

———— Social Bond Evaluation by Japan Credit Rating Agency, Ltd. ————

Japan Credit Rating Agency, Ltd. (JCR) publishes the results of a preliminary evaluation of social notes as follows.

JCR assigned preliminary evaluation of Social 1 to synthetic SME CLOs by Japan Finance Corporation

Subject	:	Synthetic CLO of Regional Financial Institutions (Clover, LLC. 2019) Series One Class A Unsecured Notes, Series One Class B Unsecured Notes, Series One Class C Unsecured Guaranteed Notes
Type	:	Synthetic CLO
Issue amount	:	Series One Class A Unsecured Notes: JPY 21.3 billion Series One Class B Unsecured Notes: JPY8.448 billion Series One Class C Unsecured Guaranteed Notes: JPY3.8 billion
Interest rate	:	Series One Class A Unsecured Notes: to be determined Series One Class B Unsecured Notes: Not in public Series One Class C Unsecured Guaranteed Notes: to be determined
Date of issuance	:	March 13, 2019
Final Redemption Date	:	May 31, 2023
Method of repayment	:	Series One Class A and B Unsecured Notes: 3-month pass-through redemption Series One Class C Unsecured Guaranteed Notes: In principle, bullet redemption at maturity (however, redemption may commence and be redeemed sequentially after the redemption of Series One Class A and B.)
Use of proceeds	:	credit risks associated with unsecured loans to SMEs provided by 25 participating financial institutions

<Social Bond Preliminary Evaluation Results>

Overall evaluation	Social 1
Social Impact Evaluation (use of proceeds)	s1
Evaluation on Management, Operation and Transparency	m1

Chapter 1: Evaluation Overview

1. About Japan Finance Corporation

Japan Finance Corporation (JFC), the originator of this issue, is a policy-based financial institution established on October 1, 2008, under the Japan Finance Corporation Act (JFC Act), through the integration of National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation, Japan Finance Corporation for Small and Medium Enterprise, and international finance function of the Japan Bank for International Cooperation. JFC is committed to supplementing the financing provided by ordinary financial institutions. In the field of SME business, one of JFC's core operations, the government supports the growth and development of SMEs through finance, supplementing private-sector financial institutions, in particular as policy-based financial institutions specializing in SMEs, in order to provide financial support to relatively higher-risk areas, such as the development of new businesses, business revitalization, business succession, and overseas expansion, which are regarded as important measures in Japan's policy-based finance. The government also serves as a safety net, as well as providing support for the growth and development of SMEs through finance. SME businesses are divided into three pillars: (1) providing stable, long-term, fixed-interest loans for the stable supply of funds required for the development of SMEs; (2) insurance underwriting of debt guarantees for borrowing to support the smooth procurement of funds by SMEs and micro-enterprises; and (3) securitization support services to facilitate the provision of unsecured funds to SMEs.

2. Subject

This time, JCR shall evaluate whether the synthetic type of regional financial institutions CLO (loan receivable-backed securities) (LLC Clover 2019), which is one of JFC's securitization and refers to unsecured loans to small and medium-sized companies. JCR shall evaluate whether the notes issued under the CLO, meet the core components of Social Bond Principles (2018)¹ and is consistent to SDGs goals². In the JFC's Small and Medium Enterprise Business, the CDS agreement³ is concluded with 25 regional financial institutions and the limited liability company (SPC) will acquire some of the notes that the SPC is planning to issue. However, the remaining notes are scheduled to be sold to investors. The Series One Class A Notes issued under the CLO, the Series One Class B Notes, and the Series One Class C Notes guaranteed by the JFC are subject to evaluation.

3. Social Impact Evaluation

JFC aims to achieve two social improvement effects through the implementation of the CLO. The first is the effects of regional revitalization, such as the maintenance and creation of employment, through the smooth provision of funds to SMEs through unsecured loans provided through regional financial institutions. The second is the support for stable management of regional financial institutions through the assumption of part of the risks associated with unsecured loans to SMEs by JFC and investors under CDS agreements with JFC. Looking at the borrowers of loans from participating financial institutions, which are the reference obligations of the CLO, approximately 40% of the total loans are to SMEs with small-scale demand for funds, with JPY 10 million or less. Currently, local governments are facing social issues such as the hollowing out of local economies due to the population decline and depopulation in rural areas, and business succession. JCR acknowledges that the development of local industries and the survival of regional financial institutions supporting them from the financial side are important measures for revitalizing Japan's local communities in order to resolve these issues. Based on the above, JCR concludes that the use of proceeds contributes to the "access to essential services (financial services)" and "employment generation including through the potential effect of SME financing and microfinance" among the

¹ ICMA (International Capital Market Association) Social Bond Principle, 2018.

