

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

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

JCR Assigned Green 1 to the Bonds of ICHINEN HOLDINGS CO., LTD.

Subject	:	ICHINEN HOLDINGS 4th unsecured private placement corporate bonds (Qualified Institutional Investors only) (Green Bond)
Type	:	Private placement bonds
Issue Date	:	September 30, 2019
Redemption Date	:	September 30, 2024
Method of Repayment	:	Timely redemption every 6 months (equal repayment of principal)
Use of proceeds	:	Refinancing of the purchasing hybrid vehicles for leasing

<Green Bond Evaluation Results>

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

Chapter 1: Evaluation Overview

ICHINEN HOLDINGS (the “Company”) is a pure holding company that oversees the ICHINEN Group (the “Group”). Based on the strong unity of the Group, the Company is developing a wide range of businesses, centered on the automotive leasing-related business, including the chemical business, the parking business, the machine tool business, and the synthetic resin business.

In Article 6 of the Corporate Ethics Code, which was established as a part of the Group's management philosophy, it is stated that "we will contribute to the creation of a livable society by focusing on the conservation of the global environment." The Group is also aware that it is its obligation to preserve the global environment in a better manner, according to the Corporate Code of Conduct 6-1, a part of the management philosophy. It considers this initiative to be an important management issue. It will not only comply with environment-related laws and regulations, but also makes every effort to minimize the impact on the global environment of business activities, the products and services it provides. Specific measures include implementing environmental guidelines based on certified ISO14001, not only

saving energy and reducing wastes within business sites, but also promoting thorough recycling and actively developing and expanding sales of eco-friendly products.

The Private Placement Bonds (the “Bonds”) subject to this evaluation will be used to finance for purchasing hybrid vehicles, which meet certain CO₂ emission requirements, for the automotive leasing-related business, the core business of the Group. JCR confirmed that all purchased vehicles satisfied a globally required level to be considered as low-carbon vehicles and that the projects will contribute to reduce CO₂ emissions. It was also confirmed that the Company has taken appropriate measures to avoid or mitigate possible negative environmental impacts, and that this project is unlikely to have a negative environmental impact that exceeds the effects of environmental improvements. Based on the above, JCR assesses that projects have environmental improvement effects.

JCR also confirmed that a management and operating system for the Green Project has been well established, the process of selection criteria and the management of the proceeds are transparent, and that the management of the Company considers environmental issues to be a high priority.

Based on the JCR Green Finance Evaluation Methodology, JCR assigned “g1” for the “Greenness Evaluation (Use of Proceeds)” and “m1” for the “Management, Operating System and Transparency Evaluation.” As a result, JCR assigned “Green 1” for overall “JCR Green Bond Evaluation.” The evaluation results are described in detail in the next chapter. The Bonds are considered to meet the standards for the items required by the Green Bond Principles¹ and the Ministry of the Environment's Green Bond Guidelines².

¹ ICMA(International Capital Market Association) Green Bond Principles 2018

² Ministry of the Environment 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 the 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 Use of Proceeds

The use of proceeds raised through the Bonds is to refinance purchasing hybrid vehicles for leasing. The performance of CO₂ emissions of all hybrid vehicles is lower than 75 gCO₂ per p-km.

a. On the environmental improvement effects of the project

i. 100% of the proceeds are used to refinance purchasing hybrid vehicles for leasing, which has environment improvement effects.

All of the proceeds raised through the Bonds are used to refinance purchasing hybrid vehicles for leasing. Purchased vehicles are limited to those whose CO₂ emissions are 75 gCO₂ per p-km or less. Approximately 220 vehicle purchasing is refinanced by the Bonds.

Hybrid vehicle equips with multiple different power sources, such as internal combustion engine and electric motor. Because it uses fossil fuels such as gasoline in combination, a more cautious attitude is required when verifying the environmental improvement effect compared to electric vehicles and hydrogen vehicles.

