

————— 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 Ricoh Leasing Company, Ltd.

Subject	:	Ricoh Leasing Company, Ltd. 33rd Unsecured Bonds (with limited inter-bond pari passu clause) (Green Bonds)
Type	:	Straight bonds
Issue Amount	:	JPY10 billion
Interest Rate	:	0.190%
Issue Date	:	September 7, 2018
Redemption Date	:	September 7, 2023
Method of Repayment	:	Bullet
Use of Proceeds	:	Refinance for purchasing existing solar power generation facilities which are leasing and installment contracts assets

<Green Bond Review Results>

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

1. Evaluation Overview

On August 31, 2018, JCR assigned "Green 1" for the "JCR Green Bond Evaluation" to unsecured corporate bonds (the "Bonds") of Ricoh Leasing Company, Ltd. ("Ricoh Leasing.") The proceeds of the Bonds were used to refinance the fund for purchasing existing solar power generation facilities which are leasing and installment contracts assets

Ricoh Leasing was established in 1976 to financially support the Ricoh Group's product sales. The parent company, Ricoh Co., Ltd. (53.0% owned), is a manufacturer of copiers, printers, and other products. The main businesses are the leasing and installment sales business, which includes office and information-related equipment and medical equipment, and the financial services business, which includes financing for individuals and corporations and the fee business.

The Bonds are the 5-year unsecured corporate bonds issued by Ricoh Leasing on September 7, 2018. The proceeds from the issuance of the Bonds were intended to refinance the acquisition of existing solar power generation

facilities that Ricoh Leasing acquired as leasing assets and assets subject to installment contracts. At the time of issuance, JCR confirmed that the department in charge of Ricoh Leasing is carefully reviewing the summary of solar power generation facilities and potential risks in their operation for all solar generation facilities. As a result, JCR evaluated the project as a green project that has no possible adverse environmental impacts exceeding the effects of environmental improvements and contributes significantly to reducing CO2 emissions.

After reviewing the use of the proceeds, JCR confirmed that one of the 11 projects was sold to the customer of installment contracts, and that the unallocated funds were reallocated to another project. Including this case, JCR confirmed that all of the 11 solar power generation facilities which are refinanced by the Bonds are still operating without problems. JCR also confirmed that the management and operation system was maintained as originally planned and that appropriate disclosure was made.

As a result of the above reviews based on the JCR Green Finance Evaluation Methodology, JCR maintains "g1" for "Greenness Assessment (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR maintains "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 assets to be evaluated in this subject were 11 solar power generating facilities.

Summary of Use of Proceeds (List of Assets Acquired)

Project Name	Location	Output Capacity (kW)	Total Operating Cost (JPY mil.)	Annual Power Generation (1st year)(MWh)*	Annual CO ₂ Emission (t-CO ₂)**
Nakanojo Town Sawatari Third	Agatsuma-gun Nakanojo-Town, Gunma	1,999	617	2,188	1,219
B	Nishi Shirakawa-gun Yabuki-cho, Fukushima	2,304	470	1,838	961
C (To June 2019)	Izu-city, Shizuoka	2,401	1,015	1,600	739
C(From July 2019)	Koga-city, Shiga	2,838	983	519	217
D	Osaka-city, Osaka	7,321	1,496	7,131	2,981
E	Kasaoka-city, Okayama	2,402	1,053	2,637	1,785
F	Iizuka-city, Fukuoka	2,304	750	2,526	1,169
G-1	Tagawa-city, Fukuoka	1,999	864	2,173	1,006
G-2	Tagawa-city, Fukuoka	1,999	864	2,173	1,006
G-3	Kama-city, Fukuoka	1,988	864	2,171	1,005
G-4	Kama-city, Fukuoka	994	432	1,086	503
H	Goto-city, Nagasaki	5,337	2,235	5,488	2,541
Sum				31,529	15,132

*: Calculation method of power generation for the first year = assumed annual power generation x rate of reduction in power generation due to the number of days elapsed
For Project C, the amount of power generated at the facility in Izu City, Shizuoka Prefecture is used from September 2018 to June 2019, and the amount of power generated at the facility in Koga City, Shiga Prefecture is used from July 2019 to August 2019.

** : Calculating CO₂ reductions = First-year power generation x Adjusted emissions factors (FY2017 (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. Instead of Project C, which was sold to the clients with installment contracts, the asset was replaced as shown in the table above. JCR confirmed through hearings with Ricoh Leasing that output control is being implemented in some areas, and there is a possibility that the amount of electricity generated may be lower than the estimated annual amount, but there are no circumstances such as operational shutdowns due to damages to facilities.
- c. No serious negative environmental impacts have been identified, such as landslide disasters, damage to earthquakes, or complaints from local residents.

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

Ricoh Leasing reviewed its Green Bond Framework in September 2019 and newly added small hydropower facilities to its selection criteria. JCR reviewed the revised eligibility criteria and confirmed in the interview that there were no particular changes to the selection criteria and the process regarding the solar power generation facilities for which the proceeds of the Bonds are used.

(3) Appropriateness and Transparency of Management of the Proceeds

JCR evaluates fund management to be appropriate at the time of the previous evaluation. The entire amount of the Bonds has already been allocated to refinance the funds for the purchase of solar power generation facilities and there are no unallocated funds. However, in June 2019, Ricoh Leasing sold one of the

facilities to the customer of the installment sales contract, and JCR confirmed that the funds were re-appropriated to a replacement facility.

