirement that an issuer of a sustainability bond must use the funds raised to bond eligible activities. The eligible activities should produce clear environmental benefits.

Principle Two: Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a sustainability bond should outline the process it follows when determining eligibility of an investment using sustainability bond proceeds, and outline any impact objectives it will consider.

Principle Three: Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a sustainability bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.

Principle Four: Reporting

The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond 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 comprehensive 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. DNV findings to provide opinion includes;

Sustainability Bond pre-issuance assessment (Sustainability Bond Framework)

- Creation of the issuer-specific Protocol, adapted to the purpose of the Sustainability Bond, as described above and in Schedule-2 to this Assessment.
- Assessment of documentary evidence provided by the issuer on the BOND and supplemented assessment by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with the issuer, and review of relevant documentation;
- Documentation of findings against each element of the criteria.

VI Findings and DNV’s opinion

DNV’s findings and opinion are for the four elements common to SBG, GBP, SBP and GBGLs in (1)-(4) below.

(1) Use of Proceeds

DNV has confirmed that the proceeds by the Okinawa Development Finance Corporation through Sustainability Bonds will be allocated as loans or investments with 13 eligible sustainability project portfolios that meet the following Sustainability Bond Eligible Criteria.

Nominated projects that contribute to society and the environment that are implemented in the loan or investment included in the framework are classified into the 13 eligible sustainability project portfolios (loan/investment) shown in Table-3(from 01 to 13) and the proceeds will be allocated to each loan or investment.

Please refer to Table-3 and Schedule-2 for an overview of the Eligible Sustainability Project Portfolio.

Table-3 Okinawa Development Finance Corporation Sustainability Bond Nominated Project Portfolio

*1 : Social / Environmental Issues: Major Social / Environmental Issues which Okinawa Development Finance Corporation is facing and should solve, among Social / Environmental Issues facing Okinawa.

*2 : Target population/general public: The final beneficiaries are all Okinawa citizens. (The direct beneficiaries are subdivided below)

*3: Criteria: Green bond eligible criteria are described in category from 09 to 13

No.	Eligible Category	Major loan system	Social / Environmental Issues ^{*1}	Target population/general public ^{*2} , criteria ^{*3}
01	Industrial development loans	<ul style="list-style-type: none"> • Basic loans • Electricity • Aircrafts • Loans for the promotion of the Okinawan tourist resort industry • Loans funding the development of specific sites, such as international logistics hub industry integrated region • Loans for supporting Okinawa information-communication industry • Self-sufficient economic development in Okinawa • Development promotion loans for remaining military station sites • Special loan interest system of Okinawa single- 	(Mainly social issues) privately-led Self-sufficient economic development	<ul style="list-style-type: none"> • specific businesses contributing to the promotion and development of industry • Those who receive subsidies for employment of single parents • Among person who run the target business types in the special zone / regional system, the person who setup new business locations and to install earthquake proof countermeasures

No.	Eligible Category	Major loan system	Social / Environmental Issues* ¹	Target population/general public* ² , criteria* ³
		<p>parent support / employment environment improvement</p> <p>Special interest rates for loans without collateral in designated areas of Okinawa</p>		
02	Small and medium-size enterprise loans	<ul style="list-style-type: none"> • Support loans for persons founding businesses in Okinawa • International logistics hub industry • specific sites, such as integrated region • Loans for the Promotion Okinawan tourist resort industry • Loans for the Promotion Safety net loan <p>(Funds for responding to changes in the business environment)</p>	<p>{Mainly social issues}</p> <p>Supporting the growth and development of SMEs / Stable long-term funding</p>	<ul style="list-style-type: none"> • Small and medium-sized businesses in the construction, manufacturing, transportation, wholesale, and service industries (excluding agriculture, forestry and fisheries, finance, and some real estate businesses)
03	Micro business loans	<ul style="list-style-type: none"> • Basic loans • Support loans for persons founding businesses in Okinawa • Okinawa isolated islands/north part • loans for isolated islands/depopulated areas • Loans for improvement of small business management • Loans for strengthening employment and business foundations in Okinawa • Safety net loan • (Funds for responding to changes in the business environment) 	<p>{Mainly social issues}</p> <p>Management stability and growth support for small businesses</p>	<ul style="list-style-type: none"> • Small businesses
		<ul style="list-style-type: none"> • Education loan • Pension-secured loans 	<p>{Mainly social issues}</p> <p>Securing opportunities to learn and reducing the financial burden on the family</p>	<ul style="list-style-type: none"> • Individuals (including parents) who are enrolled in or enrolled in high school, vocational school, university, etc. • Pensioner

