



Japan Credit Rating Agency, Ltd. (JCR) announces the following Social Finance Framework Evaluation Results.

Japan Student Services Organization

Social Finance Framework

Assignment



Issuer/Borrower	Japan Student Services Organization
Subject	Japan Student Services Organization Social Finance Framework

Overview of Evaluation

▶▶▶ 1. Outline of Japan Student Services Organization

Japan Student Services Organization (hereinafter referred to as "JASSO" or "the Organization") is an independent administrative institution with a mid-term goal management, which carries out three tertiary education-related businesses as follows: (1) Scholarship Programs for Japanese Students comprising of scholarship loans/grants as its center; (2) Support Programs for International Students and (3) Student Support Program. JASSO was founded in April, 2004, as a core and leading organization that comprehensively conducts various students' support in Japan by organizing/integrating Scholarship Loan Programs provided by Japan Scholarship Foundation or International Student Exchange Programs implemented by four public corporations: (1) Association of International Education, Japan; (2) Center for Domestic and Foreign Students; (3) the International Students Institute and (4) the Kansai International Students Institute, as well as scholarship programs for international students and surveys related to student life provided by the government since the Act on the Japan Student Services Organization, Independent Administrative Agency (hereinafter referred to as "the JASSO Act,") was enacted in June, 2003, based on the "Plan

for Reorganization and Rationalization of Special Public Corporations" decided in the cabinet in December, 2001.

▶▶▶ 2. ESG Management and Initiatives for Regional Revitalization conducted by JASSO

The purpose of JASSO is to "establish adequate educational environments for students studying at universities and other educational institutions in Japan and thereby contribute to developing the next generation of human resources who possess a rich humanity and creativity and who are dedicated to promoting international mutual understandings" stipulated in the Act on the Japan Student Services Organization, Independent Administrative Agency. The Organization regards the following as key issues: to foster students' exploration abilities, promote international understandings and establish educational environments for motivated and capable students to contribute to developing human resources who can flexibly respond to changes in the times, such as recent progress of globalization and rapid advances in science and technology, including ICT or AI. The Organization, based on the recognition that resolving these issues is an important role, that should play as National Center for student support, aims to achieve the objectives set forth in the JASSO Act through projects by lending/granting academic fees or other financial aids to students in order to contribute to equal opportunities for education, providing students with advice and guidance on education, course selection and others by universities and promoting exchange programs for international students.

▶▶▶ 3. Social Finance Framework

This evaluation target is Social Finance Framework (hereinafter referred to as "the Framework") stipulated by the Organization to limit the proceeds financed through bonds and loans (collectively, hereinafter referred to as "Social Finance") only to the use of proceeds with social benefits. The use of proceeds defined in the Framework is a project on scholarship loans (hereinafter referred to as "the Project") that have impacts on the development of creative human resources with a rich humanity who are responsible for the next generation in society. JCR evaluates whether the Framework complies with "Social Bond Principles¹," "Social Loan Principles²," "Social Bond Guidelines³" and SDGs. Since these principles or the guideline are not regulations, they are not binding; however, these are widely globally referred to at the present moment; therefore, JCR confirms the conformity with these principles or the guideline. A reference indicator in evaluation should be a mapping⁴ of SDGs stipulated by ICMA with a social project category in Social Bond Principles since JCR emphasizes the consistency of the use of proceeds of social bonds and its social improvement impacts (hereinafter referred to as an "impact") with international sustainability goals or national policies.

JCR evaluates that the project subject to the use of proceeds set forth in the Framework aims to ensure educational opportunities and is a business that provides social benefits that contribute to "access to essential services (education)" for students who are unable to create study environments due to financial reasons. JASSO aims to develop creative human resources with rich humanity who are responsible for the next generation and contribute to promoting international mutual understandings, and it establishes clear processes and a system to manage proceeds. The details to be disclosed as reporting is appropriate. Based on the aforementioned, JCR evaluates that the

¹ International Capital Market Association ("ICMA"): Social Bond Principles 2021
https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022v3-020822.pdf

² Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA"), Loan Syndications and Trading Association ("LSTA"):
 Social Loan Principles 2023
<https://www.lsta.org/content/social-loan-principles-slp/>

³ Social Bond Guidelines 2021 by Financial Services Agency
<https://www.fsa.go.jp/news/r3/singi/20211026-2/01.pdf>

⁴ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/mapping-to-the-sustainable-development-goals/>

Organization establishes its administrative operational structure and has a high level of transparency.

Consequently, JCR, based on JCR Social Finance Evaluation Methodology, assigned "s1(F)" for "Socialness Evaluation (Use of Proceeds)," "m1(F)" for "Management, Operation and Transparency Evaluation" and "Social 1(F)" for "JCR Social Finance Framework Evaluation" with regard to the Framework. The Framework fully satisfies the standards for the items required in Social Bond Principles, Social Loan Principles and Social Bond Guidelines, and it also complies with concrete measures for SDGs and the governmental SDGs goals.

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I. The overview of Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR first confirms whether the proceeds are used for social projects that bring about clear social benefits. Then, in cases where the use of proceeds is expected to have negative impacts on society and the environment, JCR confirms whether the impacts are fully examined by an internal specialized department or an external third party and whether necessary measures are taken for its avoidance and mitigation. Finally, JCR confirms the consistency with Sustainable Development Goals (hereinafter referred to as "SDGs".)

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

The proceeds financed based on the Framework are used for a project on scholarship loans undertaken by JASSO. JCR evaluates that the project is contributable to developing study environments for students who have difficulties in studying due to financial reasons, which are social issues, and is great social significance.

The Framework on use of proceeds

The proceeds financed based on the Framework are used for scholarship loans for students who are unable to develop study environments due to financial reasons although they are motivated and capable. Specifically, proceeds financed through social loans are used for Category 1 Scholarship Loans and Category 2 Scholarship Loans, while proceeds financed through social bonds are used for Category 2 Scholarship Loans.

Accordingly, proceeds financed under the Framework are not used for any project except for the Project.

