

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

Japan Credit Rating Agency, Ltd. (JCR) announces the following preliminary Green Bond Evaluation Results.¹

JCR Assigned Green 1 to Bonds of Orient Corporation.

Subject	:	Orient Corporation's 21st unsecured corporate bonds (with inter-bond pari passu clause) (Green Bond)
Type	:	Bonds
Issue amount	:	JPY 5,000,000,000
Interest rate	:	Not yet determined
Date of Issuance	:	January 2019 (scheduled)
Redemption date	:	January 2024 (scheduled)
Method of Repayment	:	Bullet
Use of proceeds	:	Refinancing of funds for the implementation of renovation loans for the main purpose of installing solar power generation systems, etc.

<Green Bond Preliminary Evaluation Results>

Overall evaluation	Green 1
Evaluation of Greenness (use of proceeds)	g1
Evaluation on Management and Operating Systems and Transparency	m1

Chapter 1: Evaluation Overview

Orient Corporation was founded in 1954 and operates four core businesses: installment sales finance, credit cards and loans, bank guarantees, and payment and guarantee services. In particular, the company is one of the industry leaders in terms of auto loans and shopping credit transactions, as well as the balance of bank guarantees outstanding.

Orient Corporation's basic philosophy is "We value our relationship of trust and aim to be a company that contributes to society through the realization of a prosperous life for our customers." The company has been actively conducting CSR activities with a focus on social contribution and environmental initiatives within the company.

¹ The evaluation will be granted after the determination of conditions such as interest rates. However, since the planned issuance amount and redemption period are fixed at the preliminary evaluation stage and the use of funds can be determined, it is not expected that the contents of this preliminary evaluation report will change significantly at the time of the grant of this evaluation.

The bonds to be evaluated are unsecured bonds with a term of five years issued by Orient Corporation. The company plans to refinance funds for the implementation of eco solar loans for its individual and corporate customers, which are provided by member stores nationwide, to install solar power generation systems and related equipment. JCR confirmed that the funds for the eco solar loans were used for the solar power generation systems or its auxiliary equipment and that the equipment were highly energy efficient. JCR confirmed that expected environmental risks were appropriately avoided because (1) there was little possibility of a serious negative impact on the environment due to the relatively small-scale installation of solar power generation systems, (2) there was high probability that environmental improvement effects would be appropriately realized by construction being carried out in accordance with the Building Standards Law, and (3) there was a compensation system in place during and after construction. Therefore, JCR evaluates that the proceeds will be used for a green project that contributes to environmental improvement as a renewable energy project. JCR confirmed that the management system has been established for eco solar loans, where the proceeds will be allocated to, and that the system has been put in place to ensure that the proceeds will be allocated to the target loan pool throughout the period until the redemption of the bonds. JCR also confirmed that Orient Corporation recognizes environmental issues as important for its management and is working on them with clear targets.

Based on the JCR Green Finance Evaluation Method, JCR assigned "g1" for the preliminary evaluation of the "Green Evaluation (Use of Funds)" and "m1" for the preliminary evaluation of the "Management/Management System and Transparency Evaluation." As a result, JCR assigned "Green1" for the preliminary overall evaluation of "JCR Green Bonds." Detailed evaluation results are discussed in detail in the next chapter. In addition, the bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guidelines issued by the Ministry of the Environment.²³

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: Evaluation of Greenness 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 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 evaluation

Overview of Use of Proceeds

a. On the environmental improvement effects of the project

- i. 100% of the funds are used for renovation loans aimed at installing photovoltaic power generation systems and ancillary facilities, which can be expected to reduce CO₂.

² ICMA(International Capital Market Association) Green Bond Principles 2018

³ Ministry of the Environment Green Bond Guidelines 2017

The use of the proceeds is expected to be allocated to provide "Eco Solar Loan" (hereinafter referred to as the "Green Renovation Loan"), one of the loan types of the housing renovation loans. These are advances payment made to individual or corporate customers through the company's member stores under which it has a franchise agreement. When a customer wants to pay for installments of a solar power generation system, or a solar power generation system solely or with any of the following auxiliary equipment, the company pays out payments to the member stores in a lump sum.