No.	Eligible Category	Major loan system	Social / Environmental Issues* ¹	Target population/general public* ² , criteria* ³
04	Environmental health business loans	<ul style="list-style-type: none"> • Equipment funds • Promotion business loan • Life hygiene • Special loan for business management improvement fund 	<p>(Mainly social issues)</p> <p>Improving hygiene standards and supporting modernization</p>	<ul style="list-style-type: none"> • Businesses engaged in food and beverage and food related businesses • Businesses engaged in hair salon/ beauty salon business, hotel business, bathhouse business, cleaning business
05	Agriculture, forestry and fisheries funds	<ul style="list-style-type: none"> • Loans for strengthening Agricultural management foundation • Loans for Management body development strengthening • Loans for agricultural improvement • Loans for youth farming • Agriculture, Forestry and Fisheries Safety Net loan • Fisheries processing facility loan • Specified agricultural processing loan • Loans for promoting Okinawa brands • Okinawa Agriculture, Forestry, Livestock and Fisheries, etc. • Support fund system for startups 	<p>(Mainly social issues)</p> <p>Development of production base and maintenance / improvement of productivity in agriculture, forestry and fisheries</p>	<ul style="list-style-type: none"> • Businesses engaged in agriculture, forestry and fisheries
06	Medical service loans	<ul style="list-style-type: none"> • New construction of facilities, etc. • Expansion and renovation of the facilities that are currently open • Purchase of machinery and equipment required for new installation • Working capital required for new construction • Working capital to stabilize management 	<p>(Mainly social issues)</p> <p>Improvement of regional medical system and facilities, improvement of medical standards</p>	<ul style="list-style-type: none"> • Hospitals and medical businesses
07	Housing loans	<ul style="list-style-type: none"> • Rental housing loan • Remodeling loan • Property Accumulation Housing Loan 	<p>(Mainly social issues)</p> <p>Promotion of improvement of living environment in</p>	<ul style="list-style-type: none"> • People in need of housing in Okinawa

No.	Eligible Category	Major loan system	Social / Environmental Issues* ¹	Target population/general public* ² , criteria* ³
		<ul style="list-style-type: none"> • Home new construction loan • Built-for-sale home purchase loan • Condominium purchase loan • Special loan for housing expansion • Urban residence rejuvenation loan 	consideration of global environment such as energy saving and resource saving, and securing of housing for the elderly	
08	Investment funds	<ul style="list-style-type: none"> • Industrial infrastructure development • Leading industry development support • Investments for the creation of new businesses 	{Mainly social issues} Supply of long-term stable funds necessary for regional development and growth of regional companies	<ul style="list-style-type: none"> • Companies that run businesses that contribute to the promotion and development of Okinawa, etc.
09	Micro business loans	<ul style="list-style-type: none"> • Self-sufficient economic development in Okinawa 	{Mainly environmental issues} Renewable energy	<ul style="list-style-type: none"> • Acquisition of facilities to introduce renewable energy
10	Small and medium-size enterprise loans/Micro business loans	<ul style="list-style-type: none"> • Environmental and energy measures loan 	{Mainly environmental issues} Energy efficiency Pollution prevention and control	<ul style="list-style-type: none"> • Acquisition of facilities to introduce non-fossil energy • Acquisition of equipment that is recognized for its energy-saving effect • Installation of specific industrial pollution control facilities, etc.
11	Small and medium-size enterprise loans/Micro business loans	<ul style="list-style-type: none"> • Low interest rates for the prevention of red soil and other forms of erosion 	{Mainly environmental issues} Pollution prevention and control	<ul style="list-style-type: none"> • The “Ordinance on the Prevention of Red Soil Erosion in Okinawa” applies, and for business operations which keep the suspended matter in muddy water being discharged to 100mg/l or less, lower than the standard prescribed in this ordinance (200mg/l)
12	Agriculture, forestry and fisheries funds	<ul style="list-style-type: none"> • Forestry infrastructure development loan 	{Mainly environmental issues}	<ul style="list-style-type: none"> • Forest roads, artificial planting, natural forest improvement, forest

No.	Eligible Category	Major loan system	Social / Environmental Issues* ¹	Target population/general public* ² , criteria* ³
			environmentally sustainable management of living natural resources and land use	nursery, protection, silviculture or improvement, creation or restoration of facilities which raise a tree seedling
13	Housing loans	<ul style="list-style-type: none"> Energy saving rental housing loan 	(Mainly environmental issues) Energy efficiency	<ul style="list-style-type: none"> Construction of rental housing, which prevents heat loss through exterior walls, windows and other parts, to contribute to the rationalization of energy use and which measures for efficient use of energy related to air conditioning equipment and other building equipment are in place, and which particularly effective measures are taken to maintain indoor temperature and prevent dew condensation.

