

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

Japan Credit Rating Agency, Ltd. (JCR) announces the Annual Review Results of its Green Bond Evaluation.

JCR Reviewed Green Bond Evaluation on Bonds of Fuyo General Lease Co., Ltd.

Subject	:	Fuyo General Lease Co., Ltd.'s 17th 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	:	0.210%
Date of Issuance	:	November 2, 2018
Redemption Date	:	November 2, 2023
Method of Repayment	:	Bullet
Use of proceeds	:	Refinancing and new investment for construction of photovoltaic power generation facilities

<Green Bond Review Results>

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

1. Evaluation Overview

On October 26, 2018, JCR assigned "Green 1" for the "JCR Green Bond Evaluation" to unsecured corporate bonds (the "Bonds") of Fuyo General Lease Co., Ltd. (the "Company.") The proceeds of the Bonds were used to refinance the fund for constructing new and existing solar power generation facilities.

Fuyo General Lease Co., Ltd. (the "Company") is a general leasing company established in 1969 by six Fuyo Group companies centered on the former Marubeni Iida (currently named as Marubeni) and the former Fuji Bank (currently named as Mizuho Bank). Its strengths lie in leasing information-related equipment, office equipment, and real estate. The company is actively engaged in M & A and business alliances and is expanding its business domains.

The subject to be evaluated is 5-year unsecured bonds issued by the Company in November 2018. The proceeds from the issuance of the Bonds will be used to refinance our capital to construct its existing and new solar power generation facilities. At the time of the issuance, JCR confirmed that the Company's department in charge had scrutinized the outline and risks assumed in the operation of the solar power generation facilities for all of its solar power generation facilities. As a result, JCR evaluated that there was little possibility of a serious negative effect on the environment exceeding the environmental improvement effect, and that they are green projects which greatly contribute to the CO₂ emission reduction.

Through the review of the Bonds, JCR confirmed that all of the four projects which are subject to the use of the proceeds are without change from the outset, and that all of these solar power generation facilities were being operated without problem. JCR also confirmed that the management and operation system is being maintained as originally planned, and that appropriate disclosure is being made.

As a result of the above reviews based on the JCR Green Finance Evaluation Methodology, JCR maintained "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR maintained "Green 1" as the overall evaluation to the Bonds. The evaluation results are described in detail in the next chapter. The Bonds are also considered to meet the standards for items required by the Green Bond Principles and the Ministry of the Environment's Green Bond Guidelines.¹²

2. Post-issuance Review Items

In this section, JCR describes the items to be confirmed in the post-issuance review. The review focuses on items whose content has changed compared with the previous evaluation period.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of funds procured by the Bonds and the appropriation of funds procured for green projects been properly carried out in a manner specified by the issuer at the time of assigning the Green Bond Evaluation.

(2) Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

JCR evaluates if there are any changes to the objectives to be achieved through the Bonds, the criteria for selecting green projects, the adequacy of the process, and the series of processes to be implemented.

(3) Appropriateness and Transparency of Management of the Proceeds

JCR evaluates whether the proceeds have been certainly allocated for green projects or not. JCR also evaluates if there is a system and internal system in which the allocation status can be easily tracked and managed.

(4) Reporting

JCR evaluates if the environmental improvement effects resulting from the green project financed by the funds procured by the Bonds are appropriately calculated according to the method stipulated by the issuer at the time of assigning the Green Bond Evaluation.

(5) Environmental Initiatives of the Organization

JCR evaluates if the issuer's management is continuing to regard environmental issues as a high priority issue.

¹ ICMA(International Capital Market Association) Green Bond Principles 2018 Edition
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf, Ministry of the Environment Green Bond Guidelines 2017

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

- a. The projects which are subject to the use of the proceeds are 4 solar power generating facilities.

Summary of Use of Proceeds

Project Name	Location	Output Capacity (kW)*	Annual power of generation (estimate) (MWh)	Annual CO ₂ Reduction (estimate)(t-CO ₂)**
Shichikashuku	Katta-gun Shichikashuku Town, Miyagi	13,909	13,248	6,672
Narahaoya	Futaba-gun Narama Town, Fukushima	23,940	24,905	10,809
Namei Sakai I	Futaba-gun Namei Town,	32,601	32,916	14,150
Namei Sakai II	Fukushima	27,334	27,359	11,864
Sum			98,428	43,495

*: Electricity consumption on an output size basis is shown.

** : Calculating CO₂ reductions = First-year power generation x Adjusted emissions factors (FY2018 (latest value)).

Regarding the adjusted emission coefficient, figures are published by the Ministry of the Environment for each electric utility and for each fiscal year.

- b. Some of the projects for which the proceeds are being used are currently under construction. JCR confirmed through an interview with the Company that there were no incidents such as shutdown due to damage to the facilities, etc. in the target project, including the solar power generation facilities under construction.
- c. Significant negative impacts on the environment have not been identified, including significant sediment-related disasters and complaints from local residents.

