株式会社日本格付研究所
Japan Credit Rating Agency, Ltd.

18-D-1152
March 20, 2019

JCR Green Bond Evaluation by Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) announces the following preliminary Green Bond Evaluation Results.

JCR Assigned Preliminary Green 1 to Bonds of JACCS CO., LTD

Subject	:	JACCS CO., LTD. 24th unsecured corporate bonds (limited to corporate bonds with a special agreement on the same priority) (Green Bond)
Type	:	Bonds
Issue Amount	:	JPY 10 billion
Interest Rate	:	Not yet determined
Issue Date	:	April 2019 (scheduled)
Redemption Date	:	April 2024 (scheduled)
Method of Repayment	:	Bullet
Use of Proceeds	:	Refinancing for the implementation of solar loans, mainly for the installation of solar power generation systems, etc.

< Green Bond Preliminary Evaluation Results>

Overall Evaluation	**Green 1**
Greenness Evaluation (Use of Funds)	g1
Management, Operation and Transparency Evaluation	m1

Chapter 1: Evaluation Overview

JACCS Co., LTD. (the "Company") is a consumer finance company founded in 1954. It engages in the credit business, including shopping credit and auto loans, the card business, the payment business, including rent guarantees and collection agency services, and the financing business, including guarantees for personal loans by banks and housing loans.

The Company recognizes that the conservation and management of the global environment is a key issue for all mankind. It aims to reduce environmental impact and conserve resources in its corporate activities with a view to the future, and to preserve and manage the environment for society as a whole. In addition to environmental activities within the Company, it promotes the initiatives that contribute to improve the environment through the provision of products that will reduce CO_2 emissions in its credit business and other businesses.

The bonds subject to evaluation (the "Bonds") are five-year unsecured bonds issued by the Company. The Company plans to refinance the funds for loans mainly to install solar power generation systems (the solar loans), served by the Company's member stores nationwide to individuals and corporate customers. JCR confirmed that the use of proceeds is to construct or introduce solar power generation systems and to highly energy-efficient equipment. JCR confirmed that potential environmental risks were appropriately avoided because (1) there is little possibility of a serious negative impact on the environment as the constructions are conducted under proper procedures; (2) there is high probability that environmental improvement effects would be appropriately materialized, as the constructions will be carried out pursuant to the Building Standards Law, and (3) there is a compensation system in place during and after the constructions. Consequently, JCR concludes that the proceeds will be used for a green project that contributes to environmental improvement through renewable energy. In addition, JCR confirmed the followings; (1) the management system has been established for the solar loans to be appropriated, (2) a system is in place to effectively allocate proceeds to the projects until the redemption period, (3) the Company recognizes environmental issues as an important issue to tackle with, (4) the Company prepares the reporting of this green bond allocation and the impacts.

Based on the JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the preliminary evaluation of the "Greenness Evaluation (use of proceeds)" and "m1" for the preliminary evaluation of the "Management, Operation and Transparency. Evaluation" As a result, the JCR assigned "Green 1" for overall "JCR preliminary Green Bonds Evaluation." Detailed evaluation results are described in the next chapter. the Bonds are considered to meet the standards for the items required under the Green Bond Principles and the Ministry of the Environment's Green Bond Guidelines.[1,2]

[1] ICMA(International Capital Market Association) Green Bond Principles 2018
[2] Ministry of the Environment's Green Bond Guidelines 2017

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluations

Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated that 100% of the use of proceeds were green projects, and that Phase 1: Greenness Evaluation was the highest "g1".

(1) JCR's key consideration in this factor

In this section, JCR first assesses whether the proceeds will be allocated to green projects that have explicit improvement effects on the environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of evaluation targets and JCR's evaluation

Overview of uses of funds

a. On the environmental improvement effects of the project

i. 100% of the proceeds are used for solar loans aimed at installing solar power generation systems, which can be expected to reduce CO_2.

The proceeds are expected to be used to implement Solar Loans (debt-backed loans) by JACCS. The Company provides installment receivables to households or power generation operators for the purpose of installing solar power generation systems through its member stores. When a customer wishes to pay in installments for the installation of solar power generation systems dealt by the member stores, the Company makes a lump-sum payment to the member stores.

The Company began handling Solar Loans in 1998 prior to the launch of the feed-in tariff system in Japan. It grows its business with the improvement of solar power generation technologies and reflecting changes in customer needs time to time. In the future, demand for installation of solar power generation systems may become uncertain due to factors such as the reduction of the feed-in tariff, but the Company plans to continue to focus on environmental products by capturing demand related to the installation of storage batteries and other devices.