JCR's Evaluation for the Framework

1. Social Benefits of the Project

(1) Use of proceeds: Scholarship loans

The proceeds financed under the Framework will be allocated to scholarship loans in the Project carried out by the Organization. JCR evaluates that the Project is of high social significance since it systematically supports "the right to receive education" stipulated in Article 26 of the Constitution of Japan and "equal opportunity for education" set forth in Article 4 of the Fundamental Law of Education, aims to contribute to developing socially promising human resources and is regarded as one of the important governmental educational measures that are not replaceable by any private sector.

(2) Overview of Qualified Projects

JASSO carries out the scholarship business, which is important as an education business from the viewpoint of equal opportunity of education so as to support independence and improve study

environments for students who have difficulties in studying due to financial reasons although they are motivated and capable. Scholarships are categorized as scholarship grants and scholarship loans and the latter includes Category 1 Scholarship Loans (with no interests) and Category 2 Scholarship Loans (with interests.) Category 1 Scholarship Loans and Category 2 Scholarship Loans are provided to students studying at universities, graduate schools, colleges of technology and specialized training colleges (post-secondary courses), and simultaneously provided to in particular, students who face financial difficulties.

Category 1 Scholarship Loans are funded by interest-free borrowing from general account and special account, and repayments from Scholarship Loan borrowers. Fiscal loans and private loans have also been utilized since FY2017 so as to provide all applicants who meet criteria for the scholarships. Category 2 Scholarship Loans are funded by fiscal loans, Fiscal Investment and Loan Program Agency Bonds and repayments from Scholarship Loan borrowers; however, private loans have been also utilized for new scholarship students since FY 2007.

Proceeds financed under the Framework are allocated to Category 1 Scholarship Loans and Category 2 Scholarship Loans, both of which are scholarship loans.

Table 1: Summary of Eligible Business⁵

Eligible business	Category 1 Scholarship Loans	Category 2 Scholarship Loans
<p style="text-align: center;">Overview</p>	<ul style="list-style-type: none"> • The program was launched in 1943 as a scholarship program under the Dai-Nippon Scholarship Foundation and provides students with scholarships without interests. • The targets are students who are studying at universities, graduate schools, colleges of technology and specialized training colleges (post-secondary courses.) • The target scholarship students are judged/chosen comprehensively based on regulations regarding personality, academic ability and household finances. 	<ul style="list-style-type: none"> • The program was established in 1984 as scholarship loans with interests using the Fiscal Investment and Loan Program Fund to respond to increases in the number of students who apply for scholarships along with increases in the number of students and students who use scholarships after Category 1 Scholarship Loans program had begun. • The targets are students who are studying at universities, graduate schools, colleges of technology (fourth and fifth graders) and specialized training colleges (post-secondary courses.) • The target scholarship students are judged/chosen comprehensively based on regulations regarding personality, academic ability and household finances (the standards are laxer than those of Category 1 Scholarship Loans.)
<p style="text-align: center;">Financial resources while in school</p>	<p>General account debts</p>	<p>Proceeds financed through the use of private funds, including issuance of bonds or loans</p>

⁵ Prepared by JCR by referring to the Organization's website, materials disclosed and the Framework

Business category (ICMA Principles)	Access to essential services (education)
The target	Students who are unable to have study environments due to financial reasons

(3) Social issues: It is a very important issue to develop study environments for students who face difficulties to study in tertiary education due to financial reasons since the ratio of private educational costs is high under tertiary education systems and the ratio of educational costs to disposable incomes is also high.

In the "Grand Design for Tertiary Education for 2040 (Report)" compiled by Central Council for Education in November 2018, five points were listed as directions in changing society around 2040 as follows: SDGs, Society 5.0/the Fourth industrial revolution, the 100-year life, globalization and regional revitalization. Higher education institutions, which are the core in human resources' development and intellectual creative activities, are required to play an even more important role so that individuals can enjoy fruitful life, Japanese society can maintain sustainable growth/development and human society can be developed in harmony while changing economic society, rapidly progressing globalization and seriously depopulating society. On the other hand, the 18-year-old population, which is the main students to be enrolled in tertiary education reached the peak with approximately 2.05 million in 1992 and since then the population has declined to roughly 1.17 million in 2020, and it is estimated to decrease to 0.88 million in 2040. In light of this situation, it is important to provide opportunities for higher education to all young people with wills and abilities for learning.

In comparison of public spending on tertiary education with the other OECD members, the ratio of public spending from primary to tertiary education to the total general government expenditure is 7.8% in Japan (Fig.1), which is lower than 10.6%, the average of that in the OECD countries. Japan is also listed as one of the countries with higher tuitions for tertiary education in the OECD members, and these tuitions have been increasing for the last 10 years. In 2019, the share of private spending on tertiary education reached 67% in Japan, which is well above the average of 31% in the other OECD countries.

