

【R&I Green Bond Assessment】

Toyota Finance Corporation Toyota Finance Corporation Green Bond : GA1 (Preliminary) : Second Opinion

(The second opinion is an opinion regarding the alignment with Green Bond Principles, etc.)

Rating and Investment Information, Inc. (R&I) has announced the following R&I Green Bond Assessment (GA1 (Preliminary), Second Opinion).

【DESCRIPTION OF INSTRUMENT】

| | |
|---------------------------|---------------------------------------|
| INSTRUMENT NAME | Toyota Finance Corporation Green Bond |
| ISSUER | Toyota Finance Corporation |
| ISSUE AMOUNT (mn) | TBD |
| R&I GREEN BOND ASSESSMENT | GA1 (Preliminary) |
| ISSUE DATE | January 2019 scheduled |
| MATURITY DATE | January 2024 scheduled |

【Summary】

Toyota Finance Corporation (“TFC”) is a sales finance subsidiary wholly-owned by Toyota Motor Corporation (“TMC”) through Toyota Financial Services Corporation (“TFS”), which is a TMC subsidiary and a holding company of Toyota’s domestic and overseas sales finance companies. TFC is mainly engaged in collection and guarantee services for auto loans provided by Toyota dealers. On the environment front, TFC plays a role in supporting the dissemination of electrified vehicles advocated by Toyota Group through its sales finance business.

TFC is considering issuing a green bond and using the proceeds to refinance the loans to Toyota dealers and the auto loans for electrified vehicle sales. For this purpose, the issuer has developed a green bond framework which addresses the four core components of the Green Bond Principles: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

【R&I Green Bond Assessment】

R&I has judged, in accordance with R&I Green Bond Assessment Methodology, that the proceeds from the green bond would be invested into projects with significant environmental benefits, and assigned GA1 (preliminary) to the green bond. This is a preliminary assessment and will be reassessed after the final confirmation of bond issuance details.

【Second Opinion on the alignment with Green Bond Principles, etc.】

R&I has also provided a second opinion that the green bond framework is aligned with Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

Note that R&I has confirmed that the green bond scheduled to be issued is going to be in conformity to the said framework from the perspectives of issue amount and term, details of eligible projects, assets and investment schedule, etc.

【Rationale】

- The proceeds will be used to refinance the loans for hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell electric vehicles (FCEVs) that were handled in the last two years.
- R&I has confirmed for the eligible assets that: 1) sufficient environmental improvement effects can be expected from the vehicles eligible for proceeds allocation, and 2) consideration is given to any potentially negative effects on the environment. R&I has accordingly determined that the use of proceeds is appropriate as the use of proceeds from a green bond issuance.
- With regards to project evaluation and selection, the eligibility criteria for determining eligible assets is decided by the TFC's Finance and Accounting department after consultation with the TMC's Environmental Affairs Division and Finance Division, which confirms that an appropriate process is in place.
- The proceeds will be managed by the TFC's Finance and Accounting department based on its management flow. Immediately after the green bond is issued, all the proceeds will be allocated to the eligible assets. During the outstanding period, the TFC's Finance and Accounting department will confirm once every half year that the outstanding balance of the green bond does not exceed the most recent balance of the eligible assets, and will obtain approval from the executive officer in the Finance and Accounting department on this confirmation. Accordingly, R&I judges that the management of the proceeds will be performed appropriately.
- In terms of reporting, the status of funds allocation to the eligible assets (the status of proceeds management) and impact reports (environmental improvement effects) will be disclosed in TFC's website, which is considered to be a reasonable reporting standard.
- Toyota Group established a promotion structure based on its environmental policies and have been undertaking various concrete efforts for many years. TFC aims to contribute to the dissemination of electrified vehicles advocated by Toyota Group by utilizing the green bond proceeds for installment funds and dealer financing.

R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

■Outline of Issuer (Toyota Finance Corporation)

TFC is a sales finance subsidiary wholly-owned by TMC through TFS, which is a TMC subsidiary and a holding company of Toyota's domestic and overseas sales finance companies. TFC is mainly engaged in collection and guarantee services for auto loans provided by Toyota dealers. On the environment front, TFC plays a role in supporting the dissemination of electrified vehicles advocated by Toyota Group through its sales finance business.