(Note) Eligible category (loan / investment) classifications 09 to 13 are the green category of loans / investment for businesses with greenness in the social category.

DNV has confirmed that the financing system of this Okinawa Development Finance Corporation is structured for the effort of the important fields for Okinawa promotion stipulated by the Act on Special Measures for the Promotion and Development of Okinawa, that is, tourism industry, information and communication industry, manufacturing industry, etc. or industrial sophistication / business innovation promotion business, international logistics base industry, securing funds for agriculture, forestry and fisheries industry, securing stable and appropriate supply of electricity, the promotion support of small and medium-sized enterprises, and new business creation promotion investment business. Furthermore, this financing system also contributes to promotion of regional industries, creation of new industrial fields, regional promotion of isolated islands, development of large-scale remaining military station sites, strengthening of management bases of SMEs and producers, industrial development utilizing geographical characteristics, promotion of regional revitalization and solving local issues such as child poverty alleviation and employment quality improvement, those which required for the realization of the Okinawa 21st Century Vision in the Okinawa 21st Century Vision Basic Plan (Okinawa Promotion Plan). From the purpose of Okinawa Development Finance Corporation and this financing system, DNV has confirmed that the supply of long-term funds provided by the Okinawa Development Finance Corporation is necessary for solving the unique social and environmental issues in Okinawa Prefecture and has the social and environmental benefits that are the objectives of the sustainability bond.

In addition, based on an assessment through detailed interviews with issuers or sharing of materials and information, DNV has confirmed that the following areas that are included in this Sustainability Eligibility category but generally require a detailed explanation of being evaluated as a social project is eligible as a social project.

- About loan for electric power companies

Among the eligible categories, industrial development loans include "funds required to acquire and improve power generation equipment, transmission equipment, substation equipment, distribution equipment or communication equipment" for electric power companies. These are usually necessary for electric power company to continue their business and are not generally recognized as social project. For this reason, in order to make a loan suitable as a social project in this framework, it is necessary to clarify the social issues facing the region, the social benefits obtained as a result of the loan, and the beneficiaries. In this Sustainability Bond Framework, the following social issues in Okinawa Prefecture were explained in detail by the issuer, and it was confirmed that the loan is necessary for solving the social issues.

- Electricity from other companies cannot be accommodated since it is physically separated/disconnected from the mainland, so capital investment to realize an independent and stable supply is important and necessary as a basic social infrastructure.
- It is a typhoon-prone area and requires a lot of funds to strengthen the maintenance of facilities and equipment.
- There are many isolated islands, and it is necessary to develop and maintain infrastructure such as power transmission equipment in each area, which requires a lot of funds.
- Despite the difficult business environment as described above, a stable supply of electricity to local residents is necessary for promoting industry and maintaining a living environment. In addition, it is difficult to separate the standard response to electric power company from the above-mentioned efforts specific to Okinawa Prefecture, and it is necessary to consider the entire system that meets the financing standards as socially eligible project.

- About loan for Awamori (traditional distilled beverage unique to Okinawa) business
From an SRI (Socially Responsible Investment) perspective, investments in industries such as weapons, gambling and alcohol are generally not accepted as social project. In this Sustainability Bond Framework, in the eligible categories, small and medium-size enterprise loans/micro business loans may include loans for the purpose of fostering and promoting the Awamori industry. Although Awamori industry has an aspect as an alcohol industry, it was confirmed that the loan has sufficient social significance in consideration of the following cultural aspects of Okinawa.
 - Awamori was recognized by the Agency for Cultural Affairs in May 2019 as one of the stories that tells the culture and traditions of Japan as a Japan heritage, the government also plans to register it as an intangible cultural heritage of the United Nations Educational, Scientific and Cultural Organization (UNESCO) because of the cultural value of Awamori.
 - Awamori is deeply rooted in Okinawan culture and customs, and is widely recognized as one of Okinawa's cultures and important regional industries.
 - The Okinawa Development Finance Corporation's financing is more focused on maintaining the important culture, traditions and industries mentioned above and on the financial support of small businesses in the region rather than on the aspect of financing for the alcohol industry.

Use of proceeds categories as per SBP

- | | |
|--|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (SME financing and Microfinance) |
| <input type="checkbox"/> Food security and sustainable food systems | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Areas that are considered to meet the SBP classification or are not listed in the SBP but are eligible. | <input checked="" type="checkbox"/> Loans / investments that contribute to solving social and environmental issues facing Okinawa Prefecture |

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input 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"/> Green buildings with regional, national or internationally recognized standards and certifications |
| <input type="checkbox"/> Other (<i>please specify</i>) ; | |
| <input type="checkbox"/> It is undecided at the time of bond issuance, but is expected to be line with the GBP classification or other eligible areas not listed in the GBP at this time. ; | |

(2) Process for Project Evaluation and Selection

At the Okinawa Development Finance Corporation, the loan/investment department will confirm that the sustainability project (loan/investment) meets the SBG-1 eligible criteria based on the loan/investment criteria stipulated in the internal regulations. The procedure from receiving these loans / investments to the final approval is stipulated in the internal regulations.