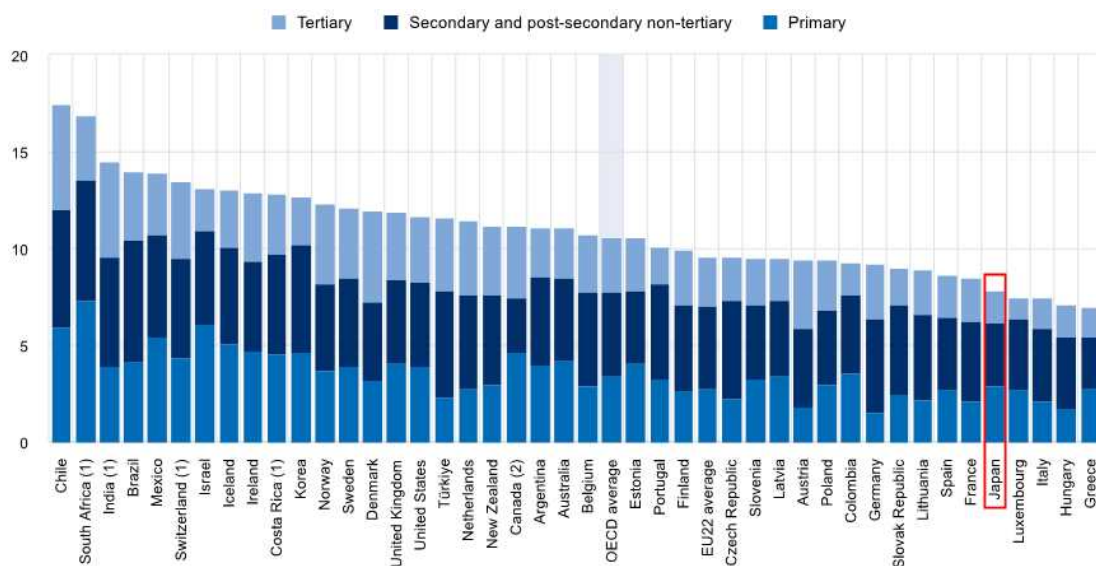


Figure 1: Ratio of Public Expenditure on Education to Total General Government Expenditure by Educational Stage (2019)⁶

⁶ Quoted from Education at a Glance 2022

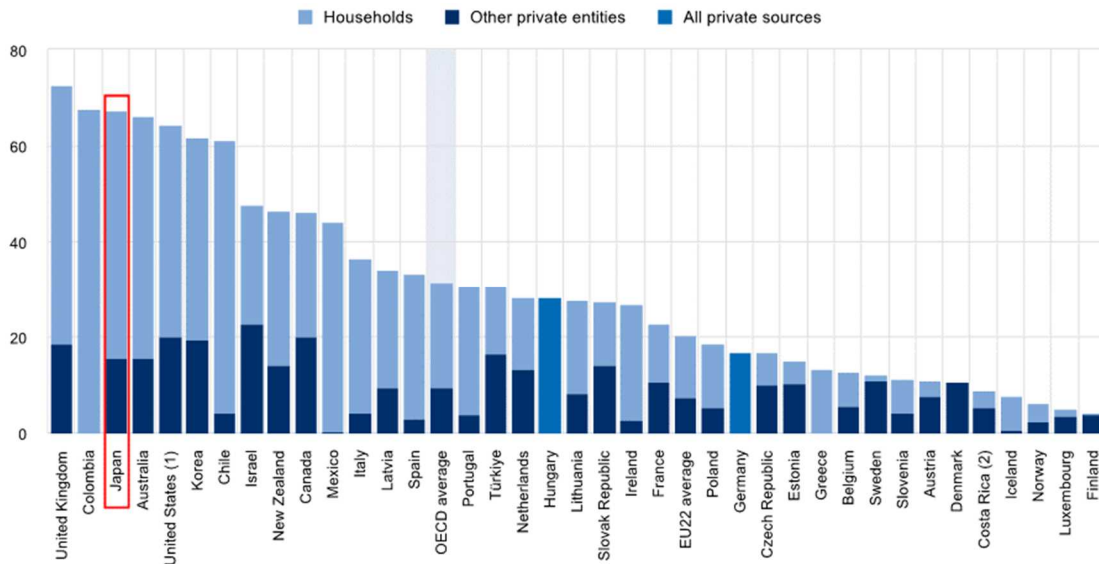


Figure 2: Ratio of Private Expenditures to Educational Expenditures in Tertiary Education (2019)⁷

The educational expense in a household budget accounts for roughly 1/2 of the average disposable income in working households in cases where two children go to private universities. If these two children living away from home, the ratio of educational-related expense to the average disposable income is estimated to 80 percent or more for a year. It is likely to be difficult for even households who earn more than the average disposable income to pay all expenses on tertiary education if the financial resource is only household incomes in Japan. The necessity to support tertiary educational fees through public funds in the Organization is additionally remarked in the Report.

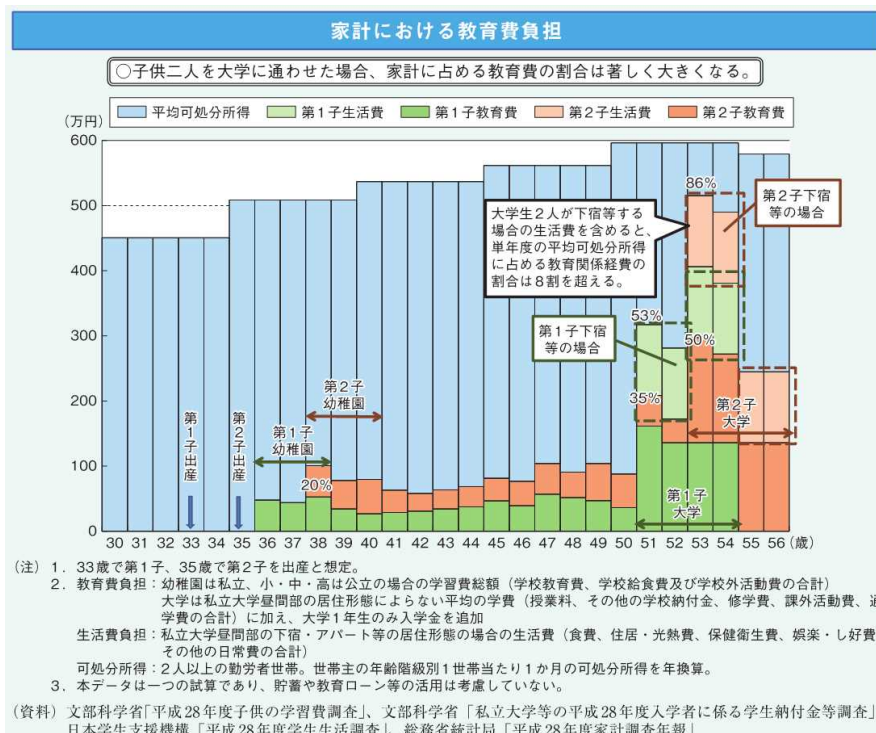


Figure 3: Educational Costs in households⁸

⁷ Quoted from Education at a Glance 2022

⁸ Quoted from White Paper on Education, Culture, Sports, Science and Technology 2020 (in Japanese)

There is strong demand for the scholarship system provided by the Organization as an institution that has comprehensively implemented a student support-related business. Currently, approximately thirty percent of all the students use the scholarship system, including interest-free and interest-bearing loan programs. Although JASSO has a significant role to contribute to increasing the enrollment rate in tertiary education and developing advanced human resources for the next generation, it is also expected for the Organization to contribute to equal opportunities for education, developing human resources who are responsible for the next generation in society, promoting to globalize universities and enhancing international mutual understandings. The government clarifies its policy to strengthen to invest in education/human resources development through expanding the scholarship system and the Organization who plays such a role, is considered to be highly important.

