

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

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

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

Subject	:	Fuyo General Lease Co., Ltd.'s 17th unsecured corporate bonds (limited to corporate bonds with a special agreement on the same priority) (Green Bond)
Type	:	Bonds
Issue amount	:	JPY 10 billion
Interest rate	:	0.210%
Date of Issuance	:	November 2, 2018
Redemption Date	:	November 2, 2023
Method of Repayment	:	Bullet
Use of proceeds	:	Refinancing and new investment for construction of photovoltaic power generation facilities

### <Green Bond Review Results>

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

### 1. Evaluation Overview

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

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

The subject to be evaluated is 5-year unsecured bonds issued by the Company in November 2018. The proceeds from the issuance of the Bonds will be used to refinance our capital to construct its existing and new solar power generation facilities. At the time of the issuance, JCR confirmed that the Company's department in charge had scrutinized the outline and risks assumed in the operation of the solar power generation facilities for all of its solar power generation facilities. As a result, JCR evaluated that there was little possibility of a serious negative effect on the environment exceeding the environmental improvement effect, and that they are green projects which greatly contributes to the CO<sub>2</sub> emission reduction.

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

As a result of the above reviews based on the JCR Green Finance Evaluation Methodology, JCR maintained "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR maintained "Green 1" as the overall evaluation to the Bonds. The evaluation results are described in detail in the next chapter. The Bonds are also considered to meet the standards for items required by the Green Bond Principles<sup>1</sup> and the Ministry of the Environment's Green Bond Guidelines<sup>2</sup>.

## 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.

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

<sup>2</sup> [http://greenbondplatform.env.go.jp/pdf/greenbond\\_guideline2017.pdf](http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf), Ministry of the Environment Green Bond Guidelines 2017

### 3. Contents of Review

#### (1) Use of Proceeds (Status of Appropriation)

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

<Outline of Use of Funds>

Project Name	Location	Output Capacity(kW)*	Annual Power Generation (Estimate) (MWh)**	Annual CO <sub>2</sub> Reduction (Estimate)(t-CO <sub>2</sub> )***
Shichikashuku	Katta-gun Shichikashuku Town, Miyagi	13,909	12,868	6,717
Narahaoya	Futaba-gun Narama Town, Fukushima	23,940	24,044	10,627
Namie Sakai I	Futaba-gun Namie Town, Fukushima	32,601	31,884	14,093
Namie Sakai II		27,334	26,733	11,816
Sum			95,529	43,253

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

\*\* : Annual Power Generation (Estimate) is based on the Company's planned power generation for FY 2021.

\*\*\* : Calculating CO<sub>2</sub> reductions = Assumed annual power generation x Adjusted emissions factors.

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

- b. All projects subject to the use of funds have been completed and commenced operations. JCR confirmed through an interview with the Company that there were no events such as shutdown of the operation, etc. due to damage to the facilities of the subject project.
- c. Significant negative impacts on the environment have not been identified, including significant sediment-related disasters and complaints from local residents.

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

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

#### (3) Appropriateness and Transparency of Management of the Proceeds

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

#### (4) Reporting

##### a. Reporting on the Status of Fund Allocation

The entire amount of the proceeds in lieu of the issuance of the Bonds is disclosed on the Company's website that they are immediately appropriated for the refinancing of funds for the construction of solar power-related facilities and other matters specified in advance after the issuance. Reporting on fund appropriations is therefore undertaken appropriately.

##### b. Reporting on Environmental Improvement Effects

The Company discloses the theoretical figures of the estimated annual power generation and CO<sub>2</sub> savings for the entire target of the use of funds as a report on the environmental improvement effects. At the time of the implementation of this review, JCR confirmed that the above theoretical values were properly disclosed.

## (5) Organizational Environmental Initiatives

The Company is the core company of the Fuyo Lease Group, which is composed of the Company and its group companies. In light of the importance of environmental initiatives as a core company, JCR assessed that the Group's initiatives could be viewed in short as the Company's initiatives.

The Fuyo Lease Group, composed of the Company and Group companies, identifies materiality in four steps that incorporate the perspectives and requests of internal and external stakeholders. Materiality consists of six items: "Addressing Climate Change Issues and Renewable Energy," "Promoting Health and Welfare," "Providing Safe and Living Urban Development and Transportation Methods," "Realizing Economic Growth and Job Satisfaction," "Contributing to the Establishment of a Recycling-Oriented Society," and "Diversity and Work Style Reform." Each materiality has been disclosed with the themes of initiatives, the goals to be achieved, the KPIs, and the contributions to society and the environment (outcomes). As shown that the company also clarifies its stance of working on each issue and the status of achievement in addition to its stance on the issues the Company considers important.