Under the Guiding Principles at Toyota, Toyota Group, to which TFC belongs, regards environmental issues as one of the most important management tasks, and established the Toyota Earth Charter and an implementation framework to carry it out. The Toyota Global Vision, announced in 2011, expresses the Group's commitment to "Respect for the Planet" regarding the environment. Based on these principles and policies, the Group formulated its first long-term environmental vision, the Toyota Environmental Challenge 2050, in fiscal 2015, and started the 6th Toyota Environmental Action Plan (2016 - 2020) in fiscal 2016. Within this management system, the Group identifies environmental risks and opportunities that affect its business management and is working for sustainable growth with society towards 2050.

The 2030 Milestone, published by TMC in its Environmental Report in September 2018, indicates how the challenges 2050 will be as of 2030. The 2030 milestone for the "Challenge1: New Vehicle Zero CO₂ Emissions Challenge" in the Toyota Environmental Challenge 2050 is set at "annual global sales of more than 5.5 million electrified vehicles, including more than 1 million battery electric vehicles (BEVs) and fuel cell electric vehicle (FCEVs)".

TFC aims to contribute to the dissemination of these electrified vehicles by utilizing the green bond proceeds for installment funds and dealer financing.

TFC has defined the eligibility criteria so as to use the funds according to these environmental policies and formulated its green bond framework with the plan of issuing a green bond.

(Reference)

TMC's Environmental Report 2018, p.52, "Structure of Toyota's Environmental Management System"
https://www.toyota-global.com/sustainability/report/archive/er18/pdf/er18_full_en.pdf

■ Outline of Green Bond Framework (Toyota Finance Corporation Green Bond)

At the issue of its green bond, TFC has prepared a green bond framework that constitutes issuer's practical guidelines for the four standards of Green Bond Principles including use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. The outline of the framework is as follows:

1. Use of Proceeds

- The green bond proceeds will be used to refinance the loans to Toyota dealers and advance payment credit that satisfy the following eligibility criteria.

| Project Category | Credit satisfying the eligibility criteria |
|----------------------|---|
| Clean transportation | Credit for hybrid electric vehicles (HEVs) Credit for plug-in hybrid electric vehicles (PHEVs) Credit for fuel cell electric vehicles (FCEVs) |

- The green bond proceeds will be used for refinancing the funds that have already been allocated for the remaining balance of the eligible assets handled within the following specified period (up to the last two years).

[Specified period]

Refer to p.15 for the current specified period.

[Eligible assets]

- Among the loans to dealers to be used for installment / lease funds (purchase money, etc.) at Toyota dealers, loan receivables equivalent to collection guarantee receivables, for the eligible vehicles that meet the eligibility criteria
- Advance payment credit for the eligible vehicles that satisfy the eligibility criteria
- With regards to the balance equivalent of the eligible assets that decreases after the green bond issue, the balance of the assets comprising of the new eligible vehicles meeting the eligibility criteria that arise after the specified period is adopted as the balance of the eligible assets at each time.
- When issuing another green bond subsequently, the outstanding balance of the green bond will be capped at the balance of the eligible vehicles meeting the below eligibility criteria, and will be reported on a regular basis.