(2) Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

At the time of this evaluation last year, JCR evaluated the Company as appropriate with respect to its selection criteria and process for solar power generation facilities. At this time, the selection criteria and process of the Company have not been changed, and JCR evaluated that these selection criteria are still appropriate.

(3) Appropriateness and Transparency of Management of the Proceeds

JCR evaluated the Company's cash management as appropriate at the time of the previous evaluation. The entire amount of the proceeds for the issuance of the Bonds has been appropriated for the refinancing of funds for the construction of solar-related facilities, etc. promptly after the issuance, and there will be no unallocated funds.

(4) Reporting

a. Reporting of fund appropriations

The entire amount of the proceeds for the issuance of the Bonds has been appropriated to the fund for the construction of the predetermined solar-related facilities, etc., immediately after the issuance, and has not been used for the replacement of assets, etc. As a result, there were no unallocated funds at the time of this review.

b. Reporting on environmental improvement effects

The projects which are subject to the use of the proceeds include solar power generation facilities under construction. The Company discloses the estimated annual power generation and CO₂ emissions for the entire subject of funding use after the facilities under construction have completed and begun to operate. At the time of the review, JCR confirmed that the above theoretical values were appropriately disclosed.

(5) Environmental Initiatives of the Organization

The Company is the core company of the Fuyo Lease Group, which is composed of the Company and its group companies. Considering the importance of environmental initiatives as a core company, JCR evaluated the efforts of the group as the Company.

The Fuyo General Lease Group, comprising the Company and its group companies, identifies materiality in four steps, incorporating both internal and external stakeholder perspectives and demands. According to the integrated report published in 2019, this fiscal year's material consists of six items: "Response to climate change issues and renewable energy," "Promotion of health and welfare," "Building safe and easy-to-live cities and providing transportation means," "Achievement of economic growth and job satisfaction," "Contribute to the creation of a recycling-style society," and "Diversity and working style reform." The theme of initiatives, goals to be achieved, and contributes to society and the environment (outcomes) are also disclosed in each materiality and not only the issues that the Company considers to be important, but also the attitude toward each issue and the status of achievement are clarified.

One of the themes under the materiality "Action Climate Change and Renewable Energy" is "Expanding the Supply of Renewable Energy," which is related to the use of proceeds for the Bonds. In September 2018, the Company became the first company in the leasing industry to join RE100 under the initiative "Renewable Energy in the electricity consumption business of the Fuyo General Lease Group," and the Company aims to launch a group-wide initiative to promote the use of renewable energy. The theme for this initiative is "support for the spread of renewable energy through the provision of financial services," which is a unique approach to the financial industry. Specifically, the Company itself not only promotes the provision of services through "Fuyo RE Action Support Program," but also promotes initiatives that utilize financial functions to reduce a wide range of environmental impacts, including for SMEs.

Under the Company's medium-term management plan, Frontier Expansion2021, which covers the period from FY2,017 to FY2021, in one of its three strategic axes, "Selection and Concentration in Strategic Fields," The Company cites the energy environment as a growth driver in areas where management resources are concentrated. The target for renewable energy by March 2022 is 165MW on a capacity basis. The Company operates solar power facilities with a capacity of 140MW as of the end of March 2019. When factoring in the planned solar power plant project, the Company expects to expand its business to 200MW by March 2022.

Fuyo General Lease not only actively proposes and provides environmental-related products and services through its leasing business, but also actively promotes the supply of clean energy as a renewable energy supplier. The establishment of clear numerical targets in the Integrated Report and steady efforts to achieve these targets have increased the viability of the organization's environmental initiatives, and are highly commended.

Abbreviation of Renewable Energy 100. An international business initiative involving companies that aim to procure 100% renewable energy for their business operations. As of December 13, 2019, 219 companies are members worldwide. RE100 is hosted by Climate Group (an international non-profit organization that urges companies to take measures against climate change with the aim of realizing a low-carbon society) in partnership with CDPs (an international non-profit organization that encourages companies to disclose information on environmental impacts).

4. Conclusion

As a result of verifying the matters described in the previous section, JCR confirmed that 100% of the proceeds of the Bonds have been allocated for the green projects, which was originally assumed to be used for funding, and that the assets subject to funding have sufficiently realized the effects of environmental improvement that were originally assumed.

[JCR Green Bond Evaluation Matrix]

		Management, Operation, 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 Subject

Issuer: Fuyo General Lease Co., Ltd. (Securities Code: 8424)

Review

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
17th unsecured corporate bonds	JPY 10 billion	November 2, 2018	November 2, 2023	0.210%	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 evaluates 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 (Sustainable Finance & ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Methodology.

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

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)
- Climate Bonds Initiative Approved Verifier

■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
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