[Auxiliary Equipment]

1. Storage battery
2. EcoCute
3. Facility for all-electric homes
4. Other energy-saving equipment

The most frequent value of the eco-solar loans is two million yen or more and less than three million yen, and the average rated power output assumed for each solar panels installed is 5.4 kW. The company plans to use the proceeds to fund about 2,000 cases of advance payments.

Orient Corporation provides housing renovation loans as part of its shopping credit business. The company's main products are "Renovation Family Loan", "Living Loan", and "Eco Solar Loan." Orient Corporation uses its broad sales base to provide services nationwide. "Eco Solar Loan," which is eligible for the use of proceeds, has been provided since FY09. In the first-half of FY19, the company handled JPY76.2bn in housing renovation loans and JPY193.1bn in shopping credit, including renovation loans.

ii. The use of proceeds is a renewable energy among green projects as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines and play an important role as a distributed power source in Japan's new energy policy.

Among renewable energies, residential solar power generation systems are important from the viewpoint of stability and risk diversification for ensuring stable supply of electric power in Japan as one of the distributed power sources located adjacent to areas of demand. There are also moves to shift the form of future electricity supply from large-scale centralized to small-scale decentralized. Under the Fifth Basic Energy Plan in Japan, where domestic resources are limited and natural disasters are frequent, small-scale solar power generation systems close to individual users are useful as emergency power sources, and further diffusion is expected in the future. In addition, considering the oversupply at peak times, it is expected that the power supply will mature as a long-term stable power source by combining it with storage batteries, etc.

Residential solar power generation systems that were introduced under the feed-in tariff program, which began in 2009, will expire in stages beginning in 2019 with a ten-year purchase period. The government intends to promote the sale of surplus power through negotiated agreements with retail electric utilities after the completion of the purchase period, the popularization of electric vehicles, and the self-consumption associated with the increase in all-electric housing. Demand may decline temporarily immediately after the termination of the feed-in tariff system, but in the medium term, continued demand for funds for residential solar power generation systems is expected due to the penetration of self-consumption-oriented lifestyles and the spread of relative agreements due to the expansion of the popularization scope of retail electric utilities, etc.

b. Negative impact on the environment

When implementing the Green Renovation Loan, Orient Corporation verifies the content of the contract with the customers, and endeavors to carry out the renovations properly. After customers confirmed the completion of renovation work, the company is to receive notification, and it ensures the operation of the solar power generation systems.

In addition, the company provides an optional indemnity service called the "Integrated Solar Power System Compensation System." The company offers two services: compensation for installing solar power systems for franchisees and compensation for natural disasters such as typhoons and fires for purchasers.

The applicable period of the compensation system is ten years from the completion and delivery, and the recovery of the assets is secured under certain conditions until the redemption of the bonds.

When selecting franchisees, the company has established measures to deal with negative environmental impacts, such as requiring qualified personnel to install photovoltaic power generation systems.

c. Consistency with SDGs

The Green Renovation Loan is classified as renewable energy and, in light of ICMA's SDGs mappings, contribute to the following SDGs objectives and targets.



Objective 3: Health and Welfare for All

Target 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.



Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.



Goal 8: Job satisfaction and economic growth

Target 8.2. Achieve high levels of economic productivity through diversification, technical improvements and innovation, including through a focus on high-value added and labour-intensive sectors.



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transboundary infrastructure, to support economic development and human welfare with a focus on affordable and equitable access for all.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



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.



Goal 12: Responsibility to create and use

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.



Objective 13: Specific Measures for Climate Change

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Evaluation Phase 2: Management and Operational System 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: Evaluation Phase 2: Management and operation system and transparency assessment 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 green 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 evaluation

a. Target

The goal is to contribute to the promotion of environmental impact reduction activities, which is one of Orient Corporation's key CSR themes, by providing renovation loans for the installation of solar power generation systems and ancillary equipment through the issuance of the bonds. One of the basic strategies of "Innovation for Next Orico," medium-term management policy, which covers the period from FY3/20 to FY3/22, is to "strengthen sustainability initiatives," and the issuance of the bonds is in line with the new medium-term management policy.

b. Selection standard

Among the renovation loans provided by Orient Corporation, the assets to be used are those intended to install solar power generation systems or solar power generation systems with any of the following auxiliary equipment, which meet the predetermined eligibility criteria.