Eligibility criteria

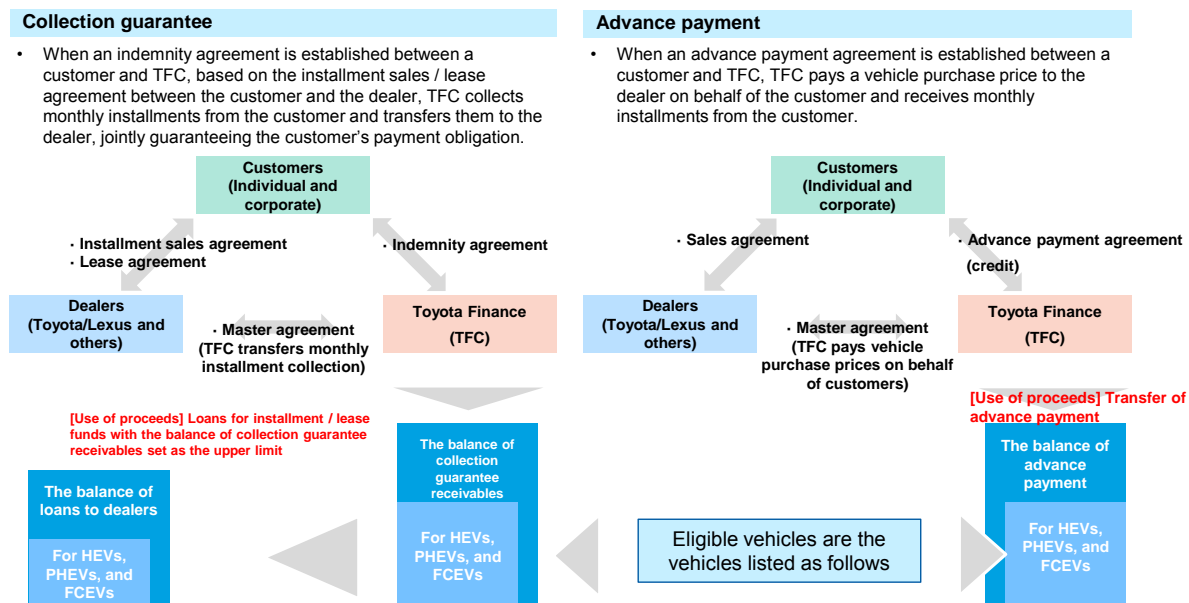
- Toyota/Lexus electrified vehicles. Electrified vehicles refer to HEVs, PHEVs, and FCEVs. Hybrid-gasoline dual type vehicles refer to only HEVs.
- In addition, eligible vehicles should have structures that contribute to the realization of the TMC's New Vehicle Zero CO₂ Emissions Challenge aimed at reducing the average CO₂ emissions per car by 90% compared with the 2010 level by 2050. Eligible vehicles should also be low emission vehicles with less CO₂ emissions than the same class of gasoline- or LPG-powered vehicles. (Vehicles that satisfy these eligibility criteria are collectively referred to as "eligible vehicles" hereinafter)

Reference:

- TMC's New Vehicle Zero CO₂ Emissions Challenge
<https://www.toyota.co.jp/jpn/sustainability/environment/challenge1/>

Collection guarantee and advance payment scheme

Proposed framework (to be included in Word document)



List of eligible vehicle models (as of the end of November 2018)

| Categories | Model names |
|--|--|
| Fuel cell electric vehicles (FCEVs) | MIRAI |
| Plug-in hybrid electric vehicles (PHEVs) | Prius PHV |
| Exclusively hybrid vehicles (HEVs) | Aqua, Prius, Prius α, JPN Taxi Camry, Century, Estima Hybrid, CT |
| Hybrid-gasoline dual type vehicles * Applicable to hybrid grade | Vitz, Sienta Corolla Sport, Corolla Fielder Corolla Axio, Noah, Voxy, Esquire Alphard, Vellfire, Crown, Harrier, C-HR LS GS IS LC RC RX NX |

* Among the above, HEVs and PHEVs have achieved the FY2020 fuel efficiency standards set by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
(<http://www.mlit.go.jp/common/001178373.pdf>).

【FCEV】MIRAI



【PHEV】Prius PHV



【HEV】Aqua



2. Process for Project Evaluation and Selection

- As mentioned before, on the environment front, TFC plays a role in supporting the dissemination of electrified vehicles advocated by Toyota Group through its sales finance business.
- Under the Guiding Principles at Toyota, Toyota Group regards environmental issues as one of the most important management tasks. The Group established the Toyota Earth Charter and an implementation framework to carry it out, and is working on solving environmental issues through its business operations.
- As part of these efforts, TMC outlined six challenges known as the Toyota Environmental Challenge 2050 in October 2015. Furthermore, as one of the medium- and long-term measures to realize the Toyota Environmental Challenge 2050, TMC published in September 2018 the 2030 Milestone that indicates how the six challenges will be as of 2030.
- Challenge 1: New Vehicle Zero CO₂ Emissions Challenge in the Toyota Environmental Challenge 2050 is aimed at reducing the global average CO₂ emissions during operation from new vehicles by 90% from the Toyota's 2010 global level by 2050. To achieve this, the 2030 Milestone sets the target milestone at annual global sales of more than 5.5 million electrified vehicles, including more than 1 million BEVs and FCEVs.
- The TFC's Finance and Accounting department determined the eligibility criteria in this green bond framework in consultation with the TMC's Environmental Affairs Division and Finance Division, to ensure that they contribute to the TMC's environmental goals mentioned above. The selection of this project was performed based on the eligibility criteria.
- As potentially negative effects on the environment caused by the diffusion of electrified vehicles, resource depletion and environmental pollution arising from battery use can be anticipated. Toyota Group introduced a process to mitigate such environmental risks. Specifically, the Group built its own recovery network to collect used nickel hydride batteries. In addition, collected batteries undergo inspection to determine which parts can be remanufactured into stationary storage batteries or vehicle replacement batteries. Parts not suitable for reuse are recycled as raw metal materials.