² Social bond principles are not binding as they are "principles" voluntarily published by the International Capital Markets Association and are not regulations. However, they are referenced when judging the social value of financing instruments on a global basis. Therefore, evaluation shall be conducted in accordance with these principles.

³ CDS agreements = Credit Default Swap Agreements. A type of loss indemnification agreement.

eligible social project categories listed in the social bond principles. In addition, among the SDGs targets of 8 "Decent Work and Economic Growth," the objective is consistent to target No. 8.3., "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services". In the "Specific Measures to Achieve SDGs" formulated by the Government of Japan, JCR confirmed that the use of proceeds is consistent with "the strong economy that creates hope, and the challenge of raising productivity by motivated individual businesses will be supported by support agencies such as the government, business associations, regional SME associations, and regional financial institutions," which are listed as measures closely related to SDGs8, etc. JCR concludes that JFC's policy is consistent to these international and national policy/initiatives.

4. Evaluation on management, operation and transparency

JCR confirmed that the proceeds in lieu of the issuance of the notes are appropriately allocated for the use of funds in accordance with the methodologies stipulated in the Company Bond Memorandum, CDS agreement, and other agreements related to this matter. In addition, JFC's business operations are evaluated annually by an evaluation and examination committee composed of outside experts in accordance with the JFC Act, and JCR evaluates that the management and operation systems are transparent.

5. Overall evaluation result

As a result, based on the JCR social finance evaluation methodology, JCR assigned "s1" for the preliminary evaluation of "Social Impact Evaluation (Use of Proceeds)" and "m1" for the preliminary evaluation of "Management, Operation and Transparency." Consequently, JCR assigned "Social 1." for the overall evaluation. "Detailed evaluation results are discussed in detail in the next chapter. The notes also fully meet the standards for the requirements of the Social Bond Principles and are consistent with the SDGs Objectives and concrete measures for the SDGs Goals of the Government.

Chapter 2: Current Status of the project on each evaluation factor and JCR's evaluations

Evaluation Phase 1: Social Impact Evaluation

JCR assigns "s1(F)", the highest grade, to "Evaluation Phase 1: Social Impact Evaluation".

Rationale: 100% of the proceeds is eligible as a social project.

(1) JCR's key consideration in this factor

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

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

<Overview of the Use of Proceeds>

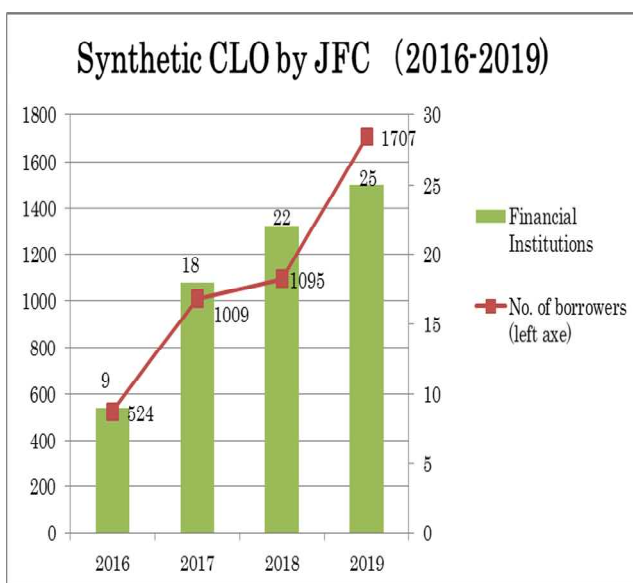
The subject of evaluation is the synthetic CLO (synthetic type of regional financial institutions CLO (LLC Clover 2019)) that refers to loans to SMEs offered by participating financial institutions under JFC's purchase-type securitization scheme. Using the CLO, JFC concludes a CDS agreement with 25 regional financial institutions and acquires some of the notes that are scheduled to be issued by the SPC. However, JFC plans to sell the remaining notes to investors.