Based on the aforementioned, JCR evaluates that the use of proceeds in the Framework is a project that contributes to improving the study environments for students who are unable to study in tertiary education due to financial reasons.

The use of proceeds is categorized under a business that contributes to "access to essential services (education)" for "students who are unable to have learning environments due to financial reasons" in the eligible social project business category of Social Bond Principles, Social Loan Principles and Social Bond Guidelines.

2. Consistency with SDGs

(1) Consistency with SDGs mapping of ICMA

Project subject to the use of proceeds are evaluated to contribute to the following SDGs and targets in light of the SDGs mapping of ICMA.




Goal 4. Quality education

Target 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

(2) Consistency with SDGs Action Plans and Social Bond Guidelines

JCR has confirmed that projects subject to the use of proceeds comply with the following items in "SDGs Action Plan in 2022" set forth by the Japanese government to achieve the goals by 2030 based on the SDGs implementation guidelines.

Eight prioritized issues in the "SDGs Implementation Guidelines" and their related specific initiatives		
Prioritized Issues: 1. Achieve Society/Gender Equality in which All People Play Active Roles		Target
New support program for tertiary education	Contribute to addressing the rapid declining birthrate in Japan by reducing economic burdens on education at universities through reducing tuitions and providing scholarship grants to people in	

Eight prioritized issues in the "SDGs Implementation Guidelines" and their related specific initiatives		
Prioritized Issues: 1. Achieve Society/Gender Equality in which All People Play Active Roles		Target
	low-income households who truly need support.	

3. Response to Environmental/Social Risks

JCR evaluates that there is no negative risks on the environment since the use of proceeds stipulated by the Framework is appropriated for scholarship loans. JCR also evaluates that appropriate avoidance and mitigation measures are taken for negative risks on society as follows:

(1) Risks assumed in society

- Delinquency in repaying scholarships and having multiple debts

(2) Measures to avoid/mitigate risks

[Before making loans]

- Disseminate how scholarship students should have mindsets to prepare for repayment of loans and the procedures while receiving scholarships with "guide for scholarship students (the digest version)" distributed when students were chosen be eligible for scholarship grants and scholarship loans and "guide for scholarship students (the whole version)" posted on JASSO website.
- JASSO has engaged in a business to send scholarship advisers with special knowledge from the financial perspectives to high schools nationwide to provide guidance since FY 2017 so that high school students can wipe out their concerns over financial issues after they go to higher education and can use scholarship without anxiety.

[While in lending]

- The Organization operates a "Scholarship Loan/Repayment Simulation" website for scholarship students to check their loan amounts/monthly repayments status on the website, and it also tries to make them be conscious to repay their loans. JASSO requests universities to hold meetings on repayment of loans so as to explain how important for scholarship students to repay their loans and various procedures to return scholarships for students who are graduating sooner.
- JASSO sent documents indicating "to prevent delays in repayment of scholarships (on a request basis)" to universities and requested for their cooperation to make scholarship students be conscious to repay their loans while in school.

[While in repaying]

- JASSO has established a relief system (e.g., reduce repayment, postpone repayment, exempt from repayment or respond to COVID-19) in cases where scholarship students have difficulty in making repayments and it has newly introduced an income-linked repayment system that allows scholarship students to repay affordable amounts while their income is lower since FY 2017.

- In the event of delinquency, the Organization sends letters or makes phone calls to provide advice so that borrowers can repay their loans based on their real circumstances.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

m1(F)

I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR confirms the objectives to be achieved through the Framework, the appropriateness of social project selection standards and the processes, and whether a series of processes are properly disclosed to investors.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR determines that the management and departments with special knowledge are adequately involved in the goals in the Framework, criteria for selecting social projects and the processes.

1. Goals

The Framework on Goals and the Organization's Policy Structure (Excerpt)

[Related to the implementation of social financing]

As globalization progresses and intellectual creativity is getting important to support social development, there is a strong demand to foster creative human resources who can flexibly respond to changes in the times. For this reason, it is getting significant to foster students' exploration abilities, promote international understandings and develop study environments for students who are motivated and capable hereafter.

JASSO was established to achieve the aforementioned philosophy, aiming to "establish adequate educational environments for students studying at universities and other educational institutions in Japan and thereby contribute to developing the next generation of human resources who possess a rich humanity and creativity, and who are dedicated to promoting international mutual understandings" stipulated under Article 3 of the JASSO Act, and it has a basic policy for business to assume functions that are suitable for National Center on student support based on how to share roles between the government who supports students and universities, and the Organization is making efforts in order for motivated and capable students to have equal opportunities to study and spend free and meaningful campus life.

[Policy Structure in the Organization]

➤ Policy Targets by the Ministry of Education, Culture, Sports, Science and Technology

- Policy Target 4: Promoting Tertiary Education to Cultivate Students' Individuality

Policy Target 4.1: Improving Quality of Education/Research at Universities

- Policy Target 5: Promoting Support for Motivated and Capable Individuals through the Scholarship System

Policy Target 5.1: Promoting Scholarship Programs for Motivated and Capable Students

- Policy Target 13: Promoting International Exchange/Cooperation, which Contribute to Building Productive International Society

Policy Target 13.1: Promoting International Exchange

- Act on Japan Student Services Organization, Independent Administrative Agency

(Purpose of the Organization)

Article 3 Japan Student Support Organization aims to establish adequate educational environments for students studying at universities and other educational institutions in Japan and thereby contribute to developing human resources who possess a rich humanity and creativity and are responsible for the next generation and who are dedicated to promoting international mutual understandings through providing scholarship loans and scholarship grants, as well as student support services with the aim of contributing to equal educational opportunities and offering consultation and guidance on academic programs, course options and others by universities, and simultaneously implementing projects to promote exchange programs for international students.