Reference:

- TMC's Environmental Report 2018, p.38-43
https://www.toyota-global.com/sustainability/report/archive/er18/pdf/er18_full_en.pdf

3. Management of Proceeds

- The proceeds from the green bond will be managed by the TFC's Finance and Accounting department based on its management flow.
- As soon as the green bond is issued, TFC will use it for refinancing the eligible assets outlined in 1. Use of Proceeds. At the same time, the Company will check whether the green bond proceeds are allocated to the eligible assets, and whether the amount of the green bond issue does not exceed the balance of the assets eligible for the green bond (the assets handled during the period specified at the time of the issue).
- The executive officer in TFC's Finance and Accounting department will further confirm the above-mentioned check of the proceeds allocation. After the green bond is issued, information on the proceeds allocation will be promptly disclosed on the TFC website with the affirmation by the executive officer (Refer to 4. Reporting).
- After the bond issue, the TFC's Finance and Accounting department will confirm once every half year that the outstanding balance of the green bond does not exceed the most recent balance of the eligible assets (assets handled after December 2016, which is the beginning of the specified period for the assets eligible at the time of the first green bond issue in {January 2019}). The department will then obtain approval from its executive officer on this confirmation result.
- In the unlikely event that the outstanding balance of the green bond exceeds the balance of the eligible assets, the Company will manage the amount equal to the excess as cash and cash equivalents.

4. Reporting

- In terms of reporting on this green bond, the following information will be disclosed on the TFC's website.

< Allocation reporting >

- Immediately after the green bond issue
 - The green bond proceeds have been allocated to the eligible assets
 - The amount of the green bond issue does not exceed the balance of the eligible assets (assets handled during the period specified at the time of the issue)
 - * The above two points will be disclosed with the affirmation by the Finance and Accounting department's executive officer.
- During the period until the green bond is fully redeemed (annual)
 - The outstanding balance of the green bond has not exceeded the most recent balance of the eligible assets (assets handled after December 2016, which is the beginning of the specified period for the assets eligible at the time of the first green bond issue in {January 2019})

In the event that significant changes occur in the proceeds allocation plan, or when significant changes in the proceeds status occur after allocating the proceeds, information will be disclosed in a timely manner.

<Impact reporting>

- Immediately after the green bond issue
 - The estimated amount of reduced CO₂ emissions (the amount of emission control) from the operation of the eligible vehicles which is handled during the specified period
- During the period until the green bond is fully redeemed (annual)
 - The estimated amount of reduced CO₂ emissions from vehicle operation, which is calculated based on the balance of the eligible assets at the time of disclosure (assets handled after December 2016, which is the beginning of the specified period for the assets eligible at the time of the first green bond issue in {January 2019})

■ Evaluation on Green Bond Framework (Second Opinion)

In line with R&I Green Bond Assessment Methodology, R&I evaluated if the green bond framework prepared by TFC is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

1. Use of Proceeds

For green bond proceeds to be used to invest in projects with environmental benefits, the eligible projects in which the funds are invested must be identified as being environmentally beneficial.

Main basis for evaluation

- Details of the framework
- Confirmation of the features of the eligible vehicle models

Evaluation

- R&I checked whether: (1) sufficient environmental improvement effects can be expected from the vehicles eligible for proceeds allocation, and (2) consideration is given to any potentially negative effects on the environment.
- With regards to the point (1), R&I concluded that sufficient environmental improvement effects could be expected from the eligible vehicles. The main reasons are that the eligible vehicles can achieve higher CO₂ reduction effects compared to gasoline-powered vehicles, and that the significance of disseminating electrified vehicles is large from the environmental aspect. Details will follow later.
- With regards to the point (2), R&I confirmed TFC's measures to address potentially negative effects on the environment, such as battery handling, and concluded that the Company gave appropriate consideration. Details will follow later.