a. On the social Contribution effects of the project

- i. **100% of funds are used to CLOs backed by unsecured loans to SMEs. Facilitating the provision of funds to SMEs contributes to the objective of encouraging motivated individual businesses to take on the challenge of raising productivity through support agencies such as regional financial institutions, in order to create a "strong economy that generates hope," which is one of the concrete measures pertaining to Japan's own SDGs goals. JCR identifies that this project is highly effective in improving the social issues.**

According to the report published by Japan Finance Corporation, the securitization support business provided a total of ¥283.7 billion in unsecured funds to 10,067 SMEs in cooperation with a total of 210 financial institutions from the commencement of operations in July 2004 to March 2018. This CLO scheme has been in effect since 2004. One of the social issues facing Japan is the risk of business succession problems due to population decline and hollowing out of local economies. In order to enable inclusive development as stated in the SDGs philosophy, it is essential to realize strong hopeful economies and to support the challenge of raising productivity by motivated individual businesses with the support of regional financial institutions, etc. in order to revitalize local economies in the future. In addition, JFC and the SPC assume part of the risks associated with unsecured lending to SMEs under the CDS agreements with JFC contributes to the sustainable operation of regional financial institutions. Given the unavoidable need to rely on guarantees and collateral for loans to SMEs, the support of unsecured loans provided through the CDS agreements with Japan Finance Corporation enables the provision of loans focusing on the business potential and growth potential of SMEs, which is considered to play an important role in the development of SMEs. Looking at the actual size of CLO originations over the past three years, there has been a remarkable year-on-year increase in

the amount of loans to JPY 27.03 billion in 2018, JPY 25.748 billion in 2017, JPY 12.167 billion in 2016 and the number of borrowers (SMEs) to 1,095 in 2018, 1,009 in 2017, 524 in 2016 and the number of participating financial institutions to 22 in 2018, 18 in 2017, 9 in 2016, indicating that there is a strong need for funds for SMEs under this scheme.



In fiscal 2019, the CLO were characterized by a large demand for small-scale loans of up to JPY 10 million, accounting for 40 % of the total. 70% of companies that borrow loans have 30 or fewer employees, and more than 50% of enterprises earn sales of 500 million or less. It is obvious from the aforementioned numbers, loans to relatively small enterprises account for the majority. Looking at the geographical distribution, the number of participating financial institutions is 25, and the number of borrowers is distributed to 26 prefectures, which responds to the funding needs of SMEs and micro-businesses of various sizes and types.

(Reference) List of Financial Institutions Participating in the CLO

Yamagata Bank, 77 Bank, Shimizu Bank, Tajima Bank, Kita-Nippon Bank, Fukushima Bank, Tochigi Bank, Minato Bank, Hokkaido Shinkin Bank, Tomakomai Shinkin Bank, Obihiro Shinkin Bank, Asahi Shinkin Bank, Saikyo Shinkin Bank, Seibu Shinkin Bank, Johnan Shinkin Bank, Tama Shinkin Bank, Toyama Shinkin Bank, Kakegawa Shinkin Bank, Osaka Shinkin Bank, Himeji Shinkin Bank, Yonago Shinkin Bank, Tokushima Shinkin Bank, Ehime Shinkin Bank, Kumamoto Shinkin Bank, Nagano-Ken Shinkumi Bank

Based on the above, JCR considers the underlying assets of the CLO to be a social project that is necessary for solving social issues in Japan.

- ii. **The use of proceeds falls under the categories of "access to essential services (financial services)" for relatively small-sized "SMEs" and "job creation through the potential effects of SME financing" among the eligible social project categories in the social bond principles.**

b. Consistency with SDGs goals and Targets

Referring to ICMA's SDGs mappings, JCR evaluated it as contributing to the following SDGs objectives and targets: JCR also confirmed that they are in line with the SDGs Action Plan 2018, which is the Japanese government's SDGs goal.