Among the materiality items, the Company indicated "Expanding the Supply of Renewable Energy", which relates to the use of proceeds of the Bonds, as one of the themes for initiatives under "Addressing Climate Change Issues and Renewable Energy". In the "Renewable Energy Conversion of Fuyo Lease Group's Businesses to Consume Electricity", which is also one of the themes under the same materiality, s, the Company is aiming to launch initiatives to promote the use of renewable energy throughout the Group following the Company's joining RE100 in September 2018 as the first company in the leasing industry. The Company also indicated "support for the spread of renewable energy through the provision of financial services," an approach unique to the financial industry as its theme for initiatives. The Fuyo Zero Carbon City Support Program<sup>3</sup>, which began providing services in October 2020, is one of the specific initiatives related to such themes. The Company has set a quantitative target for the transaction volume of the program as one of the sustainability performance target for the Sustainability Linked Bonds issued by the Company in December 2020, etc., and its attitude is considered to be ambitious. Through these concrete initiatives, the Company intends to facilitate initiatives to reduce load to environment broadly by including small and medium enterprises in addition to working on the issues on its own. Under the Frontier Expansion2021 medium-term management plan, which covers the period from fiscal 2017 to fiscal 2021, the Company indicated that energy and environment as a growth driver areas where management resources are concentrated in "Selection and Concentration of Strategic Fields", one of the three strategic pillars. The Company is steadily pursuing environmental initiatives through its businesses, such as achieving a 200MW green energy supply scale through the solar power generation business, a KPI set in the materiality of the plan, as of the end of March 2020. The Company's system to perform initiatives for environment issues has become stronger including establishment of the CSV Promotion Committee in October 2020 as an organization to set targets, monitor, and improve on the Group's CSV strategy, materiality, and ESG.

The Company not only actively proposes and provides products and services in environmental-related fields through its leasing business, but also is actively promoting green energy supply as a renewable energy operator on its own. The establishment of clear numerical targets in the Integrated Report and steady efforts toward them have increased the viability of the organization's environmental efforts and are highly evaluated.

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<sup>3</sup> A program aimed at contributing to decarbonization in the Zero Carbon City region by promoting the "Zero Carbon City" measures promoted by the Ministry of the Environment. Preferential financing will be provided based on funds procured through green bonds, etc. for companies and organizations introducing renewable energy equipment, energy-saving equipment, electric vehicles (EVs, HVs, etc.) and green purchasing equipment, etc. in the zero carbon city region. The equivalent of 0.2% of the contract amount will be contributed from Fuyo General Finance's own funds and donated to incorporated associations, foundations, NPOs, etc. that contribute to the promotion of zero carbon cities.

Abbreviation of Renewable Energy 100. An international business initiative in which companies with the goal of procuring 100% of their business operations through renewable energy participate. There are 288 member companies worldwide (as of February 1, 2021). RE100 is organized in partnership with CDPs (International NPOs that encourage companies to disclose their environmental impacts) by The Climate Group (International NPOs that aim to realize a low-carbon society and call for climate change countermeasures).

## 4. Conclusion

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

[JCR Green Bond Evaluation Matrix]

		Management, Operation, and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

### ■ Scope of Subject

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

### Review

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
Bonds No. 17 (Green bonds)	JPY 10 billion	November 2, 2018	November 2, 2023	0.210%	JCR Green Bond Evaluation : Green1 Greenness Evaluation : g1 Management, Operations and Transparency Evaluation : m1

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## Important explanation of the Green Bond Evaluation

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

JCR Green Bond Evaluation, which is granted and provided by Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured from the issuance of green bonds, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green bonds are ensured. JCR Green Bond Evaluation does not fully indicate the extent to which the funds procured from such green bonds are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Bond Evaluation evaluates the plan or status of the appropriation of funds at the time of the green bond issuance plan or at the time of issuance, and does not guarantee the status of the appropriation of funds in the future. In addition, JCR Green Bond Evaluation does not prove the environmental effects of green bonds and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green bonds on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

### 2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance & ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Methodology.

### 3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

### 4. Relationship with Credit Ratings

The evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

### 5. Third-party character of JCR

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

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#### ■ Glossary

JCR Green Bond Evaluation: JCR Green Bond Evaluation evaluates the extent to which the funds procured from the Green bond are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

#### ■ Status of registration as an external reviewer of green finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier
- Members of the Working Group on UNEP FI Positive Impact Finance Principles

#### ■ Status of registration as a credit rating agency etc.

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