(1) Sufficient environmental improvement effects can be expected from the eligible vehicles

HEVs and PHEVs

- The Ministry of the Economy, Trade and Industry (METI) launched the Strategic Commission for the New Era of Automobiles, hosted by the METI Minister, in April 2018. Since then, the Commission has been holding "discussions on strategies that the Japanese automobile industry, amid dramatic changes in business environments surrounding automobiles, should take to lead global innovations and proactively contribute to solutions to global issues including climate change." The Commission released an interim report on August 31, 2018, in which it says, "As Japan possesses the world's top level technical capabilities and experiences in improving the environmental performance of automobiles, towards 2050, a milestone in taking action against global warming, the country will introduce to the world its long-term goals of not only reducing greenhouse gas emissions domestically but also improving the environmental performance of vehicles produced by Japanese automakers, and will actively lead the world. From this point of view, we set out a long-term goal of achieving the world's highest environmental performance of vehicles produced by Japanese automakers in global markets by 2050." As a milestone to

achieve this long-term goal, the METI “aims to increase the share of next-generation vehicles in new passenger vehicle sales to 50-70% by 2030.” Specifically, the METI targets at increasing the share of HEVs in new passenger vehicle sales volume from 31.6% in 2017 to 30-40%, and the share of PHEVs and BEVs from the current below 2% to 20-30% by 2030. It can be said that HEVs and PHEVs are given important positions in national environmental strategy based on international trends.

Diffusion targets and current situation of Japan’s next-generation vehicles (share in new passenger vehicle sales volume)

| Next-generation vehicles | 2017 results | 2030 |
|--------------------------|--------------|--------|
| HEVs | 31.6% | 30~40% |
| BEVs and PHEVs | 1.23% | 20~30% |
| FCEVs | 0.02% | ~3% |

Diffusion targets presented by the April 2010 Study Group on Next-Generation Vehicle in the Next-Generation Vehicle Strategy 2010, and rearranged by R&I

- Among all the models eligible for proceeds allocation, the fuel efficiency of HEVs and PHEVs exceeds by 20% or more the FY2020 standards set by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Hence, R&I concluded that vehicles equipped with adequate environmental performance were selected. The MLIT’s fuel efficiency standards were established based on a scheme where the government provides environmentally friendly cars with vehicle acquisition tax and vehicle weight tax breaks or exemptions (eco-car tax breaks). Thus, the eligible vehicles are applicable for significant tax breaks. Furthermore, FCEVs, which will be discussed later, are applicable for not only these eco-car tax breaks but also subsidies. Prius and Aqua, which are leading vehicles among HEVs and PHEVs, are equipped with a series-parallel hybrid system, in which TMC has strength. They demonstrated high fuel economy performance in the top 10 standard and small size car category of the Top 10 Fuel Efficient Passenger Cars (2017) ranking, published by the MLIT (*1). This illustrates that the vehicle models eligible for proceeds allocation are made up of cars with relatively high environmental performance, even compared to other HEVs, not to mention gasoline-powered cars. For reference, the top models eligible for the current proceeds allocation are Prius, C-HR HV, and Aqua. Also, as there are many traffic lights on Japanese roads, it is necessary to frequently perform stop and go when driving a car, whereas HEVs use electricity at low speeds and hence can be expected to reduce environmental burden.
- Prius, TMC’s main vehicle model, is the world’s first mass-produced HEV that became popular instantly in 1997 with the overwhelming fuel economy performance, twice as efficient as gasoline-powered vehicles. Based on TMC’s idea that “eco-friendly vehicles contribute to society only when they come into widespread use,” the number of Prius sold exceeds 4 million at the moment, and Prius continues to be largely popular in the market. Prius is not only a contribution to the environment through its proliferation but also a pioneer of electrified vehicles, and it plays a role of spreading the mechanism of HEVs to the world. Its contribution to the automobile industry on the environment front is significant.

*1 Top 10 Fuel Efficient Passenger Cars (2017) [Top 10 standard and small size car]

| Rank | Model names | JC08 mode value km/L |
|------|-------------|----------------------|
| 1 | Prius | 40.8 |
| 2 | Aqua | 38.0 |

Document published by the Ministry of Land, Infrastructure, Transport and Tourism and rearranged by R&I