The average value of residential solar loans (less than 10 kW) is about JPY 2.5 million, and the average rated power output for the installed solar panels is 5.1 kW.

The average value of industrial solar loans (10 kW to less than 50 kW) is about JPY 18 million. The average rated power output for the installed solar panels is 48.3 kW. The location of both individual and corporate customers is diversified nationwide, reflecting the broad branch network of the Company.

ii. The use of proceeds is a renewable energy among green projects as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines and play an important role as a distributed power source in Japan's new energy policy.

Among renewable energies, residential solar power generation systems are important from the viewpoint of stability and risk diversification for ensuring stable supply of electric power in Japan as one of the distributed power sources located adjacent to areas of demand. There are also moves to shift the form of future electricity supply from large-scale centralized to small-scale decentralized. Under the Fifth Basic Energy Plan in Japan, where domestic resources are limited and natural disasters are frequent, small-scale solar power generation systems close to individual users are useful as emergency power sources, and further diffusion is expected in the future. In addition, considering the oversupply at peak times, it is expected that the power supply will mature as a long-term stable power source by combining it with storage batteries, etc.

Residential solar power generation systems that were introduced under the feed-in tariff program, which began in 2009, will expire in stages beginning in 2019 with a ten-year purchase period. The government intends to promote the sale of surplus power through negotiated agreements with retail electric utilities after the completion of the purchase period, the popularization of electric vehicles, and the self-consumption associated with the increase in all-electric housing. Demand may decline temporarily immediately after the termination of the feed-in tariff system, but in the medium term, continued demand for funds for residential solar power generation systems is expected due to the penetration of self-consumption-oriented lifestyles and the spread of relative agreements due to the expansion of the popularization scope of retail electric utilities, etc.

b. Negative impact on the environment

When concluding a solar loan contract, the Company confirms the contract details and intentions with the customer and makes arrangements to ensure that the solar power installation construction covered by eligible loan is performed appropriately. After the construction is completed, it confirms the completion of the solar power generation system by telephone and in writing with the customer, ensuring that the solar power generation system is operating properly.

With respect to the member stores that install solar power generation systems, the Company conducts strict investigations, including confirmation of sales methods and past construction performances and it is highly likely that construction will be carried out appropriately.

The Company offers a comprehensive compensation system (JACCS Solar Comprehensive Compensation System) to the member stores and customers as an option. Accidents during construction of solar power generation systems for Solar Loans are compensated for the member stores, and the damages of solar power generation systems caused by fires, typhoons, lightning strikes, and other natural disasters are compensated for the customers for a certain period of time. Consequently, the solar power generation systems installed by the solar loans are highly likely to realize environmental improvement effects.

c. Consistency with SDGs goals and targets

The projects are classified as renewable energy. JCR evaluated the projects contributes to the following SDGs objectives and targets, referring to the SDGs mapping of ICMA.

Objective 3: Health and Welfare for All

Target 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.

Goal 8: Job satisfaction and economic growth

Target 8.2. Achieve high levels of economic productivity through diversification, technical improvements and innovation, including through a focus on high-value added and labour-intensive sectors.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transboundary infrastructure, to support economic development and human welfare with a focus on affordable and equitable access for all.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

Target 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

Goal 12: Responsibility to create and use

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Objective 13: Specific Measures for Climate Change

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on the current status detailed below and JCR's evaluation of the status, JCR assessed that the management and business system was well developed, transparency was extremely high, and that the planned implementation of the project and the appropriation of the proceeds could be sufficiently expected. Phase 2: Management, Operation and Transparency Evaluation was the highest “m1.”

1. Validity and Transparency of Standards for Selecting Processes of Funds and Processes

(1) JCR's key consideration in this factor

In this section JCR confirms that the objectives to be achieved through the green bonds, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current status of evaluation targets and JCR’s evaluation

a. Target

JACCS aims to support a safe and secure consumer lives, and environmentally friendly, convenient, and comfortable society and contribute to the realization of a sustainable society through its business, as stated in the "Corporate Governance Basic Policies." Loans for the installation of solar power generation systems, which are the use of proceeds of the Bonds, are consistent with its policy.

b. Selection criteria

Assets subject to the use of proceeds are defined as the solar loans that the Company installs to customers for the purpose of installing solar power generation systems that meet the following eligibility criteria set out in advance.