Goal 8: Decent work and economic growth

Target 8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

In addition, JCR confirmed that the social project is consistent with the following items among the "concrete measures to achieve the SDGs" set by the Government of Japan as the SDGs achievement goal.⁴

Implementation Guidelines 3 Creation of growth markets, regional revitalization, and science and technology innovation

SDGs that appears to be particularly relevant:8			
Domestic measures			
Outline of Measures		Target	Indicator
Strong economy that creates hope	Support will be provided by the government, business associations, local SME associations, regional financial institutions, and other support agencies to take on the challenge of raising productivity by motivated individual businesses.		Index of the "Japan 100 Million Success Plan" <ul style="list-style-type: none"> • Approx. 1,000 projects will be created over five years (from FY2016) based on a target of approx. 200 projects per year. • Increase the number of profitable SMEs and micro-businesses from 700,000 to 1.4 million by 2020 (FY2011: 698,689)

c. Response to Environmental and Social Risks

While it is almost impossible to imagine the serious environmental and social risks associated with the implementation of loans to SMEs, which are the underlying assets of the CLO, it is necessary to exclude from the scope of loans industries that may not lead to regional revitalization or productivity improvement, which are the original purposes of the target SMEs. JFC excludes certain businesses that are contrary to public morality, public order, or morality, or speculative, as a condition for SMEs to apply for loans. In addition, JFC requests regional financial institutions to provide representation and assurance that they do not provide loans to anti-social forces. If JFC finds it to be an anti-social force after the loan is extended, JFC will not compensate for the loss. Based on the above, JCR judges that environmental and social risks are appropriately avoided.

⁴ Specific measures for the Guidelines for the Implementation of the Sustainable Development Goals (SDGs) established by the Headquarters for the Promotion of the Sustainable Development Goals (SDGs), consisting of the National Ministers of State.

Evaluation Phase 2: Evaluation on Management, Operational system and Transparency

JCR assigns "m1", the highest rating on JCR Evaluation Phase 2: Evaluation on Management, Operation and Transparency.

Rationale: These projects will be allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

(1) JCR's key consideration in this factor

In this section, JCR confirms that the objectives to be achieved through the social bond, the criteria for selecting social 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. Goal

JFC aims to contribute to the improvement of people's lives by taking on the functions of the SME, Micro Business and Individual Unit, and Agriculture, Forestry and Fisheries Business Unit, as a supplement of financings provided by ordinary financial institutions.

As one of the pillars of its management policies, the SME business emphasizes the maintenance and creation of employment at SMEs, which support local economies, and the development of activities rooted in local communities, in order to contribute to regional revitalization. JFC's business management plan is implemented annually in a manner that reviews the three-year medium-term plan, including the use of securitization to contribute to regional revitalization and to ensure a timely and smooth stable supply of funds through collaboration with private financial institutions. JCR evaluates that these strategies are consistent with the implementation of the CLO.

b. Selection standard

JFC has established the following participation conditions for SMEs that are able to obtain unsecured loans from regional financial institutions to enhance their effectiveness.

- (1) Being an SME as prescribed in Article 2(1)(iii) of the Japan Finance Corporation Act (Act No. 57 of 2007; including subsequent amendments);
- (2) having filed a blue return for two consecutive years and not having no unpaid corporate tax and social insurance premiums.
- (3) In principle, having a business history of three years or more and normal settlement for two consecutive terms (including 12 months; provided, however, that if a merger, etc. has been conducted during the term, this shall be limited to those that have not had a significant impact on the business content of the merger, etc.).
- (4) Numerical criteria

In principle, the financial statements for the most recent fiscal year to which the contribution was made must meet all of the following requirements: However, even in cases that do not fall under (a) or (b), if "ordinary profit before depreciation is positive" or "profit/loss recorded is positive", the borrower may be eligible.

- i. Not in excess of debts.
- ii. Recurring profit is recorded.

- iii. The monthly sales ratio of the current application amount (current application amount/average monthly sales) is less than twice.
- iv. In cases where financial institutions that handle financial products independently set numerical standards, they shall satisfy such numerical standards.
- (5) Where a credit transaction of a financial institution handling an institution is new, in principle, a certified public accountant or an auditing firm shall be required to submit an audit certification, or a checklist on the application of the "Guidelines on Accounting of Small and Medium Enterprises" issued by the Japan Federation of CPTAs' Associations or the "Basic Guidelines on Accounting of Small and Medium Enterprises" shall be submitted.
- (6) Passing both the examination by the handling financial institution and the examination by Japan Finance Corporation.
- (7) Being an institution that contributes to the revitalization of the regional economy.