Evaluation and Selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Conforms to the issuer's achievement of environmental contribution goals | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> The project is eligible for use of proceeds by sustainability bond and transparency is ensured. | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> The project is evaluated and selected based on the published standard summary | <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

Based on internal regulations, the proceeds will be deposited in the Treasurer’s account of the Bank of Japan in order to be deposited in the Japan Finance Corporation and will be promptly allocated to sustainability eligible projects. Even if unallocated amount is generated, it will be properly managed as JFC deposit.

These proceeds will be managed using the internal regulations of Okinawa Development Finance Corporation and the following internal control process.

- Audit of the accounting classification of proceeds and the appropriateness of use of proceeds by an auditor appointed based on Article 8 of the Okinawa Development Finance Corporation Act.
- Inspection of accuracy, legality, economic efficiency and effectiveness of accounting by the Board of Audit based on Article 90 of the Constitution of Japan and Article 20 of the Board of Audit Act.

The management status of the proceeds and the internal control process can be tracked and confirmed during the redemption period, and the proceeds will be managed appropriately.

If sustainability bonds are executed based on this framework in the future, management of proceeds will be disclosed in bond-related documents prior to bond issuance.

Tracking of proceeds:

- Some or all of the proceeds by sustainability bonds that are planned to be allocated are systematically distinguished or tracked by the issuer.
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocations to future investments only | <input 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 checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

(4) Reporting

The Okinawa Development Finance Corporation plans to report on the allocation status of proceeds and the improvement effect (impact) of environmental and social issues annually on the Okinawa Development Finance Corporation HP and business reports. The Okinawa Development Finance Corporation plans to disclose the allocated amount for each project portfolio or number of uses, and if applicable, the unallocated amount, and one or more of the quantified social contributions/environmental impact.

<Allocation status>

- Allocated amount
- Balance of unallocated amount and operation method, if applicable

<Environmental impact /improvement effect of social issues> ※Any or all of the followings will be disclosed

- Number of uses for each loan/investment
- Quantified social contribution/environmental impact

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability bond refinanced share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): | <i>Loan /Number of uses One or more</i> |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting (Effect of improving environmental and social issues) :

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |



Frequency:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Number of beneficiaries Beneficiary
- Other ESG indicators (please specify): the number of loans / investments, the balance of the amount, one or more of quantified social contribution/environmental improvement effect

Means of Disclosure

- Information published in financial report (Integrated Report) Described in sustainability report
- Information published in ad hoc documents Other (please specify): Okinawa Development Finance Corporation Report and Okinawa Development Finance Corporation Website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review) :

VII Assessment Conclusion

On the basis of the information provided by Okinawa Development Finance Corporation and the work undertaken, it is DNV's opinion that the Okinawa Development Finance Corporation Sustainability Bond Framework and Sustainability Bond issued by Okinawa Development Finance Corporation meets the criteria established in the Protocol and that it is aligned with the stated definition or purpose of sustainability bond within the SBG and related standards, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

DNV Business Assurance Japan K.K.

17th Sep. 2021



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About DNV

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

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

Schedule-1 Okinawa Development Finance Corporation Sustainability Bond Nominated Project

The nominated projects (loan/investment) listed in the table are sustainability project candidates that have been evaluated for eligibility at the time of pre-issue eligibility assessment (as of August 2021). In the future, if additional sustainability projects are included in the finances issued under the Okinawa Development Finance Corporation Sustainability Bond Framework, eligibility will be evaluated in advance by the issuer, and if necessary, DNV will evaluate them in a timely manner.

*1 : Eligibility : (Eligibility criteria if applicable to a green project)

*2 : Social benefits : (Environmental benefits if applicable to a green project)