[Auxiliary Equipment]

1. Storage battery
2. EcoCute
3. Facility for all-electric homes
4. Other energy-saving equipment

[Eligibility criteria]

- At the time of sampling, the amount is within two years after the execution. (at the issuance of the bonds, loans executed between January 2017 and January 2019 are covered.)
- Orient Corporation conducts direct advances.
- Not securitized at the time of sampling
- Be not covered by credit guarantees

- Not delinquent loans for more than three months

When selecting the target assets, the Finance Department checks with the Group Housing Renovation Promotion Department, which is in charge of arranging the Green Renovation Loan, and confirms its greenness. The standard is approved by management through the process described in c. below.

c. Processes

In October 2018, Orient Corporation renamed the CSR Promotion Division in Public Relations & Advertising Department to the Sustainability Promotion Division. Sustainability Promotion Division establishes key CSR themes. Each department and group, including the Business and Sales Promotion Group, the Market Development Group, the Financial Guarantee Group, and the Finance Department, in charge of financial products and services, formulates specific policies in accordance with these CSR themes and promotes CSR activities.

Recently, with regard to Green Renovation Loan, which are to be target of the use of proceeds of the bonds, a person in charge in the Finance Department makes a proposal based on the judgment of green eligibility, and after obtaining approval from the general manager of the relevant department through internal circular approval, a decision is made by the representative director and president.

The selection criteria and processes described above are outlined in this evaluation report to ensure transparency to investors.

2. Appropriateness and Transparency of Management of the proceeds

(1) JCR's key consideration in this factor

It is usually assumed that the fund raising management methods vary widely depending on the issuer. JCR confirms whether the proceeds of green bonds are securely allocated to green projects and whether mechanisms and internal systems are in place to enable easy tracking and management of their appropriation.

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

(2) Current status of evaluation targets and JCR evaluation

According to the Amended Shelf Registration Statement, the proceeds of the bonds are to be used for refinancing of the funds for the implementation of the Green Renovation Loan by Orient Corporation (redemption of commercial paper) and is not expected to be used for any other purpose.

The proceeds of the bonds are deposited into an account dedicated to the bonds and will be used by the Finance Department to redeem the commercial paper by the end of January. On the other hand, until the bonds are redeemed, Orient Corporation is to select Green Renovation Loan to make a green renovation loan pool that meet the eligibility criteria described in 1. (2) b. above using its internal system so that they exceed 5 billion yen, the amount of the bonds (the selected Green Renovation Loans are referred to as the "Green Renovation Loan Pool").

The segregated Green Renovation Loan Pool is expected to be managed monthly by staff of Finance Department using an internal system and approved by the manager. If the Green Renovation Loan Pool is below the issue amount of the bonds, the Finance Department representative is expected to extract Green Renovation Loans that meet the eligibility criteria, add classified them to the Green Renovation Loan Pool, or deposit the cash equivalent to the lower amount in the dedicated account for the bonds as unallocated funds.

3. Reporting

(1) JCR's key consideration in this factor

In this section JCR evaluates whether or not the disclosure system to investors 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 evaluation

a. Reporting on the funds allocation

As confirmed in the previous section, the entire amount of the proceeds of the bonds will be used for the redemption of commercial paper promptly, so it is not currently assumed that the reports on unappropriated funds will be made during the term. At the same time, until the bonds are redeemed, Orient Corporation separately manages the Green Renovation Loan Pool, which exceeds the amount of the bonds issued. However, if the balance of the Green Renovation Loan Pool falls below the amount of the bonds issued, and there are substantial unallocated funds, the company will report when the unallocated funds are generated and on the status of subsequent appropriations.

b. Reporting on environmental improvement effects

An overview of the Green Renovation Loan, which is to be used for funds, is described in Evaluation Phase 1 of this report. In the future, Orient Corporation will regularly disclose the estimated amount of electricity generated and the estimated amount of CO₂ saved by installing solar power generation systems, etc. subject to Green Renovation Loans on its website, etc. once a year.

Orient Corporation will receive an annual third-party review of the accuracy of its reporting status from JCR until the maturity date of the bonds.