(Source: March 2019 Notice of Solicitation of Participating Companies in CLO (Purchase-type Synthetic Method with Bond Guarantee))

The participation requirements for the regional financial institutions are also clearly stipulated, including that there are no violations of laws and regulations and that there is no relationship with anti-social forces such as organized crime groups.

JCR considers that the above selection criteria are to enhance the effectiveness of the social projects with high social contributions considered in Evaluation Phase 1, based on the following conditions: strict standards are established to prevent negative impacts on society; companies that are contrary to public order and morality or do not necessarily lead to social improvement effects are excluded in Item 1; and companies that are explicitly conducive to regional revitalization in Item 7.

c. Process

The Small and Medium Enterprise Division, together with the Business Planning Division, will consider budgeting for individual SME support projects, including securitization projects. In doing so, the department in charge analyzes and reports on the results, as the importance of unsecured loans to SMEs, which is the social significance of this securitization, and the basic stance of policy-based financial requires revenue and expenditure balance. JFC is also subject to annual evaluations and examinations of its operations and operations from the viewpoint of whether or not operations are conducted appropriately and efficiently in line with its policy objectives.

JCR evaluates that the selection criteria are operated with validity, based on such factors as the clear division of roles of each organization, passing through a department with specialized knowledge in the decision-making process, and receiving business evaluations from outside experts regarding the results of operations and a series of processes.

These criteria and the process of selection and evaluation will be published in this report to investors.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's key consideration in this factor

While it is usually assumed that funding management methods vary widely by borrower, JCR confirms that the proceeds are used for social projects and that arrangements and internal arrangements are in place to facilitate tracking and management of the availability of funds.

JCR also attaches importance to assessing whether the proceeds are expected to be used for social projects at an early stage and how funds are managed.

(2) Current status of evaluation targets and JCR evaluation

The proceeds are used to bear the credit risk of loans to small and medium-sized enterprises, which are substantially underlying assets, through the CDS agreements. As the borrowers of the underlying assets, SMEs repay the principal of their loan receivables on a monthly basis, the outstanding balance of the pool of loan receivables during the securitization period decreases. As a result, the principal amount of the notes is also redeemed and reduced according to the terms and conditions of the corporate bond memorandum and other agreements.

In addition, the use of credit risk in the pool of loan receivables whose underlying assets are the funds in lieu of the issuance of the Company Notes is clearly stipulated in the CLO agreement, and therefore tracking management is not required.

Transactions that the proceeds are deposited in the bank and substantially bear the credit risk of loan receivables on small and medium-sized enterprises under certain conditions by covering losses under the CDS agreements are clearly stipulated in the agreements. Therefore, it is considered that controls are secured as long as businesses are conducted in accordance with the agreements.

Since the entire amount of the proceeds is allocated to the payment of the amount of compensation for losses under the CDS agreements, there is no unallocated funds. In addition, in the event of prepayment of the loan receivables to be backed, the notes will be redeemed in accordance with the water fall stipulated in the Corporate Bond Memorandum, etc., and therefore JCR judged that there is no need for re-appropriation.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the reporting system to investors before and after the issuance is planned in a detailed and effective manner at the time of the issuance of the notes.

(2) Current status of evaluation targets and JCR evaluation

a. Reporting on the funds allocation

As confirmed in the previous section, all the funds raised are used to bear the risk of loans extended to SMEs by regional financial institutions participating in the CLO, and it is not assumed that unallocated fund will occur.

b. Reporting on society improvement effects

<Output indicators>

(1) Impact reporting when issuing notes

JFC publishes attribute data on unsecured loans of SMEs, which are reference obligations. Among these, the following is expected to be published as an output indicator for measuring the effects of social improvement when issuing the notes.

- i. Loan value distribution
- ii. Reference obligation amount distribution
- iii. Sales distribution
- iv. Number of Employees

- v. Distribution of business history
- vi. Regional Dispersion
- vii. Industry

(2) Impact reporting during the period

JFC publishes monthly and quarterly reports on the following status of the assets.

- i. Names of regional financial institutions
- ii. Current status of the assets, including the number of obligors and delinquent receivables, defaults and deductible

<Outcomes measure>

Although there are no estimates specified in the CLO, the following outcome indicators (estimated values) are published as social benefits obtained as a result of operations in annual performance evaluations by outside experts for the SME business as a whole (FY2017 figures).