The Paris Agreement, which was agreed in 2015 and entered into force in 2016, set the target of “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels” and “parties aim to reach global peaking of greenhouse gas emissions as soon as possible...and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century”. Governments, companies, NGOs, and NPOs around the world are making a variety of recommendations and efforts to achieve the 2°C target. For example, “Low Carbon Land Transport and the Climate Bond Standard” (CBS) is published by Climate Bonds Initiative (CBI)³. CBS set the upper limit for gCO₂ per p-km based on scientific evidence to achieve the International Energy Agency (IEA) 2°C target. The upper limit of hybrid vehicles in 2020 is 75 gCO₂ per p-km. CO₂ emissions of the leasing hybrid vehicles, which are the use of proceeds of the Bonds, meet this global consensus for achieving the 2°C target although these vehicles use fossil fuels such as gasoline in part. Therefore, it is expected to reduce CO₂ emissions compared with the case of introducing

³ An international NPO established in December 2010 to promote large-scale investment to low-carbon economy. CBI's climate bond standards are used as a screening tool for low-carbon investment by investors and governments.

comparable-class gasoline only car as leasing vehicles. In addition, the Company uses the fuel efficiency data of vehicles published by the Ministry of Land, Infrastructure, Transport and Tourism in calculating the CO₂ emissions of hybrid leasing vehicles for which the use of proceeds are to be used, and the calculation results are considered to be appropriate.

As a result, JCR evaluated the use of the proceeds of the Bonds to be effective in reducing CO₂ emissions and in improving the environment.

ii. The use of proceeds falls under the category of "clean transportation" as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

In FY2017, the transport sector accounted for about 23.0% of the final energy consumption and about 19.2% of the total CO₂ emissions. The transport sector accounted for a large percentage of the total consumption. In particular, as automobiles account for the majority of energy consumption and CO₂ emissions in the transport sector, The Fifth Strategic Energy Plan approved by the Cabinet in 2018 states that energy conservation of automobiles is vital, and next-generation vehicles, including hybrid vehicles and electric vehicles, are being promoted. For passenger cars, fuel efficiency standards based on the Top Runner System under the Act on Rationalizing Energy Use (Act No. 49 of 1979) have been established for manufacturers in order to promote energy conservation and measures to reduce CO₂ emissions. Tax reduction measures have also been taken for car buyers for vehicles with superior fuel efficiency, such as the tax break for eco-friendly cars, special provisions for greening, and environmental performance reduction.

In this way, efforts that contribute to the reduction of the carbon of automobiles are emphasized in various aspects as policy issues in Japan. To purchase hybrid vehicles for leasing and to disseminate vehicles with superior energy efficiency and CO₂ emission reductions falls under the category of "clean transportation" as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines. Also, it contributes to reducing energy consumption and CO₂ emissions in the domestic transport sector.

b. Negative impact on the environment

As a negative effect on the environment of the use of proceeds for the Bonds, the Company expects an increase in waste due to the aging of leasing vehicles. Based on these assumptions, the Company is promoting measures to reduce its environmental impact, such as (1) actively using rebuilt parts and reused batteries for vehicle maintenance, (2) strengthening the sorting system in stock yards for vehicles whose lease term is end, and (3) promoting reuse of vehicles whose lease term is end through overseas subsidiaries.

JCR evaluates that through this project, the Company takes appropriate countermeasures or mitigation measures against potential adverse impacts on the environment.

c. Consistency with SDGs goals and Targets

This project is classified into clean transportation. JCR evaluated the projects as contributing to the following SDGs goals and targets, while referring to ICMA's SDGs mappings.



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.

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. 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 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. Goal

In Article 6 of the Corporate Ethics Code, which is a part of the Group's management philosophy, it is stated that "we will contribute to the creation of a livable society by focusing on the conservation of the global environment." At the same time, the Company's commitment to the conservation of the global environment is declared by the Corporate Code of Conduct 6-1 which is also a part of the Group's management philosophy.

Purchasing vehicles for leasing is the main investment subjects in the automotive leasing-related business, and it is the core business of the Group. The goal of the Bonds to reduce CO₂ emissions by purchasing hybrid vehicles for leasing is to address environmental issues in line with the main business of the Group. Also the goal is consistent with the Group's management philosophy.

b. Selection criteria

The eligibility criteria for the use of the proceeds are set out as follows. All vehicles of the use of proceeds through the Bonds are hybrid vehicles, which satisfies the following conditions;

Eligibility Criteria

Eco-cars⁴ for lease shall satisfy the following criteria.