Eligibility criteria

- Be within two years of loan origination at the time of sampling
- JACCS prepays the cost on behalf of costumers
- Not subject to liquidation at the time of sampling
- Not three months or more in arrears

When selecting the target assets, the person in charge of the Finance Department selects the loan receivables and the Credit Planning Department confirms the validity of the selected loan receivables as a green qualifying asset. Such selection criteria have been approved by management through the process described in c. below.

c. Processes

The General Affairs Department takes the lead in establishing company-wide policies for environmental initiatives at the Company, and other divisions and branches carry out initiatives related to environmental conservation and management through their business operations. In addition, in order to support environmentally friendly products through the Company’s core credit business, the Credit Planning

Department is responsible for providing loans to help disseminate environmentally friendly products, such as solar power generation systems and storage batteries, which represent renewable energy.

Regarding the solar loans as the use of proceeds for the Bonds, the person in charge of the Finance Department checks the Credit Planning Department, which is a specialized department, and makes a proposal based on the judgment of green qualification. The decision is made by obtaining the approval of the Board of directors and Senior Managing Executive Officer (CFO) through an internal application form.

The selection criteria and processes described above are outlined in this evaluation report to ensure transparency to investors.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's key consideration in this factor

It is usually assumed that the fund raising management methods vary widely depending on the issuer. JCR confirms whether the proceeds of green bonds are securely allocated to green projects and whether mechanisms and internal systems are in place to enable easy tracking and management of their appropriation.

JCR also attaches importance to evaluating the management and operation of the unallocated funds, as well as to confirming that the funds procured from green bonds will be allocated to the green projects at an early stage.

(2) Current status of evaluation targets and JCR's evaluation

The proceeds from the issuance of the Bonds will be used to refinance the funds for implementation of the solar loans executed by JACCS (redemption of commercial paper) and will not be used for any other purposes.

The proceeds from the issuance of the Bonds will be credited to the Company's account and will be used to redeem the commercial paper by the person in charge in the Finance Department within about two months. the Company also selects the solar loans that meet the eligibility criteria described in 1. (2) b. above to exceed the amount of the Bonds issued (the selected solar loans are referred to as the "the solar loan pool") until the Bonds are redeemed.

Separately managed solar loan pool is scheduled to be reviewed periodically by the person in charge in the Finance Department using the internal system and reported to the manager of the Finance Department on the results of the review. If the outstanding balance of the solar loan pool is less than the issue amount of the Bonds, the person in charge in the Finance Department will identify the eligible solar loans and add them to the solar loan pool, or deposit cash equal to the amount of such underfunding into the bank account as unallocated funds.

3. Reporting

(1) JCR's key consideration in this factor

In this section JCR evaluates whether or not the disclosure system to investors before and after the issuance of green bonds is planned in a detailed and effective manner at the time of the issuance of green bonds.

(2) Current status of evaluation targets and JCR's evaluation

a. Reporting on the funds allocation

As confirmed in the previous section, the entire amount of the proceeds raised through the Bonds will be immediately appropriated for the redemption of commercial paper, so reporting on unallocated funds is not currently expected. Until the Bonds are redeemed, JACCS will separately manage the solar loan pool that exceeds the amount of the Bonds issued. However, if the outstanding balance of the solar loan pool is less than the amount of the Bonds issued and substantial unallocated funds are generated, the Company plans to report on the time when the unallocated funds are generated and the status of appropriation thereafter.

b. Reporting on environmental improvement effects

A summary of the solar loans subject to use of proceeds is provided in Phase 1 of this evaluation report. the Company plans to regularly disclose the estimated power generation and estimated CO_2 reductions from installing solar power generation systems that are eligible for solar loans once a year on its website after calculating environmental improvements for residential solar loans and industrial solar loans.

The Company plans to undergo an annual third-party review of the accuracy of its reporting status until the bond's redemption date.

4. Organization's Environmental Activities

(1) JCR's key consideration in this factor

In this section JCR evaluates whether the management of the issuer considers environmental issues to be a high priority issue for management, whether the green bond issuance policy, process, and green project selection criteria are clearly positioned through the establishment of a department specializing in environmental issues or cooperation with external organizations, etc.