- i. Improvement of productivity of Japan as a whole
- ii. Employment inducement

The above shows the outcomes of the provision of funds from the Small and Medium Enterprise Business Unit, particularly for capital investment loans. In FY2017, JFC provided JPY 466.1 billion in loans for capital expenditures, and the total amount of capital expenditures was JPY 722.2 billion. Based on these results, the ripple effect on the Japanese economy is calculated to induce production of JPY 1.6 trillion and employment of 97,000 people in Japan as a whole. At the end of FY2017, 641 companies went public following transactions with the Small and Medium Enterprise Division (excerpted from the FY2017 performance evaluation report). JFC will continue to disclose in its evaluation report what kind of social benefit it was able to provide in the performance evaluation by outside experts regarding the SME business, and the specific social benefit (estimate) of the project.

<Impact>

“Contribution to the improvement of people's livelihoods”

JCR confirmed that JFC discloses detailed information on the effects of social improvement and the attributes of companies receiving loans in its regular disclosure of CLO information.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

In this section JCR evaluates whether JFC's management positions environmental issues as a high-priority management issue, whether procurement policies, processes, and social project selection criteria based on the Framework are clearly identified through the establishment of specialized environmental departments or through collaboration with external organizations, etc.

(2) Current status of evaluation targets and JCR evaluation

JFC's Efforts to Address Social Issues

The purpose of the JFC's Establishment Law is to supplement the financing provided by ordinary financial institutions, and to fulfill the financial functions to support the raising of funds by the general public, small and

medium-sized enterprises, and agriculture, forestry and fisheries businesses. It is also intended to provide the necessary financing to cope with the disruption of financial order in Japan and abroad or the damage caused by large-scale natural disasters, and to enable banks and other financial institutions to provide the necessary financing swiftly and smoothly, thereby contributing to the improvement of people's lives. The Management Policy and Operational Plan also aim to support policy-based finance for regional revitalization and to provide timely and smooth funding in cooperation with private financial institutions.

JFC sets the following business objectives in its operational management plan.

1. Reconstruction Assistance from the Great East Japan Earthquake
2. Meticulous management to safety net demand, stable supply of funds, and cooperation with private financial institutions
3. To provide funds in strategic growth areas
4. Contributing to the revitalization of local communities by leveraging the collective strengths of the JFC
5. Improve customer service and demonstrate policy
6. Appropriate management of credit risk

Through the CLO, JFC aims to contribute to the target 2, stable supply of funds, collaboration with private financial institutions, and Target4, the revitalization of local communities. Specific initiatives related to these objectives are also referred to in the future work of the Governor's Message.

(Governor's Message from the 2018 Disclosure Magazine)

"JFC will continue to actively provide support for growth strategy areas in cooperation with private-sector financial institutions and support for regional revitalization utilizing the comprehensive strengths of the JFC."

JFC's overall businesses are evaluated annually by an examination committee composed of outside experts, and its securitization support operations, including CLOs, are also included in the scope of the evaluation. In this performance evaluation, JFC receives a quantitative and qualitative assessment of the level of achievement of the objectives each year, and it is evaluated that the SME business performed as expected in terms of standard performance against the goals. In respect of the securitization support business, there was a mention that results have been increasing year by year.

JCR considers that JFC is working as a unified organization to provide support to SMEs and regional financial institutions for regional revitalization as a core organization of its business development, and that its basic philosophy and initiatives will contribute significantly to solving the problem of the hollowing out of the local economy due to the population decline, which is a social issue in Japan.

■Evaluation result

Based on the JCR social finance evaluation methodology, JCR assigned "s1" for the preliminary evaluation of "Social Impact Evaluation (Use of Proceeds)" and "m1" for the preliminary evaluation of "Management, Operation and Transparency." Consequently, JCR assigned "Social 1" for the overall evaluation. The notes also meet the standards for the requirements of the Social Bond Principles and the SDGs Objectives and specific measures for the SDGs Goals of the Government.