- A hybrid vehicle (HV), an Electric Vehicle (EV), or a Plug-in Hybrid Vehicle (PHEV).
- CO₂ emissions should be 75 gCO₂ per p-km or less.

(CO₂ emissions target for p-km in 2020 by Climate Bonds Initiative)

c. Processes

The projects are evaluated by the Finance & Accounting Department for compliance with the eligibility criteria. Subsequently, deliberations and institutional decisions are made at the Board of Directors meeting. JCR evaluates that the management of the Company is properly involved in the selection process for both the project selection and the issuance of green bonds.

The goal is disclosed on the Company's Website. Also, selection criteria and processes are to be disclosed in the prospectus and press release of the Company, which ensures transparency to investors.

⁴ The Group has been promoting activities to propose the adoption of environmentally conscious vehicles (including gasoline vehicles), such as fuel-efficient vehicles and vehicles with low emissions certified and announced by the Ministry of Land, Infrastructure, Transport and Tourism, in the automotive leasing-related business, and such environmentally conscious vehicles are called "Eco-Cars."

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's key consideration in this factor

The management method of the proceeds is usually assumed to be diverse by the issuer. JCR assesses whether the proceeds are firmly allocated to the green project, the project has internal systems to easily track the allocation of the proceeds and the money funded by the bond will be allocated to the green project at once.

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

(2) Current Status of Evaluation Targets and JCR's Evaluation

- a. The funds raised by the Bonds will be immediately allocated for refinancing short-term borrowings to finance the purchase of hybrid vehicles for leasing, and will not be allocated to other purposes.
- b. The Bonds are funded within the limits of annual fund-raising approval by the Board of Directors at the beginning of each fiscal year in accordance with the Group Fund Management Regulations. The General Manager of the Finance & Accounting Department lends funds to the subsidiary (ICHINEN Co.,LTD.) in charge of automotive leasing-related business as necessary. Until the Bonds are redeemed, the Finance Section of the Finance & Accounting Department will manage the books of the hybrid leasing vehicles subject to the project. The amount and content of these loans are reported semiannually to the Board of Directors for approval.
- c. As for the tracking and management of funds raised by the Bonds, their forms are subject to external audits by an auditing corporation and internal audits based on the environmental guidelines of the Company. Funding documents are subject to long-term storage, and other forms are also held for at least 7 years. The period until the redemption of the Bonds is managed as evidence documents.
- d. The proceeds will be promptly allocated to refinancing short-term borrowings to finance the purchase of hybrid vehicles for leasing, so no unallocated funds are expected to be generated. The company will disclose in its prospectus to investors that it is not expected to generate unallocated funds. Even if the balance of the subject property declines due to the sale of the subject vehicle until the redemption date of the Bonds, the Company has confirmed in dialogue with investors that there is no need to reallocate funds for purchasing new hybrid vehicles because of the possession of many hybrid vehicles that meet the same CO₂ emission standards.

JCR evaluates that the Company's management of the proceeds is appropriate and transparent in light of the fact that the allocation plan is appropriately prepared to secure the proceeds will be allocated to the green projects, the tracking of the fund allocation is expected to be properly implemented, the internal control for the tracking is secured, and there are no particular concerns about the operation of unallocated funds.

3. Reporting

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the disclosure system for investors, etc. 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 proceeds allocation

The Company plans to disclose to investors that it plans to immediately allocate all the proceeds to the Green Project through the contract and other means. The disclosure is expected to include: (1) an outline of the Green Project, (2) the amount of funding allocated, and (3) the anticipated effects of environmental improvements.

Even if the balance of the eligible assets decrease due to the sales before the redemption date, the Company has confirmed in dialogue with investors that there is no need to reallocate funds for purchasing new hybrid vehicles because the Company has enough stock of hybrid vehicles that meet the eligible CO₂ emission standards.

b. Reporting on environmental improvement effects

The Company plans to disclose CO₂ emission reductions (projected annual gross volume based on theoretical values) realized by the Green Project to investors by writing in the contract of the Bonds.