(4) Reporting

a. Reporting of fund appropriations

As the entire amount of the Bonds has already been allocated for the acquisition of solar power generation facilities and the funds for the facility subsequently sold have been reallocated for a comparable facility, no unallocated funds have been generated at the time of implementation of this review.

b. Reporting on environmental improvement effects

It is difficult to grasp the actual value because not all the properties for the use of the proceeds are owned by Ricoh Leasing. Therefore, it discloses the theoretical value as the main impact indicator. At the time of this review, JCR confirmed that the above theoretical values were appropriately disclosed.

(5) Environmental Initiatives of the Organization

a. Efforts on environmental issues by RICOH GROUP

Ricoh Leasing's parent company, Ricoh, established the environment promotion division in 1976, established "Ricoh Environmental Policy" in 1992. Gotenba branch of Ricoh was the first corporation in Japan which took "ISO/DIS14001" in 1995.

In 2005, Ricoh formulated its Long-Term Environmental Vision for 2050. The vision is based on the concept of "Three P's Balance" (a concept aimed at reducing the environmental impact of society as a whole to within the scope of the resilience of the global environment from the three perspectives of "environmental," "social," and "economic" activities (P(Planet, People, Profit)) as its ultimate goal. Based on this, Ricoh Leasing formulated a medium-term target based on the "back casting method" to set a target value as a passing point for the realization of the target value, and this target is used as a guideline for efforts to reduce environmental impact.

The Ricoh Group is currently implementing the 19th Environmental Action Plan, which covers the period from April 2017 to March 2020. In order to realize the following long-term vision, it implements to promote energy conservation and use of renewable energy.

- Zero greenhouse gas (GHG) emissions throughout the value chain in 2050
- In 2030
 - GHG Scope 1, 2: 30% reduction (compared to 2015)
 - GHG Scope 3: 15% reduction (compared to 2015, procurement, use, logistics categories)

In addition, as an active initiative to adapt to climate change of the society, it has categories of energy saving and global warming prevention, resource conservation and recycling, pollution prevention, and biodiversity conservation, and has set numerical targets for each category.

The Ricoh Group has undergone third-party verification by SGS Japan Co., Ltd. (the Japanese branch of a certification organization established in France in 1878) on the accuracy of information systems, collection, aggregation, analysis methods, and data related to environmental performance data such as greenhouse gas emissions. The results are published on the Ricoh Group's website. Therefore, it is considered that information is disclosed with consideration given to not only the amount of information but also the quality.

Ricoh is the first Japanese company to participate in the initiative launched in 2014 by RE100 (Renewable Energy 100, an international initiative in April 2017, and the Climate Group of international environmental NGOs. As of September 2019, 194 companies worldwide became members. Ricoh is also participating in policy dialogues both at home and abroad as joint representatives of Japan-CLP, an initiative for the decarbonization of private companies. It is also the first to participate in the Japanese version of the Climate Change Initiative, which was established in July 2018. Through these efforts, Ricoh Leasing has strongly announced its commitment to a decarbonized society.

b. Ricoh Leasing's environmental activities

As a member of the Ricoh Group, Ricoh Leasing has been providing services that contribute to solve environmental and social issues since the 2000's. While sharing its commitment to the environment with its group companies, Ricoh Leasing has established an awareness of environmental issues and action targets. While sharing the efforts to environment improvements with other group companies, Ricoh Leasing is continuing the activities which contribute to environment improvements by setting action targets for tackling environmental issues with the consideration of its characteristics as a leasing company.

In the Sustainability Report for FY2018, Ricoh Leasing formulated the SDGs commitments to "Ricoh Leasing, based on its vision of "going to the future of the lease," aims to create new value and improve corporate value sustainably while placing SDGs on the basis of management and actively taking responsibility for resolving social issues." The SDGs commitments are related to the materiality established by Ricoh Leasing in FY2017 and the CSR Medium-Term Management Plan, which was established in conjunction with the materiality, and explains that solving our previously important issues and social issues that we recognize will contribute to the improvement of our corporate value at the same time.

One of the materiality, the "Improvement of Common Value through Business," has raised the challenge of spreading renewable energy since FY2018. Ricoh Leasing has started a power generation business in which it owns photovoltaic power generation facilities and sells electricity, and is expanding its efforts on photovoltaic power generation.

Similarly, in "Contributing to a Decarbonized Society and realizing a circular society," as a goal contributing to "climate-change mitigation and adaptation," which is one of the key issues, Ricoh Leasing sets a target of ¥35.0 billion in CO₂ emissions 1,001t-CO₂ and environmental-related transactions in business activities in FY2019.

Ricoh Leasing Management Committee, consisting of executive officers, approves the CSR Medium-Term Management Plan and it manages the progress periodically. In the promotion of specific CSR activities, the CSR Promotion Office of the Corporate Management Department, which is a dedicated department, actively plans and promotes its CSR activities, although it is not necessary to confirm the Green Bond Policy, etc. with outside experts, and to cooperate on CSR activities. JCR also confirmed that CSR Promotion Office is also involved in preparing for issuing green bonds and the formulation of green bond frameworks.

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: Ricoh Leasing Company, Ltd. (Security Code: 8566)

Review

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
33rd Unsecured Bonds (with limited inter-bond pari passu clause) (Green Bonds)	JPY 10 billion	September 7, 2018	September 7, 2023	0.190%	JCR Green Bond Evaluation: Green1 Greenness Evaluation: g1 Management, Operation, 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

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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
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