FCEVs

- In the Basic Policies and Measures towards 2030 section of the Fifth Strategic Energy Plan set by the METI, "fundamental reinforcement of measures for realizing a hydrogen society" is mentioned. Specific details are set out in accordance with the Basic Hydrogen Strategy. The Fifth Strategic Energy Plan states that based on the Basic Hydrogen Strategy, "Japan should accelerate an expansion of demand for hydrogen in mobility, centering on fuel cell-powered vehicles, in the immediate future." In addition, at the second meeting of the Ministerial Council on Renewable Energy, Hydrogen and Related Issues, Prime Minister Abe stated that "Japan will lead the way towards decarbonization in the world by providing hydrogen as a new energy option." In Japan, the dissemination of FCEVs is becoming a means to accomplish decarbonization.
- Meanwhile, TMC began developing FCEVs in 1992 and has been supplying them ahead of the rest of the world since launching automobiles equipped with fuel cells and hydrogen-absorbing alloy tanks in 1996. Within this green bond framework, the vehicles eligible for proceeds allocation include MIRAI, a FCEV which has been on sale to the public since 2014.
- There is high expectation on MIRAI as a driving force for the diffusion of FCEVs. In fact, despite the unfavorable external environment for sales, where it is difficult to make the hydrogen station business self-sustaining, and the number of installed stations is small, MIRAI is a car that Toyota pioneers in supplying in anticipation of the future. MIRAI carries expectations for the realization of hydrogen society (self-sustaining hydrogen station business, successful diffusion, etc.).
- Since MIRAI does not emit any CO₂ during operation, it completely fulfills zero emissions criteria in the concept of "Tank to Wheel¹." However, in the present situation, there remains a problem where most of the hydrogen used in FCEVs involves CO₂ emissions because it is obtained through the chemical reactions of fossil fuels. In this project, this point will be taken into account, and CO₂ reduction effects from FCEVs will be calculated based on the concept of "Well to Wheel²" and included as part of the environmental improvement effect figures in the impact report. Furthermore, it is hoped that renewable energy and the resources that have no use currently (such as brown coal and sewage sludge) will be used in the hydrogen production process in the future. As such, the environmental performance of FCEVs on a life cycle basis could be further improved.
- As MIRAI's sales volume is limited at the moment, its share in the entire assets eligible for the proceeds from this green bond is small. However, R&I believes that the importance of promoting the sale of MIRAI is large from the environmental point of view.

¹ The analysis of how much CO₂ emissions are produced during vehicle operation with a full fuel tank

² The analysis of taking into account CO₂ emissions produced from the whole lifecycle up to the delivery of fuel to vehicle tanks, plus use of fuel in vehicle operations covered by the Tank to Wheel analysis.

(2) Consideration is given to any potentially negative effects on the environment

- While resource depletion and environmental pollution are considered as environmental risks arising from the use of nickel-metal hydride batteries in electrified vehicles, TMC has in place a process to mitigate such environmental risks. For more details, refer to https://www.toyota-global.com/sustainability/report/archive/er18/pdf/er18_full_en.pdf

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

2. Process for Project Evaluation and Selection

For green bond proceeds to be used to invest in projects with environmental benefits, the issuer's rationale and process regarding the selection of eligible projects must be clear and reasonable.

Main basis for evaluation

- Details of the framework
- Confirmation of TMC's environmental policy, vision, and initiatives
- Confirmation of the arrangement of the eligibility criteria

Evaluation

- The eligibility criteria are based on Toyota Group's guiding principles and policies for environmental issues.
- Regarding the process for project evaluation and selection, the eligibility criteria was determined by the TFC's Finance and Accounting department in consultation with the TMC's Environmental Affairs Division and Finance Division. R&I affirms from the contents of this green bond framework, that establishing the criteria involved several departments, and a checking and verification mechanism and expertise are in place.

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

3. Management of Proceeds

For the green bond proceeds to be used to invest in projects with environmental benefits, the proceeds must be allocated to eligible projects, and must not be invested in projects other than eligible projects.

Main basis for evaluation

- Details of the framework

Evaluation

- The TFC's Finance and Accounting department will allocate and manage the proceeds from the green bond issue.
- The Company will check whether the proceeds have been allocated to the eligible assets immediately after the bond issue. At the same time, the Company will confirm the amount of the green bond issue at that point does not exceed the balance of the assets eligible for the green bond (the assets handled during the period specified at the time of the issue). The Finance and Accounting department and its executive officer will carry out these confirmations, and the confirmation results will be disclosed promptly after the bond issue. Hence, transparency is ensured.
- With regards to the balance equivalent of the eligible assets that decrease after the green bond issue, the balance of the assets comprising of the new eligible vehicles meeting the eligibility criteria that arise after the issue date will be replaced as the balance of the eligible assets at each time. Based on the confirmation that the number of electrified vehicle sales is expected to increase in the future as evident in TMC's policies, and that credit satisfying the eligibility criteria is steadily being provided by TFC, R&I believes that new credit will be generated to fully replace the decreased balance equivalent of the eligible assets.
- Furthermore, after the bond issue, the Finance and Accounting department and its executive officer will confirm once every half year that the outstanding balance of the green bond does not exceed the most recent balance of the assets eligible for the green bond (assets handled after December 2016, which is the beginning of the specified period for the assets eligible at the time of the first green bond issue in {January 2019}). This assures a reasonable process is in place.
- As a result of the above confirmation, in the unlikely event that the outstanding balance of the green bond exceeds the balance of the eligible assets, the Company will manage the amount equal to the excess as cash and cash equivalents.