- Roles undertaken by JASSO during the fourth target period

Comprehensively taking supporting measures for Japanese and international students as the core organization to support students

- Providing scholarship loans and scholarship grants and student support services

Provides the scholarship program to encourage students' independence and develop study environments for motivated and capable students who have difficulties in pursuing their studies due to financial reasons

- Provide students with academic programs and course options by universities

Support effective efforts at universities by collecting/analyzing/providing advanced cases to contribute to conducting surveys/analyses on student life/support, providing information, carrying out career education/employment support and supporting disabled students

- Projects aimed to promote exchange programs for international students

Making consistent efforts for providing information on studying abroad, supporting international students while in school, assisting employment, following up students even after their returning home so as to promote strategic exchange among foreign students, develop global human resources and activate two-way exchange among students.

JCR's Evaluation for the Framework

The Japanese government enhances efforts to ensure equal opportunities in education, and JASSO supports students who have no choice but to give up their tertiary education due to financial reasons and those who are unable to develop study environments mainly through providing those students with scholarship loans and scholarship grants. The mid-term goal for business operations to be achieved by JASSO stipulates the Organization's position and roles as a core institution to support students at universities, colleges of technology and specialized training colleges (post-secondary courses) in Japan as follows: (i) Providing scholarship loans/scholarship grants and

student support services; (ii) Providing consultation and guidance on academic programs/course options by universities and other educational institutions and (iii) Projects aiming at promoting exchange programs for international students. In the "Third Basic Plan for Promoting Education" approved by the cabinet in June 2018, it is required to enhance meticulous student support, including supporting for overseas study for motivated and capable Japanese students, actively and strategically accepting outstanding foreign students and promoting to develop opportunities for students with disabilities to study in light of ratifying the Convention on the Rights of Persons with Disabilities and enforcing the Disability Discrimination Act. JASSO aims to enhance equal access to tertiary education through financing based on the Framework.

Accordingly, JCR evaluates that the goals set forth in the Framework by JASSO is in a consistent manner.

2. Selection criteria

The target criteria in the Framework are as described in the Evaluation Phase I in this Report. JCR evaluates that the project selection criteria are appropriate.

3. Process

The Framework for process

[Process for Project Evaluation and Selection]

JASSO screens scholarship students who are recommended by School Principal based on the JASSO Act, Act on the Japan Student Services Organization, Independent Administrative Agency (Order of the Ministry of Education, Culture, Sports, Science and Technology No. 2 of 2004), Ordinance of Act on the Japan Student Services Organization, Independent Administrative Agency (Order of the Ministry of Education, Culture, Sports, Science and Technology No. 23 of 2004), the operation procedures and regulations on scholarship loans stipulated by the Organization. Division in charge of selecting scholarship students in the Organization screens applicants and the result is reported to its internal Supervising Section and the approval is given by the Board of Directors. The loans, in principle, are made to all applicants who meet the standards.

In selecting the scholarship students, JASSO selects the students comprehensively based on criteria such as personality, academic ability and family financial status, and the details in respective standards are described in the statement of operation procedures and are made public.

JCR's Evaluation for the Framework

Social issues why the project, the use of proceeds, is conducted and the social benefits that may be brought about are evaluated by the Ministry of Education, Culture, Sports, Science and Technology, which is the government agency under its jurisdiction, and scholarship students eligible for projects who are recommended by School Principal in the Organization are screened based on the JASSO Act, Act on the Japan Student Services Organization, Independent Administrative Agency (Order of the Ministry of Education, Culture, Sports, Science and Technology No. 2 of 2004), Ordinance of Act on the Japan Student Services Organization, Independent Administrative Agency (Order of the Ministry of Education, Culture, Sports, Science and Technology No. 23 of 2004), the operation procedures and regulations on scholarship loans stipulated by the

Organization. Division in charge of selecting scholarship students in the Organization screens applicants and the result is reported to its internal Supervising Section and the approval is given by the Board of Directors. JCR evaluates that the project selection standards and processes for the use of proceeds are appropriate.

The selection criteria and process described above are outlined in this Evaluation Report and transparency to investors is ensured.

II. Management of Proceeds

JCR's Key Consideration on This Factor

It is usually assumed that management methods of proceeds vary widely depending upon issuers. JCR confirms whether the proceeds financed based on the Framework are surely appropriated to the social project and whether a mechanism and an internal system are in place to enable easy tracking of the appropriation of the proceeds.

JCR also gives importance to whether the proceeds are scheduled to be used for social projects at an early stage and to the evaluation of management/operation methods for unallocated proceeds.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR evaluates that the proceeds' management system in the Organization is properly established, and the methodology to manage proceeds is disclosed in this Evaluation Report and via its website; therefore, JASSO has a high level of transparency.

The Framework on cash management

[Management of Proceeds]

Finance Department in the Organization manages all of the proceeds financed through social finance, separately from other proceeds for scholarships.

Proceeds for Category 1 Scholarship Loans are allocated in the deposit account exclusively for Category 1 Scholarship Loan and proceeds for Category 2 Scholarship Loans are appropriated in the deposit account exclusively for Category 2 Scholarship Loan until these proceeds are appropriated to resources for remittance.

The proceeds financed through bonds are transferred two business days before the remittance date of the Category 2 Scholarship Loan and managed in the deposit account exclusively for Category 2 Scholarship Loan until the remittance date comes, and the total amount of proceeds is allocated to resources for remittance.

