

## Green Bond / Green Bond Programme

### Independent External Review Form

#### Section 1. Basic Information

Issuer name:

JACCS CO., LTD.

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

24th unsecured corporate bonds

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

March 20, 2019

Publication date of review publication:

March 20, 2019

#### Section 2. Review overview

##### SCOPE OF REVIEW

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

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

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

##### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |  |
|--|--|
| <input type="checkbox"/> Second Party Opinion    | <input type="checkbox"/> Certification             |
| <input type="checkbox"/> Verification            | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): |  |

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

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

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 CO2 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 Method, JCR assigned "g1" for the preliminary evaluation of the "Green Evaluation (Use of Funds)" and "m1" for the preliminary evaluation of the "Management/Management System and Transparency Evaluation." As a result, JCR assigned "Green1" for the preliminary evaluation of "JCR Green Bonds." Detailed evaluation results are discussed in detail in the next chapter. In addition, the bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guidelines issued by the Ministry of the Environment

As a result, in the JCR assigns "g1" for "Greenness Assessment (Use of Proceeds)" and "m1" for "Management/operation system and Transparency Assessment". Consequently, JCR assigns "Green1" as an overall evaluation results to the bonds. The bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guidelines of the Ministry of the Environment of Japan.

<https://www.jcr.co.jp/en/greenfinance/>

## Section 3. Detailed review

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

### 1. USE OF PROCEEDS

**Overall comment on section** (if applicable):

#### **a. Environmental Benefits of the Projects**

I. 100% of the proceeds are used for solar loans aimed at installing solar power generation systems, which can be expected to reduce CO2.

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.

#### **b. Negative impact on 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.

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

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

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Overall comment on section (if applicable):

JACCS has a clear environmental goal, project selection criteria and process to determine the proceeds, which are shown in the evaluation report composed by JCR.

### Evaluation and selection

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

### Information on Responsibilities and Accountability

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

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section (if applicable):

The proceeds of the bonds are to be used for refinancing of the funds for the implementation of solar loans by JACCS (redemption of commercial paper) and is not expected to be used for any other purpose. The proceeds of the Bonds are deposited into an account dedicated to the Bonds and will be used by the Finance Department to redeem the commercial paper within about two months. On the other hand, until the Bonds are redeemed, JACCS is to select the solar loans that meet the eligibility criteria using its internal system so that they exceed 10 billion yen, the issue amount of the Bonds.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |  |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements          |

☐ Disclosure of portfolio balance of unallocated proceeds

☒ Other (*please specify*):  
Allocations only to existing investments

#### 4. REPORTING

##### **Overall comment on section** (*if applicable*):

###### A. Reporting on proceeds allocation

The entire amount of the proceeds of the Bonds will be used for the redemption of commercial paper promptly, so it is not currently assumed that the reports on unallocated funds will be made during the term.

###### B. Reporting on environmental improvement effects

An overview of the solar loans, which is to be used for funds, is described in Evaluation Phase 1 of this evaluation report. In the future, JACCS will regularly disclose the estimated amount of electricity generated and the estimated amount of CO<sub>2</sub> saved by installing solar power generation systems, etc. on its website, etc.

##### **Use of proceeds reporting:**

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

##### **Information reported:**

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other (*please specify*):

##### **Frequency:**

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

##### **Impact reporting:**

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

##### **Frequency:**

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

##### **Information reported (expected or ex-post):**

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☐ Other ESG indicators (*please specify*):

##### **Means of Disclosure**

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☐ Other (*please specify*):

☒ Reporting reviewed

Yes, both use of proceeds and impact reporting are subject to external review.

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

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

JACCS's website about CSR efforts

<https://www.jaccs.co.jp/en/corporate/csr/>

JCR's website about green bond evaluation methodology

<https://www.jcr.co.jp/en/greenfinance/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

☐ Second Party Opinion

☐ Certification

☐ Verification

☒ Scoring/Rating

☐ Other (please specify):

**Review provider(s):**

**Date of publication:**

**Japan Credit Rating Agency, Ltd.**

**March 20, 2019**

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

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