For the reasons stated above, R&I has judged that the policy for management of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

4. Reporting

To ensure that green bond proceeds are used to invest in projects with environmental benefits, the issuer is expected to provide details on the eligible projects, the timing of investments, and the environmental benefits yielded by the projects.

Main basis for evaluation

- Details of the framework

Evaluation

- Reporting on this green bond includes: 1) immediately after the bond issue, confirming the status of the proceeds allocation and the environmental improvement effects from the eligible assets and 2) annually verifying that the outstanding balance of the green bond does not exceed the most recent balance of the eligible assets, the balance of the eligible assets, and their environmental improvement effects.
- The reporting contents are the status of the allocation of the green bond proceeds and environmental improvement effects, which are considered to be reasonable.

For the reasons stated above, R&I has judged that reporting under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

<Comprehensive Evaluation>

In line with the assessment methodology of R&I green bond assessment, R&I has judged that the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

This second opinion shall be applied to the green bond to be issued at this time. For subsequent issues, R&I will review the status and then release its second opinion again.

■ Evaluation Result on the Green Bond

In line with the assessment methodology of R&I Green Bond Assessment, R&I confirmed if the amount and term of the green bond to be issued, as well as details of eligible projects and the allocation schedule, etc. thereof, are in conformity to the provisions of the framework. Also, in accordance with the details of the framework and specific measures to be taken for the green bond, R&I evaluated the extent the proceeds from the green bond are used to invest in businesses with environmental benefits.

1. Use of Proceeds

- The eligible project for this green bond is the same as the eligible project in this framework, and its contents are in accordance with the green bond framework.
- As with the evaluation on this framework, R&I confirmed that: 1) sufficient environmental improvement effects can be expected from the vehicles eligible for proceeds allocation, and 2) consideration is given to any potentially negative effects on the environment. R&I accordingly determined that the use of proceeds is appropriate as the use of proceeds from a green bond issuance.
- In addition, the balance of the eligible assets in this green bond framework is expected to sufficiently exceed the amount of this green bond issue, and the balance equivalent of the eligible assets that decrease after the green bond issue will be replaced by the newly generated credit satisfying the eligibility criteria at each time. R&I accordingly confirmed that this green bond's proceeds would be used for the eligible assets throughout the green bond issue period.
- The current specified period (refer to p.4) is from December 2016 to the end of November 2018.
For the reasons stated above, R&I has judged the extent to which the proceeds from the issuance of the green bond are used to invest in projects with environmental benefits is excellent.

2. Process for Project Evaluation and Selection

- R&I confirmed that eligible projects for the green bond will be selected based on the framework established by the issuer.
- R&I has judged that the process for project evaluation is excellent as very clear and reasonable.

3. Management of Proceeds

- R&I confirmed that the proceeds will be managed based on the framework established by the issuer.
- R&I has judged that the proceeds management framework of the green bond is excellent as properly defined.

4. Reporting

- R&I confirmed that reporting will be implemented in accordance with the framework stipulated by the issuer.
- R&I has judged that the policy for reporting on the green bond is excellent in content and frequency.

5. Environmental activities of the issuer

The extent the proceeds from a green bond is used to invest in businesses with environmental benefits is considered to be affected by issuer's attitude toward environmental activities and track records of such activities. This is because an issuer with higher interest in and more track records of environmental activities are more likely to allocate proceeds from a green bond to businesses with environmental benefits and get those businesses done.



- Toyota Group established environmental policies and framework and is implementing concrete measures based on its long-term goals. Based on these goals, TFC supports Toyota Group's active dissemination of electrified vehicles through its sales finance business.
- R&I has judged the issuer's attitude toward environmental activities is especially excellent.