Finance Department manages the proceeds financed with cash flow tables (on a daily and monthly basis, respectively), and the proceeds concerned are fully allocated to loan scholarships under a structure. The cash flow management is regularly reported to the Minister of Education, Culture, Sports, Science and Technology. In cases where the remittance of scholarships is postponed due to disasters or others, the Organization continues to conduct its management and immediately transfers the amount as soon as the event causing the postponement is resolved.

JCR's Evaluation for the Framework

Finance Department in the Organization conducts cash management separately from other scholarship funds until the total amount is allocated to the project subject to the use of proceeds. JASSO will raise funds only necessary based on the daily cash flow table and the funds are promptly allocated to scholarships; therefore, no unallocated proceeds remain. In cases where there is any unallocated proceeds due to unforeseen circumstances such as disasters, the Organization continues its management until the amount is fully allocated with cash or cash equivalents.

Finance Department regularly checks vouchers used for tracking management and the approval is given by Treasury Manager. These vouchers will be kept until the finance based on the Framework is completed in accordance with regulations in the Organization. The breakdown of the balance carried forward to the following fiscal year (in a list of balances) is submitted to the audit firm through Inspection Office as year-end audit materials.

Accordingly, JCR evaluates that the Organization's proceeds management is appropriate and the management method has a high level of transparency.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the disclosure system for investors is planned in a detailed and effective manner before and after financing based on the Framework.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR evaluates that the reporting in JASSO is planned to appropriately disclose the appropriation of proceeds and the benefits to society to investors.

The Framework for Reporting

[Reporting]

JASSO publishes reporting on operational performance reports and financial statements every year.

In preparing the operational performance reports, deliberation is made in the Board of Directors and a decision is made by the Chairman of the Board of Directors only after hearing the opinions discussed in the Evaluation Committee in JASSO, which is composed of external academics. These operational performance reports determined by the Chairman of the Board of Directors are submitted to the Minister of Education, Culture, Sports, Science and Technology for evaluation.

The Chairman of the Board of Directors makes a final decision on the financial statements as well as operational performance reports and business reports through deliberation made by the Board of Directors only after auditors and the audit firm audit these documents. These financial statements or others determined by the Chairman of the Board of Directors are submitted to the Minister of Education, Culture, Sports, Science and Technology for evaluation.

The Organization annually reports on proceeds allocated to projects and social benefits in the "allocation of proceeds/social impact reports," which will be continuously carried out hereafter.

In the "allocation of proceeds/social impact reports," the businesses in the Organization, the outline of scholarships and the allocated conditions of proceeds financed are reported to the extent practicable as long as there is a balance of proceeds procured through social finance.

(1) Reporting on allocation of proceeds

- Overview of Project
- Amount of Proceeds Appropriated in the Fiscal Year
- Ratio of Refinancing (as of the end of the Fiscal Year)
- Unappropriated Amount (as of the end of the Fiscal Year)

(2) Impact reporting (social benefits)

Qualified business	Output	Outcome	Impact
Category 1 Scholarship Loans	Number of students who are given Scholarship Loans per FY (Unit: 10,000)	Ratio of students who received scholarship loans among applicants who satisfied the criteria	Establishment of adequate educational environments for students studying at universities and other educational institutions in Japan
Category 2 Scholarship Loans	Amount of scholarship loans per FY (Unit: 100 million yen) Various Scholarship Systems on repayment of scholarships Providing information on the use of scholarships	Ratio of students who used scholarships of those studying at tertiary education institutions Ratio of students who are enrolled in higher education institutions	Development of human resources who possess a rich humanity and creativity and are responsible for the next generation

*The Organization provides students with scholarship grants as the New Aid System for higher education in addition to scholarship loans.

JCR's Evaluation for the Framework

JCR evaluates that both of the appropriation of proceeds and social benefits in the reporting above will be appropriately disclosed to investors.

Reporting on appropriation of proceeds

The Organization plans to explain about the use of proceeds financed through social finance to investors in advance. JASSO will annually disclose "Proceeds Appropriation and Social Impact Report" as reporting on the appropriation of proceeds on its website. JCR evaluates that reporting on the allocation of these proceeds is appropriate.

Reporting on social benefits

The "Proceeds Appropriation and Social Impact Report" will be annually disclosed on the Organization's website. Reporting on social benefits is established so as to quantitatively grasp impacts along with outputs and outcomes, and the appropriate disclosure target is identified. The impacts are also consistent with the objectives of the Organization and are sufficient enough to demonstrate the social significance of the project.

JCR evaluates that these disclosure items and their frequency are appropriate and that JASSO plans to appropriately disclose reporting on the proceeds allocated and social benefits to investors.

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management highly prioritizes social issues as a significant issue for management and whether financing policies/processes based on the Framework and criteria for selecting social projects are clearly positioned through establishing a department which is specialized in promoting sustainability, including social issues, or in collaboration with external organizations.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR highly evaluates that the Organization regards sustainability issues as a key management issue, has a meeting body on social issues to address these issues from practical/administrative perspectives and formulates the contents of the Framework while incorporating the knowledge obtained by Department in charge of practices in the Organization and external experts.

The basic management philosophy in the Organization is to provide students with essential services, such as developing study environments in which students can learn with confidence, with "Student Services," so-called "two SS" as a starting point in their activities, and to watch how the youth who are responsible for the future learn and grow. JASSO engages in three businesses: scholarships, international student support and student support based on its five management policies to achieve its goals as an organization.