No.	Eligible Project (loan/investment)	Green Project Category	Social Project Category		Social and environmental issues to be solved in Okinawa Prefecture
			Eligibility ^{*1}	Social benefits ^{*2}	
01	Industrial development loans	—	<ul style="list-style-type: none"> - company to the promotion and development of industry - Those who receive subsidies for employment of single parents - the person who setup new business locations and to install earthquake proof countermeasures among person who run the target business types in the special zone / regional system 	privately-led Self-sufficient economic development	<ul style="list-style-type: none"> - Supply of long-term funds that contribute to industrial promotion that makes the best use of Okinawa's regional characteristics, promotion of tourism/resort industry which are leading industries, and information and communication related industrial fields. - Creation and expansion of employment opportunities through stable funding of major industries
02	Small and medium-size enterprise loans	—	<ul style="list-style-type: none"> - Small and medium-sized businesses in the construction, manufacturing, transportation, wholesale, and service industries (excluding agriculture, forestry and fisheries, finance, and some real estate businesses) 	Supporting the growth and development of SMEs / Stable long-term funding	<ul style="list-style-type: none"> - Improvement of the employment situation in Okinawa, including young people, where the unemployment rate remains at a higher level than the national average - Comprehensive promotion of local industries such as manufacturing industry, construction industry, commerce/service industry, etc. in order to put the local industry, which is providing local employment, on a stable growth trajectory.

No.	Eligible Project (loan/investment)	Green Project Category	Social Project Category		Social and environmental issues to be solved in Okinawa Prefecture
			Eligibility *1	Social benefits *2	
03	Micro business loans		<ul style="list-style-type: none"> - small businesses 	Management stability and growth support for small businesses	<ul style="list-style-type: none"> - Improvement of the employment situation in Okinawa, including young people, where the unemployment rate remains at a higher level than the national average - Funding that does not require collateral or Funding for those who have difficulty providing collateral - Funding new business who has difficulty getting loans from general financial institutions due to poor business performance etc., and Funding business that has just been founded
			<ul style="list-style-type: none"> - Individuals (including parents) who are enrolled in or enrolled in high school, vocational school, university, etc. - pensioner 	Securing opportunities to learn and reducing the financial burden on the family	<ul style="list-style-type: none"> - Improvement of education level in Okinawa, such as University / junior college enrolment rate, etc., which remains at a low level compared to the whole country, and improvement of educational opportunities
04	Environmental health business loans	—	<ul style="list-style-type: none"> - Businesses engaged in food and beverage and food related businesses - Businesses engaged in hair salon/ beauty salon business, hotel business, bathhouse business, cleaning business 	Improving hygiene standards and supporting modernization	<ul style="list-style-type: none"> - Improving, modernizing, and rationalizing the hygiene level of business operators related to living hygiene
05	Agriculture, forestry and fisheries funds	—	<ul style="list-style-type: none"> - Businesses engaged in agriculture, forestry and fisheries 	Development of production base and maintenance / improvement of productivity in agriculture, forestry and fisheries	<ul style="list-style-type: none"> - Funding for agriculture, forestry and fisheries businesses, where the number of employees exceeds the national average and plays an important role in employment, mainly in remote islands and northern regions - Comprehensive promotion of agriculture, forestry and fisheries rooted in the region in

No.	Eligible Project (loan/investment)	Green Project Category	Social Project Category		Social and environmental issues to be solved in Okinawa Prefecture
			Eligibility *1	Social benefits *2	
					order to put the region's industry, which is providing local employment, on a stable growth trajectory
06	Medical service loans	—	- Hospitals and medical businesses	Improvement of regional medical system and facilities, improvement of medical standards	<ul style="list-style-type: none"> - Enhancement of medical system to promote the creation of an environment where everyone can live in good health and liveliness - Improving the medical system in isolated islands and isolated areas where the emergency medical system is inadequate
07	Housing loans	—	- People in need of housing in Okinawa	Promotion of improvement of living environment in consideration of global environment such as energy saving and resource saving, and securing of housing for the elderly	<ul style="list-style-type: none"> - Funding for seismic retrofitting and rebuilding, which requires a large amount of money - Realization of a living life where you can feel the comfort and affluence
08	Investment funds	—	- Companies that run businesses that contribute to the promotion and development of Okinawa, etc.	Supply of long-term stable funds necessary for regional development and growth of regional companies	<ul style="list-style-type: none"> - Supply of long-term stable funds for projects with particularly significant policy significance in promoting and developing industry in Okinawa - Supply of funds necessary for strengthening competitiveness such as business expansion of companies related to leading industry in Okinawa
09	Self-sufficient economic development in	Renewable energy Energy efficiency	- Acquisition of facilities to introduce renewable energy	Reduction of CO ₂ emissions by reducing energy consumption	<ul style="list-style-type: none"> - Building a sound material-cycle society with less environmental impact and that achieves both natural environment conservation and socio-economic activities