The Company plans to report on the environmental improvement effects of the Bonds only once at the time of issuance.

JCR evaluates that it does not need to disclose the reporting on the Company's website etc., as the Bond is a private placement bond. It also evaluates that this is an appropriate reporting plan because it discloses both the proceeds allocation and the environmental improvement effects in a detailed and effective manner to investors.

4. Environmental Initiatives of the Organization

(1) JCR's key consideration in this factor

In this section, JCR evaluates whether the issuer's management positions environmental issues as a high priority management issue, and whether the green bond policy, process and the criteria for selecting green projects are clearly defined through the establishment of a department specializing in the environmental field or through the assistance of external organizations.

(2) Current Status of Evaluation Targets and JCR's Evaluation

In the management philosophy, the Group focuses on global environmental conservation, and not only complies with environment-related laws and regulations, but also conducts voluntary and proactive efforts to reduce the environmental impact of its business activities on a Group-wide basis. Under the active initiative of the management of the Company, the Group has formulated and implemented environmental guidelines to reduce its environmental impact. The Group has obtained ISO14001 certification from the Japan Quality Assurance Organization (JQA). The Group's basic philosophy of the Environmental Policy is "We shall understand that global environmental issues affect society as a whole, beyond regional and generational boundaries. We shall conduct business activities with the conservation of the global environment and sustainable development in mind,

based on a good awareness of the close relationship between the global environment and business activities." The Group carries out various activities in accordance with the Environmental Guidelines and the Action Guidelines.

The Group's environmental policies are based on a wide range of initiatives, including (1) the proactive contracts of maintenance lease to reduce the number of replacement parts and to prevent pollution, and (2) the increase of special parking services intending to reduce CO₂ emissions through the prevention of idling and traffic congestion due to illegal parking. These are stipulated and measured based on the operating procedures and target values in the Environmental Guidelines. In addition, the results are verified through quarterly reviews by the heads of the operating divisions, and annual environmental management meetings (reporting to the Environmental Management Representative appointed by directors and the deliberative body for environmental guidelines consisting of the management of the Company). From the management to the employees, the efforts to reduce environmental burden is consistent.

As part of these systematic efforts to reduce environmental impact, the Group is actively promoting proposals for eco-friendly cars, such as low-emission vehicles and hybrid vehicles. The Company is promoting the switch from vehicles that have overruns or have passed for many years to eco-friendly cars, and working together with customers to reduce the environmental burden. The use of proceeds of the Bonds is further developing the Group's systematic efforts to reduce environmental burden.

JCR evaluates that the use of proceeds is consistent with the Group's environmental policy; the Company considers that the purchase of hybrid vehicles for leasing, which is aimed at reducing CO₂ emissions, as a key environmental initiative in the Group's core automotive leasing-related business when it selects the use of proceeds for the Bonds.

JCR evaluates that the management addresses the environmental issues as one of the highly prioritized issues. In addition, the department with specialized knowledge establishes the environmental policies and environmental guidelines and the Finance & Accounting Department has clearly positioned the selection criteria for green bond procurement Policy, process, and green project.

■Evaluation result

Based on JCR Green Finance Evaluation Methodology, JCR assigns "g1" for the "Greenness Evaluation (Use of Proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." As a result, JCR assigns "Green 1" for overall "JCR Green Bond Evaluation." The Bonds are considered to meet the standards for the items required by 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: ICHINEN HOLDINGS CO., LTD. (Security Code: 9619)

[Assignment]

Subject	Issue Date	Redemption Date	Evaluation
4th unsecured private placement bonds (Green Bond)	September 30, 2019	September 30, 2024	JCR Green Bond Evaluation : Green1 Greenness Evaluation : g1 Management, Operations and Transparency Evaluation : m1

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Important explanation of the Green Bond Evaluation

1. Assumptions, Significance, and Limitations of JCR Green Bond Evaluation

JCR Green Bond Evaluation, which is granted and provided by 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, 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 borrower or by a third party requested by the borrower, 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 website (Green 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 Assessment 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

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

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■ 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 reviewer of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with 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 17g-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/>).

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