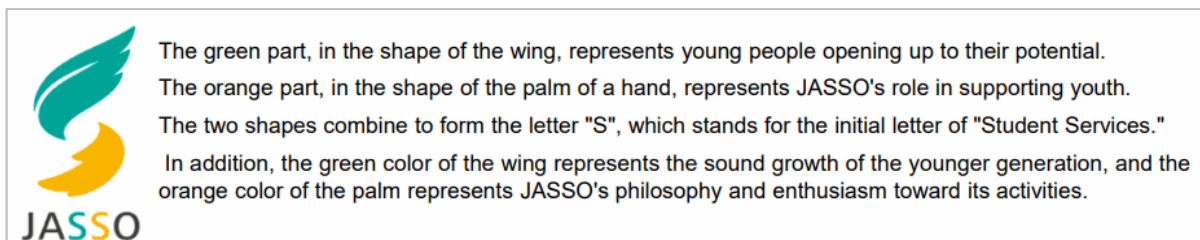


Figure 4: Symbol Mark of the Organization⁹

Management Policy

1. Supporting Students

JASSO, as a core organization for supporting students in Japan, supports the youth to study through providing scholarship loans/grants to ensure opportunities for education, actively backs up international student exchanges toward globalization and assists students' life in response to diversifying needs based on circumstances surrounding students or real situations in their life.

2. Supporting Tertiary Educational Institutions

The Organization supports to sophisticate educational functions and strengthen foundations for school management through organizationally supporting the development of learning environments expected hereafter for tertiary educational institutions that are responsible for producing promising human resources for society as a place for motivated students to study.

⁹ Quoted from the Framework

3. Collaborating/cooperating with the government/universities/companies

JASSO aims to effectively provide students with high-quality support so that the entire society can assist students in studying and simultaneously human resources sought by society can be fostered through closely collaborating and cooperating with the government, universities and companies and through unifying their resources, capabilities and ideas.

4. Enhancing functions as National Center for student support

JASSO, as National Center for student support, enhances information collection/analyses on the actual situation of campus life/student support, which is the foundation for the government related measures, and concurrently the Organization grasps and analyzes issues through the entire country and provides information on advanced initiatives.

5. Constantly reviewing operations and efficiently managing businesses

The Organization, under the leadership of the Chairman of the Board of Directors, constantly reviews its businesses in response to changes in social conditions. At the same time, JASSO appropriately allocates management resources based on the rapid decision-making that fully utilizes the characteristics as an independent administrative agency and efficiently manages its businesses.

➤ Scholarship Program

The Organization provides scholarship loans/grants to students who have difficulties in developing study environments due to financial reasons. JASSO also fulfills the scholarship system to meet diversified students' needs, remedies the application procedures, enhances to provide information on scholarships and appropriately collects scholarship loans. The Organization has introduced a business for scholarship grants for the first time in Japan since FY 2017 so that no students have to give up on studies in tertiary education due to financial difficulties. JASSO also expands the extent of scholarships without interests in order for all applicants who satisfy the lending criteria to receive loans and simultaneously strives to reduce repayment burdens, including introducing the income-linked installments (a monthly payment is determined based on incomes) since FY 2017. The Organization has additionally implemented a new system to support tertiary education, which exempts or reduces tuitions and/or enrollment fees and substantially increases scholarships grants since FY 2020.

The Organization took various kinds of measures under the COVID-19 pandemic as follows: (1) Scholarships with interests are changed to scholarships without interests for students whose incomes from part-time jobs significantly declined (the government pays the difference in these interests); (2) Category 2 scholarship loans are provided for one year at the maximum for students who are continuously enrolled in schools due to cancellation of their job offers; (3) Category 2 scholarship loans are provided for one year at the maximum for students who are absent from school to engage in social contribution activities such as volunteers (multi-level study) who take changes in study environments as an opportunity; (4) Scholarships are granted to students who suffered from sudden changes in their household budgets and (5) Benefits are provided to students who are financially negatively affected. The Organization also supports to improve a system to postpone repayment due dates and to reduce financial burdens for those who have difficulties to repay scholarship loans.

➤ Program to support international students

The Organization promotes to grant scholarships to international students and Japanese students who study overseas, implement various exchange programs for international students, improve the enrollment procedures through the Japanese university admission for international students and collect/provide information on study abroad. JASSO also strives to enhance various businesses to strategically accept international students and foster global human resources.

The Ministry of Education, Culture, Sports, Science and Technology and the Organization has established a program to support students to study overseas under "TOBITATE! (that means rise up) Study Abroad Program, representation from JAPAN" (1st Stage: FY 2014 – FY 2022) that was addressed through public and private partnership since October, 2013, aiming to encourage all Japanese young people with motivation and capabilities to take their own steps to study abroad and provided non-repayable scholarships to support the youth to study abroad. The Ministry of Education, Culture, Sports, Science and Technology and the Organization have begun recruiting students who want to study abroad under "TOBITATE! (that means rise up) Study Abroad Program, New representation from JAPAN " (2nd Stage: FY 2023 – FY 2027.) The "New Program representing JAPAN" with the basic concept of the "Program representation from JAPAN" has launched as a new program to foster human resources who create the future of Japan as "Leaders to quest the global who make innovation happen in society" (for high school students) for the future or "Global leaders who make transformation happen in society" (for university students.) The program has built the momentum and strengthened support for studying abroad, targeting at students still in high schools, leading the younger generation to study overseas.

➤ Program to support campus life for students

JASSO collects/analyzes/provides various information on student life support in order for universities to assist students with various kinds of student life support activities. The Organization also strives to fulfill carrier education or support students with disabilities, based on the governmental policies and needs from universities.

Disability Discrimination Act was revised in May, 2021 (to be enforced on April 1, 2024), with which it is mandatory for private schools to provide reasonable accommodation that was changed from only making reasonable efforts to provide it. The Organization held a seminar for understandings/motivation on supporting students with disabilities in specialized training colleges (post-secondary courses) in FY 2022, aiming to promote to support more disabled students through striving to provide information to vocational schools.

The Organization, with the aforementioned three projects as a pillar, aims to contribute to fostering human resources who are responsible for the next generation in society, while cooperating with the relevant organizations such as the government and universities, as National Center for supporting students, which provides significant infrastructures to support students' learning.