No.	Eligible Project (loan/investment)	Green Project Category	Social Project Category		Social and environmental issues to be solved in Okinawa Prefecture
			Eligibility *1	Social benefits *2	
	Okinawa (Industrial development loans)				
10	Loans for environmental and energy measures (Small and medium-size enterprise loans/ Micro business loans)	Renewable energy Energy efficiency	<ul style="list-style-type: none"> - Acquisition of facilities to introduce non-fossil energy (Solar energy, solar heat, wind power, temperature difference energy, biomass energy, snow and ice, geothermal power, hydropower, underground heat) - Acquisition of equipment that is recognized for its energy-saving effect 	Reduction of CO ₂ emissions by reducing energy consumption	<ul style="list-style-type: none"> - Building a sound material-cycle society with less environmental impact and that achieves both natural environment conservation and socio-economic activities
		pollution prevention and control	<ul style="list-style-type: none"> - Installation of specific industrial pollution (Related to Water Pollution Control Act, asbestos, etc.) control facilities, etc. 	Reduction of environmental load (reduction of emission of harmful substances)	<ul style="list-style-type: none"> - Building a sound material-cycle society with less environmental impact and that achieves both natural environment conservation and socio-economic activities
11	Low interest rates for the prevention of red soil and other forms of erosion (Small and medium-size enterprise loans/ Micro business loans)	pollution prevention and control	<ul style="list-style-type: none"> - the "Ordinance on the Prevention of Red Soil Erosion in Okinawa" applies, and for business operations which keep the suspended matter in muddy water being discharged to 100mg/l or less, lower than the standard prescribed in this ordinance (200mg/l) 	Conservation of marine resources and ecosystems	<ul style="list-style-type: none"> - Conservation of rich natural environment - Prevention of adverse effects on the tourism industry and fishery industry due to the outflow of red soil caused by equipment construction, etc., establishment of an environmentally symbiotic society
12	Forestry infrastructure development fund	environmentally sustainable management of living natural	<ul style="list-style-type: none"> - Forest roads, artificial planting, natural forest improvement, forest nursery, protection, silviculture or improvement, 	Conservation of forest resources and ecosystems	<ul style="list-style-type: none"> - Conservation of rich natural environment - Promotion of sustainable forest maintenance, support for artificial forestation by local governments, etc.

No.	Eligible Project (loan/investment)	Green Project Category	Social Project Category		Social and environmental issues to be solved in Okinawa Prefecture
			Eligibility *1	Social benefits *2	
	(Agriculture, forestry and fisheries funds)		creation or restoration of facilities which raise a tree seedling - forest nursery, protection, silviculture		
13	Energy saving rental housing loan (Housing loans)	Energy efficiency	- Construction of rental housing, which prevents heat loss through exterior walls, windows and other parts, to contribute to the rationalization of energy use and which measures for efficient use of energy related to air conditioning equipment and other building equipment are in place, and which particularly effective measures are taken to maintain indoor temperature and prevent dew condensation.	Reduction of CO ₂ emissions by reducing energy consumption	- Building a sound material-cycle society with less environmental impact and that achieves both natural environment conservation and socio-economic activities

(Note) Eligible project (loan/investment) categories (No. 09 to 13) are those which extracted from loans or investments in social categories as green category, due to the loan/investment for the project with green business.

Schedule-2 Sustainability Bond Eligibility Assessment Protocol

The checklists (1)-(4) below are DNV evaluation procedures created for Okinawa Development Finance Corporation Sustainability Bond Eligibility Evaluation based on the disclosure requirements of SBG, GBP, SBP and GBGLs. The "confirmed documents" in the Work Undertaken include issuer's internal documents, etc., and are provided by Okinawa Development Finance Corporation as evidence of eligibility judgment for DNV.

The Okinawa Development Finance Corporation Sustainability Bond Framework and legal documents (Amendment Shelf Registration Statement) listed in the table will be disclosed separately as explanatory materials for investors.

(1) Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of bonds	The types of sustainability bonds are classified into one of the following types defined by GBP and SBP. <ul style="list-style-type: none"> •(Standard) Sustainability Bond •Sustainability Revenue Bond •Sustainability Project Bond •Sustainability Securitized bonds 	Confirmed documents : <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework - Amendment Shelf Registration Statement (draft) Interviews with stakeholders	Through the evaluation work, DNV confirmed that Okinawa Development Finance Corporation Sustainability Bond fall into the following categories. <ul style="list-style-type: none"> • (Standard) Sustainability Bond
1b	Sustainability Project Classification	The key to a sustainability bond is that the proceeds will be used for a sustainability project, which should be properly stated in the legal documents relating to the security.	Confirmed documents : <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework - Amendment Shelf Registration Statement (draft) Interviews with stakeholders	Based on the provisions of the Financial Corporation Act, the proceeds will be allocated as loans or investments that fall into the following eligible categories. Social Eligible Loans / Investment Categories <ul style="list-style-type: none"> - Industrial development loans (privately-led Self-sufficient economic development) - Small and medium-size enterprise loans (Supporting the growth and development of SMEs / Stable long-term funding) - Micro business loans (Management stability and growth support for small businesses,