[JCR Social Bond Evaluation Matrix]

	Management, operation, and transparency assessment
--	--

		m1	m2	m3	m4	m5
Social Impact Evaluation	s1	Social 1	Social 2	Social 3	Social 4	Social 5
	s2	Social 2	Social 2	Social 3	Social 4	Social 5
	s3	Social 3	Social 3	Social 4	Social 5	Not qualified
	s4	Social 4	Social 4	Social 5	Not qualified	Not qualified
	s5	Social 5	Social 5	Not qualified	Not qualified	Not qualified

■ Evaluation Subject

[Assignment]

Target	Issue amount	Date of issuance	Redemption date	Interest rate	Preliminary evaluation
Clover 2019 1st Series A Unsecured Notes (Limited Liability Property Special Clause and Qualified Institutional Investor Limitation)	JPY 21.3 billion	March 13, 2019	May 31, 2023	To be determined	JCR Social Bond Evaluation: Social1 Social Impact Evaluation :s1 Evaluation on Management, operation, and transparency assessment :m1
Clover 2019 1st Series B Unsecured Notes (Limited Liability Property Special Clause and Prohibition of Division Clause)	JPY 8.448 billion	March 13, 2019	May 31, 2023	To be determined	JCR Social Bond Evaluation: Social1 Social Impact Evaluation :s1 Evaluation on Management, operation, and transparency assessment :m1
Clover 2019 1st Series C Unsecured Guaranteed Notes (Limited Liability Property Special Clause and Qualified Institutional Investor Limitation)	JPY 3.8 billion	March 13, 2019	May 31, 2023	To be determined	JCR Social Bond Evaluation: Social1 Social Impact Evaluation :s1 Evaluation on Management, operation, and transparency assessment :m1

(Responsible analyst for this evaluation) Atsuko Kajiwara and Rieko Kikuchi

Important explanation of Social Bond Evaluation

1. Assumptions, Significance, and Limitations of JCR Social Finance Evaluation

The JCR Social Bond Evaluation provided by the Japan Credit Rating Agency, Ltd. (JCR) is a comprehensive expression of JCR's current opinion on the extent to which the use of proceeds from the bonds, which are subject to evaluation, are allocated to social projects defined by JCR and the extent to which the management, operation and transparency of the use of social Bonds are ensured.

JCR Social Bond Evaluation assesses the plan or status of the fund allocation at the time of planning or of the issuance of bonds and does not guarantee the status of the allocation of proceeds in the future. In addition, JCR Social Bond Evaluation does not prove the social beneficial effect of social Bonds and is not responsible for their social effects. JCR confirms that the effects of the funds procured from this Bond on the social issues are measured quantitatively and qualitatively by the issuer or by a third party requested by the issuer, but in principle, JCR does not directly measure such effects.

2. Methods used in the conduct of this evaluation

The methodology used to implement this assessment is listed in the Sustainable Finance ESG section of JCR's website (<https://www.jcr.co.jp/>) under the JCR Social Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

The JCR Social 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. Independence in Evaluation of JCR Social Bonds

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■ **Disclaimers**

The information contained in this document has been obtained by JCR from the Borrower and from accurate and reliable sources. However, the information contained herein, artificially, mechanically, and in this document, has been obtained by JCR from the borrower and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Social Finance Evaluation does not express any opinion on the various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) involved in the procurement of funds subject to evaluation. The JCR Social finance Evaluation is a comprehensive statement of opinion at the present time of the JCR and is not a statement of fact and does not make any recommendations regarding risk judgment or the decision to purchase, sell or hold individual bonds, commercial paper, etc. JCR Social finance Evaluations may be changed, suspended, or withdrawn due to changes in information, lack of information, or other reasons. All rights to this document, including data from the JCR Social finance Assessment, are held by JCR. Reproduction, adaptation, modification or alteration of this document, in whole or in part, including data from the JCR Social finance Assessment, without the permission of JCR is prohibited.

■ **Glossary**

JCR Social Bond Evaluation assesses the extent to which funds procured under this framework will be used for social projects as defined by JCR, and the extent to which such funds will be used for management, operation, and transparency. The evaluations are graded on a five-point scale and are displayed using the Social1, Social2, Social3, Social4, and Social5 rating symbols in order of rank.

■ **Sustainable finance of registration as an external reviewer of green finance and sustainable finance**

- Registration of Green Bond Issuance Supporters by the Ministry of the Environment
- ICMA (Registration as an observer of the International Capital Markets Association)

■ **Status of registration as a credit rating agency, etc.**

- 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 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en>).

■ **For further information, contact**

Information Service Dept. TEL: 03-3544-7013 FAX: 03-3544-7026

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.