(2) Current status of evaluation targets and JCR's evaluation

JACCS emphasizes corporate social responsibility (CSR) in order to meet the trust and expectations of all stakeholders, including shareholders, customers, business partners, and society and the environment, and to realize the sustainable growth of the JACCS Group and the enhancement of corporate value over the medium to long term. In the Company's Corporate Governance Basic Policies, the JACCS Group believes that to support "a safe and secure consumer lives" and "environmentally friendly, convenient, and comfortable society," to contribute to the realization of a sustainable society through its business, and to actively tackle issues such as social welfare, the environment, and education is important to enhance its corporate value.

With regard to the environment, the Company recognizes that the conservation and management of the global environment is an important issue common to all mankind, and has set the objective of making efforts for environmental conservation and management of society as a whole by engaging in corporate activities with consideration for the reduction of environmental burden and the conservation of resources with a view to the future. Recognizing that the conservation of the global environment is an important issue for all mankind, the Company's Group has established the "JACCS Group Basic Environmental Regulations" to address corporate activities that reduce environmental impact and conserve resources. The JACCS Group's General Affairs Department promotes initiatives for environmental conservation that should be addressed by the Group as a whole and compiles reports on environmental issues. In addition, managers are appointed for each area and branch, and specific environmental management initiatives are implemented and reviewed.

As a specified business operator under the revised Energy Conservation Law, the Company has been working to reduce CO_2 emissions by reducing energy consumption by at least 1% per year. Since FY2015, the Company has announced the reduction rate compared to the previous fiscal year in terms of energy consumption and basic unit. It has also contributed to reducing CO_2 through the operation of solar loans and other credits and renewable power generation facilities, which are currently under financing. In June 2014, the Company built and donated a solar power plant in Hakodate City, Hokkaido, where it was founded as part of the initiative. the Company also receives advice from an external consulting firm regarding the formulation of ESG initiatives, including those related to the environment.

As a result of the above, JCR confirmed that the Company regards environmental issues as a priority management issue, and that it implements environmental initiatives while utilizing an external specialist company in its core businesses.

■Evaluation result

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1" for the preliminary evaluation of the "Greenness Evaluation (use of proceeds)" and "m1" for the preliminary evaluation of the "Management, Operation and Transparency. Evaluation" As a result, the JCR assigned "Green 1" for overall "JCR preliminary Green Bonds Evaluation." Detailed evaluation results are described in the next chapter. the Bonds are considered to meet the standards for the items required under the Green Bond Principles and the Ministry of the Environment's Green Bond Guidelines.

[JCR Green Bond Assessment Matrix]

		Management, Operations and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

■Scope of Evaluation

Issuer: JACCS CO., LTD. (Security code: 8584)

[Assignment]

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Preliminary Evaluation
24th Series of Unsecured Bonds	JPY 10 billion	April 2019 (scheduled)	April 2024 (scheduled)	Not yet determined	JCR Green Bond Evaluation: Green1 Greenness Evaluation: g1 Management, Operations and Transparency Evaluation: m1

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Important explanations on this Green Bond Evaluation

1. Assumptions, meaning and limits of JCR Green Bond Evaluation

JCR Green Bond Evaluation, which is granted and provided by the Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured from the issuance of green bonds, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation system, and transparency of the use of green bonds are ensured. JCR Green Bond Evaluation does not fully indicate the extent to which the funds procured from such green bonds are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Bond Evaluation assesses the plan or status of the appropriation of funds at the time of the green bond issuance plan or at the time of issuance, and does not guarantee the status of the appropriation of funds in the future. In addition, JCR Green Bond Evaluation does not prove the environmental effects of green bonds and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green bonds on the environment are measured quantitatively and qualitatively by the issuer or by a third party requested by the issuer, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation
   The methods used in this evaluation are listed on JCR's website (Sustainable Finance & ESG in https://www.jcr.co.jp/en)) as JCR Green Finance Evaluation Method.
3. Relationship with Acts Related to Credit Rating Business
   JCR Green Bond Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.
4. Relationship with Credit Ratings
   The evaluation differs from the credit rating and does not promise to provide or make available for inspection a predetermined credit rating.
5. Third-party character of JCR Green Bond Evaluation
   There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■ Glossary

JCR Green Bond Evaluation: JCR Green Bond Evaluation evaluates the extent to which the funds procured from the Green bond are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■ Status of Registration as an External Evaluator of Green Finance

・ Ministry of the Environment's external green bond reviewer registration
・ ICMA (registered as an observer with the International Capital Markets Association)

■ Other Registration Status as a Credit Rating Agency

・ Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
・ EU Certified Credit Rating Agency
・ NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization. (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (http://www.jcr.co.jp/en/).

■For further information, contact

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