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Securing opportunities to learn and reducing the financial burden on the family)</p> <ul style="list-style-type: none"> - Environmental health business loans (Improving hygiene standards and supporting modernization) - Agriculture, forestry and fisheries funds (Development of production base and maintenance / improvement of productivity in agriculture, forestry and fisheries) - Medical service loans (Improvement of regional medical system and facilities, improvement of medical standards) - Housing loans (Promotion of improvement of living environment in consideration of global environment such as energy saving and resource saving, and securing of housing for the elderly) - Investment funds (Supply of long-term stable funds necessary for regional development and growth of regional companies) <p>Green Eligible Loan/Investment Categories</p> <ul style="list-style-type: none"> - Industrial development loans (energy efficiency) to reduce CO₂ emissions by introducing renewable energy - Small and medium-size enterprise loans/Micro business loans (energy efficiency) to reduce CO₂ emissions by investing in energy-saving equipment - Small and medium-size enterprise loans/Micro business loans for the prevention of marine pollution (pollution prevention and management) - Agriculture, forestry and fisheries loans for the conservation of the forest environment (environmentally sustainable management of living natural resources and land use)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> - Housing loans to reduce CO₂ emissions by construction of energy-saving housing (energy efficiency) <p>We conclude that these are clarified in the framework and meet the requirements in 1b.</p>
1c	Environmental and Social benefits	All sustainability projects to which the funds are used should have clear environmental and/or social benefits, the effects of which should be assessed by the issuer and, where possible, quantitatively demonstrated.	<p>Confirmed documents :</p> <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework - Loan/Investment Standards (Internal Regulation) <p>Interviews with stakeholders</p>	<p>The eligible categories of sustainability bonds are determined based on policies to contribute to the resolution of social and environmental issues in Okinawa Prefecture, and the criteria for "eligible sustainability projects (loan or investment)" are stipulated in detail in the internal regulation.</p> <p>When deciding on a loan or investment, it was confirmed that Okinawa Development Finance Corporation evaluated based on internal regulation that loan or investment meets the loan/investment standard and that it can bring benefits to expected social and environmental issues.</p> <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 1c.</p>
1d	Refinancing rate	If all or part of the proceeds are used or may be used for refinancing, the issuer will indicate the estimated ratio of the initial investment to the refinancing and, if necessary. Therefore, it is recommended to clarify which investment or project portfolio is subject to refinancing.	<p>Confirmed documents :</p> <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework - Amendment Shelf Registration Statement (draft) <p>Interviews with stakeholders</p>	<p>All proceeds will be allocated as sustainability (social and green) eligible loans / investments and no refinancing is planned.</p> <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 1d.</p>

(2) Process for Project Evaluation and Selection

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Project selection process	<p>Sustainability bond issuers should provide an overview of the process of qualifying projects for which sustainability bond funding will be used. This includes (but is not limited to):</p> <ul style="list-style-type: none"> •The process by which the issuer determines that the project in question is included in the business category of a qualified sustainability project under the Sustainability Bond Guidelines (in compliance with the Green Bond and Social Bond Principles). •Creation of criteria for eligibility of projects for which sustainability bond funding will be used •Environmental and social sustainability goals 	<p>Confirmed documents :</p> <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework - Okinawa Development Finance Corporation Documents (various procedure manuals, regulations) <p>Interviews with stakeholders</p>	<p>In the Okinawa Development Finance Corporation Sustainability Bond Framework, issuers will evaluate and select loans and investments based on various criteria centered on the Sustainability Bond Guidelines (ICMA2021).</p> <p>The selection criteria for "eligible sustainability projects (loan or investment)" are in line with the Okinawa Promotion and Development Special Treatment Act set by the government, the Okinawa Promotion Basic Policy, and the Okinawa Promotion Plan (Okinawa 21st Century Vision Basic Plan) set by Okinawa Prefecture, and it contributes to the solution of social issues in Okinawa.</p> <p>DNV confirmed that the selection of the above projects (loan or investment) will be decided by the relevant departments and responsible persons based on internal regulations.</p> <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 2a.</p>
2b	Issuer's Environmental and Social Governance Framework	<p>In addition to criteria and certifications, the information published by issuers regarding the sustainability bond process also considers the quality of performance of the issuer's framework and environmental sustainability.</p>	<p>Confirmed documents :</p> <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework - Okinawa Development Finance Corporation Report2021 - Policy and Finance Evaluation Report (FY2020) - Okinawa 21st Century Vision Basic Plan <p>Interviews with stakeholders</p>	<p>DNV confirmed through the interview with stakeholders and documents review that the finance provided by Okinawa Development Finance Corporation was carried out for the purpose of promoting measures for improvement of social and environmental issues stipulated in the "Okinawa 21st Century Vision Basic Plan" formulated by Okinawa Prefecture and was completely in line with the business objectives of the Okinawa Development Finance Corporation and the policies of Okinawa Prefecture.</p> <p>In addition, the measures of the "Okinawa 21st Century Vision Basic Plan" include efforts to address environmental issues, such as</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>conservation, restoration, and proper use of the natural environment (biodiversity, conservation of land and waterside environments, etc.), construction of a sustainable sound material-cycle society (promotion of 3Rs, promotion of proper waste treatment) and realization of a low-carbon society (promotion of global warming countermeasures, promotion of clean energy).</p> <p>The Okinawa Development Finance Corporation discloses the above-mentioned policies and achievements for sustainable activities on the Okinawa Development Finance Corporation Report, Japan Finance Corporation Report and website of Okinawa Development Finance Corporation.</p> <p>https://www.okinawakouko.go.jp/about/9</p> <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 2b.</p>