4. Organization's environmental activities

(1) JCR's key consideration in this factor

In this section JCR evaluates whether the management of the issuer considers environmental issues to be a high priority issue for management, whether the green bond issuance policy, process, and green project selection criteria are clearly positioned through the establishment of a department specializing in environmental issues or cooperation with external organizations, etc.

(2) Current status of evaluation targets and JCR evaluation

Orient Corporation has been contributing to the development of the financial infrastructure through the provision of products centering on personal finance, such as installment sales finance and shopping credits, since its founding under the basic philosophy of "We value trust and aim to be a company that contributes to society through the realization of affluent lives of our customers. "The company's brand slogan is "Kanaeru no Sobani (to be the side of dreams coming true)" and aims to contribute to society through the provision of products and services that meet customer needs.

With regard to CSR initiatives, the company has been promoting activities by incorporating the opinions of not only customers, but also stakeholders such as investors and franchisees. Each department has established specific action targets, focusing on the items listed as key CSR themes, and strives to carry out activities in line with the realization of the themes.

Key CSR themes are formulated by the Sustainability Promotion Division of Public Relations and Advertising Department. Each department, such as Marketing and Sales Promotion Group, which is in charge of structuring products and services, Market Development Group, the Financial Guarantee Group, and Finance Department, which is in charge of fund raising, formulates specific policies according to each theme and promotes CSR activities.

Key CSR themes

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- 1) To promote communication with stakeholders
 - 2) To Promote initiatives that contribute to solving social issues in cooperation with external stakeholders
 - 3) To contribute to local communities and to support the development of the next generation
 - 4) To Develop human resources, to promote diversity, and to create workplaces that are easy to work
 - 5) To promote activities to reduce environmental adverse impact
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Among the key CSR themes, "To promote activities to reduce environmental impact" actively deals with financing to install eco-cars with low greenhouse gas emissions or solar power generation facilities which will result in diffusing renewable energy. The company plans to continue working to promote renewable energy through renovation loans and other means.

Further, the company is considering setting SDGs targets and identifying priorities to address. The products and services the company provides to its customers are responding to the SDGs, such as "Expanding Access to Solar Power through Eco Solar Loans" (Target 7) and "Strengthen Earthquake Resistance through Renovation Loans" (Target 11), and the company's operations can be said to be in line with the momentum required for environmental and social considerations.

Orient Corporation has announced "Innovation for Next Orico," medium-term management plan covering the period from FY3/20 to FY3/22. One of its basic strategies to rebuild its earnings structure and create new business models is to strengthen sustainability initiatives. One of the key themes of this strategy is "environmentally conscious initiatives." The company aims to realize a sustainable society and increase its corporate value by engaging in businesses that address these material themes. JCR identifies that Orient Corporation addresses the environmental issues as important for their sustainable growth.

■ Evaluation result

Based on JCR Green Finance Evaluation Methods, the preliminary evaluation of the "Green Evaluation (Use of Funds)" was set as "g1" and the preliminary evaluation of the "Management/Management Structure and Transparency Evaluation" as "m1."As a result, the "Preliminary Evaluation of JCR Green Bonds" was set as "Green1."In addition, the Company Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guidelines issued by the Ministry of the Environment.

[JCR Green Bond Evaluation Matrix]

		Management, operation, and transparency evaluation				
		m1	m2	m3	m4	m5
Green 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 subject to evaluation
	g4	Green 4	Green 4	Green 5	Not subject to evaluation	Not subject to evaluation
	g5	Green 5	Green 5	Not subject to evaluation	Not subject to evaluation	Not subject to evaluation

■ Scope of Evaluation

Issuer: Orient Corporation (Ticker: 8585)

[New]

Target	Issue amount	Date of issuance	Redemption date	Interest rate	Preliminary evaluation
21st unsecured corporate bonds	JPY 5 billion	January 2019 (scheduled)	January 2024 (scheduled)	Undecided	JCR Green Bond Evaluation: Green1 Greenness evaluation :g1 Management, operation, and transparency evaluation :m1

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Important explanations about this Green Bond Evaluation

1. Assumptions, meaning and limits of JCR Green Bond Evaluation

JCR Green Bond Evaluation, which is granted and provided by the 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 conflicts 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 assessor 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 (<http://www.jcr.co.jp/en>).

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