JASSO complies laws and regulations and simultaneously operates businesses through obtaining advice from external experts to ensure transparency and fairness in its whole operations. The Organization has a management council with external experts to receive external knowledge, aiming to map out a mid-term plan and deliberate important matters regarding operating other institutions or conducting operations. Along with which, the Organization sets JASSO Evaluation Committee that consists of external experts based on regulations of JASSO Evaluation Committee in order to evaluate its operational performance. Additionally, JASSO has an appropriate governance structure since it will map out plans for a medium-term/fiscal year to achieve the

medium-term plan instructed by a competent minister, and the minister will evaluate the financial performance in the medium-term and the fiscal year.

The Organization researches with public hearings and the results are publicized for the purpose of collecting information that contributes to a review on how the information on JASSO's businesses should be provided and to examine the recognition of a new system for tertiary educational support or the method to collect the information, aiming at high school students who want to study in tertiary education and their parents. Opinions about the Organization's businesses received through the contact services that are permanently established on its website are reported to the Operational Report Subcommittee of Business Administration Committee in which executives and heads of respective divisions participate, and external opinions are also accepted, for instance, to use as references to improve operations.

The Organization sets forth the following as its policy, considering the environment and society and implements initiatives in accordance with respective policies.

- The Organization's implementation plan to stipulate measures to reduce greenhouse gas emissions in its administrative work and businesses
- Policy to strive to promote the procurement of eco-friendly goods.
- JASSO Action Plan (an action plan to promote women to play important roles)
- Implementation of public procurement initiatives to promote women's active participation in the Organization
- Regulations on prevention of human rights infringement, including sexual harassment
- Guidelines on promoting the elimination of discrimination due to disability in JASSO

JCR, based on the aforementioned, evaluates that the management in the Organization highly prioritizes sustainability initiatives, including social issues.

Evaluation Phase 3: Evaluation result(Conclusion)

Social1(F)

With regard to the Framework, JCR, based on JCR Social Finance Evaluation Methodology, assigned "s1(F)" for "Socialness Evaluation (use of proceeds) and "m1(F)" for "Management, Operation and Transparency Evaluation"; therefore, it assigned "Social 1(F)" for "JCR Social Finance Framework Evaluation." The Framework meets the standards for the items required in Social Bond Principles, Social Loan Principles and Social Bond Guidelines and it is consistent with concrete measures for SDGs Goals and the governmental SDGs Goals.

		Management, operation, and transparency evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Social Evaluation	s1(F)	Social 1(F)	Social 2(F)	Social 3(F)	Social 4(F)	Social5(F)
	s2(F)	Social 2(F)	Social 2(F)	Social 3(F)	Social 4(F)	Social5(F)
	s3(F)	Social 3(F)	Social 3(F)	Social 4(F)	Social 5(F)	Not qualified
	s4(F)	Social 4(F)	Social 4(F)	Social 5(F)	Not qualified	Not qualified
	s5(F)	Social 5(F)	Social 5(F)	Not qualified	Not qualified	Not qualified

(Responsible analysts for this evaluation) Atsuko Kajiwara, Shintaro Arai, Katsuto Kobayashi

Important Explanation on the Evaluation

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

JCR Social Finance Framework Evaluation, which is granted and assigned by Japan Credit Rating Agency, Ltd. ("JCR"), covers the policies set out in Social Finance Framework, and expresses the overall opinion of JCR at the present moment regarding the appropriateness of Social Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of proceeds and other matters. Therefore, it is not intended to evaluate the effects of specific social contributions, management and operation systems and transparency of individual bonds and borrowings to be implemented based on these policies concerned. In the event that an individual bond or individual borrowing based on the said Framework is subject to a social finance evaluation, a separate evaluation is required. In addition, JCR Social Finance Framework Evaluation does not demonstrate social improvement effects of individual bonds or borrowings implemented under the Framework concerned, and does not assume responsibility for social improvement effects. In principle, JCR does not directly measure social improvement effects of proceeds financed under Social Finance Framework although JCR confirms items measured quantitatively and qualitatively by the issuer and/or borrower (hereinafter collectively referred to as "a fund raiser") or a third party requested by the fund raiser.

2. Methodologies used to perform this evaluation

The methodologies used in this evaluation are described in "JCR Social Finance Evaluation Methodology" on the "Sustainable Finance/ESGs" section of the JCR website (<https://www.jcr.co.jp/en/>)

3. Relationship with Acts concerning Credit Rating Business

The act of granting and assigning an assessment of JCR Social Finance Framework Evaluation is conducted by JCR as a related business and differs from the act related to the credit rating business.

4. Relationship with Credit Ratings

The evaluation is different from the credit rating and does not commit to provide a pre-determined credit rating or make available for inspection.

5. Third-Party Evaluation of JCR Social Finance Framework Evaluation

There are no capital or personnel relationships that may result in a conflict of interests between the evaluation parties and JCR.

Points to consider

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Terminology

JCR Social Finance Framework Evaluation: the extent to which the proceeds financed based on the Social Finance Framework is appropriated for social projects as defined by JCR, and the degree to which the management, operation, and transparency of the use of proceeds of the said Social Finance is evaluated. Evaluations are performed on a 5-point scale, from top to bottom, using evaluation symbols of Social 1 (F), Social 2 (F), Social 3 (F), Social 4 (F) and Social 5 (F).

Status of registration as an external evaluator of sustainability finance

- Ministry of the Environment: Registered as an external reviewer for issuing Green Bond
- ICMA (registered as an observer of the International Capital Markets Association)
- UNEP FI: Positive Impact Financial Principles: Members of Working Group
- Climate Bonds Initiative Approved Verifier

Status of registration as a credit rating agency

- Credit Rating Agency: the Commissioner of Financial Services Agency (Credit Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR registered with the following four of the five credit rating classes of Nationally Recognized Statistical Rating Organization ("NRSRO") as defined by the U.S. Securities and Exchange Commission: (1) financial institutions, broker/dealers, (2) insurance companies, (3) general business corporations and (4) government and local governments. In cases where disclosure is required based on Section 17g-7(a) of the Securities and Exchange Commission rules, such disclosure is attached to a news release posted on the JCR's website (<https://www.jcr.co.jp/en/>)

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