(3) Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure-1	The net proceeds from of Sustainability bonds should be managed in sub-accounts, included in sub-portfolio, or otherwise tracked. It should also be certified by the issuer in a formal internal process related to the issuer's investment and financing operations for the Sustainability Project.	Confirmed documents : - Okinawa Development Finance Corporation Sustainability Bond Framework Interviews with stakeholders	<p>Based on internal regulations, the proceeds will be deposited in the Treasurer's account of the Bank of Japan as deposits in the national treasury, and will be promptly allocated to sustainability-eligible projects (loans / investments). Even if unallocated amount is generated, it will be properly managed as finance corporation deposit.</p> <p>In addition, controls based on these internal processes are regularly verified by the following legal audits and inspections.</p> <ul style="list-style-type: none"> - Audit of the accounting classification of proceeds and the appropriateness of use of proceeds by an auditor appointed based on Article 8 of the Okinawa Development Finance Corporation Act. - Inspection of accuracy, legality, economic efficiency and effectiveness of accounting by the Board of Audit based on Article 90 of the Constitution of Japan and Article 20 of the Board of Audit Act. <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 3a.</p>
3b	Tracking procedure-2	During the sustainability bond redemption period, the balance of funds raised that is being tracked should be adjusted at regular intervals to match the amount allocated to eligible projects undertaken during that period.	Confirmed documents : - Okinawa Development Finance Corporation Sustainability Bond Framework Interviews with stakeholders	<p>DNV has confirmed that the proceeds will be tracked from the time the bond is issued until the allocation is completed. DNV has confirmed that the balance of proceeds is planned to decrease as the project (loan / investment) is carried out. It was confirmed that Okinawa Development Finance</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Corporation plans to review the bond allocation status and balance at least annually.</p> <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 3b.</p>
3c	Temporary holding	If no investment or payment has been made in a qualified sustainability project, the issuer should also inform the investor of the possible temporary investment method for the balance of unallocated proceeds.	<p>Confirmed documents :</p> <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework <p>Interviews with stakeholders</p>	<p>We have confirmed that even if unallocated funds are generated, the surplus funds will be managed safely and efficiently in accordance with the JFC Law. Specifically, in accordance with Article 28 of the JFC Law, it is limited to government bonds, municipal bonds or government-guaranteed bonds, deposits in fiscal loan funds, deposits in banks, and methods specified by the ordinance of the competent ministry, and cash related to business will not be deposited outside the national treasury.</p> <p>DNV concludes through document reviews and interviews with the Okinawa Development Finance Corporation that it meets the requirements of 3c.</p>

(4) Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical Reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, the issuer will consider each project at least once a year for projects to which the Sustainability bond proceeds have been allocated, taking into account the following: A list of each project should be provided.</p> <ul style="list-style-type: none"> -Confidentiality and competitive considerations -Outline of each project, expected sustainable environmental and social effects 	<p>Confirmed documents :</p> <ul style="list-style-type: none"> - Okinawa Development Finance Corporation Sustainability Bond Framework <p>Interviews with stakeholders</p>	<p>The Okinawa Development Finance Corporation reports once a year on specific items required for sustainability bonds. In this report, allocated amount, balance of the unallocated amount and the operation method will be described as allocation status. In addition, as improvement effects on environmental and social issues, The Okinawa Development Finance Corporation plans to disclose the number of loans / investments used and one or more of the quantified social contributions/environmental impacts.</p> <p>DNV concludes through document reviews and interview with the Okinawa Development Finance Corporation that it meets the requirements of 4a.</p>