<Comprehensive evaluation>

For the reasons stated above, R&I has judged that the green bond will be issued under the framework established by the issuer and is in conformity to Green Bond Principles 2018 and the four requirements of Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

R&I also evaluated the green bond in line with R&I Green Bond Assessment. In accordance with the comprehensive evaluation based on individual evaluation result by item, R&I has judged that the proceeds from the green bond subject to evaluation is highly likely to be used to invest in businesses with environmental benefits and assigned GA1 (preliminary) to the bond. Individual evaluation result by item is as follows:

【Assessment of each item】

Each item has been assessed on a scale of one to five, with  being the highest and  being the lowest.

| Item | Assessment | Summary |
|--|---|---|
| Use of proceeds |  | The eligible assets can be expected to generate sufficient environmental improvement effects, and give consideration to any potentially negative effects on the environment. R&I judged that their contribution to solving environmental problems was outstanding. |
| Process for project evaluation and selection |  | The process for project evaluation and selection of the green bond has been judged to be excellent in clarity and reasonableness. |
| Management of proceeds |  | Management of proceeds from the green bond has been judged to be appropriately established and excellent. |
| Reporting |  | Reporting policy of the green bond has been judged to be excellent in content and frequency. |
| Issuer's environmental contribution activities |  | The issuer established environmental policies and framework, formulated goals and action plans based on its vision, and is implementing various initiatives for business and environmental conservation in line with these. R&I has judged the issuer's attitude toward environmental activities is especially excellent. |

The methodology for R&I Green Bond Assessment is disclosed on R&I's website.
https://www.r-i.co.jp/en/rating/products/green_bond/methodology.html

R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits. In R&I Green Bond Assessment, R&I may also provide a second opinion on a green bond framework. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

R&I Green Bond Assessment is not, in any sense, statements of current, future, or historical fact and should not be interpreted as such, and R&I Green Bond Assessment is not a recommendation to purchase, sell, or hold any particular securities and does not constitute any form of advice regarding investment decisions or financial matters. R&I Green Bond Assessment does not address the suitability of an investment for any particular investor. R&I issues R&I Green Bond Assessment based on the assumption that each investor will investigate and evaluate the securities which they plan to purchase, sell, or hold for themselves. All investment decisions shall be made at the responsibility of the individual investor.

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【Japanese is the official language of this material and if there are any inconsistencies or discrepancies between the information written in Japanese and the information written in languages other than Japanese the information written in Japanese will take precedence.】

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Toyota Finance Corporation

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Independent External Review provider's name: Rating and Investment Information, Inc. (R&I)

Completion date of this form: December 5, 2018

Publication date of review publication: December 5, 2018

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

Latest update: June 2018

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R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits and is not statements of fact. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business. Further, R&I does not give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing R&I Green Bond Assessment and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to R&I Green Bond Assessment (including amendment or withdrawal thereof). As a general rule, R&I issues R&I Green Bond Assessment for a fee paid by the applicant. For details, please refer to <https://www.r-i.co.jp/en/docs/policy/site.html>.

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[R&I Green Bond Assessment]

R&I has judged, in accordance with R&I Green Bond Assessment Methodology, that the proceeds from the green bond would be invested into projects with significant environmental benefits, and assigned GA1 (preliminary) to the green bond. This is a preliminary assessment and will be reassessed after the final confirmation of bond issuance details.

[Second Opinion on the alignment with Green Bond Principles, etc.]

R&I has also provided a second opinion that the green bond framework is aligned with Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

For details, please refer to R&I Green bond assessment report above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

< Evaluation on the Green Bond Framework >

- R&I checked whether: (1) sufficient environmental improvement effects can be expected from the vehicles eligible for proceeds allocation, and (2) consideration is given to any potentially negative effects on the environment.
- With regards to the point (1), R&I concluded that sufficient environmental improvement effects could be expected from the eligible vehicles. The main reasons are that the eligible vehicles can achieve higher CO₂ reduction effects compared to gasoline-powered vehicles, and that the significance of disseminating electrified vehicles is large from the environmental aspect. Details will follow later.
- With regards to the point (2), R&I confirmed TFC's measures to address potentially negative effects on the environment, such as battery handling, and concluded that the Company gave appropriate consideration. Details will follow later.

(1) Sufficient environmental improvement effects can be expected from the eligible vehicles

HEVs and PHEVs

- The Ministry of the Economy, Trade and Industry (METI) launched the Strategic Commission for the New Era of Automobiles, hosted by the METI Minister, in April 2018. Since then, the Commission has been holding "discussions on strategies that the Japanese automobile industry, amid dramatic changes in business environments surrounding automobiles, should take to lead global innovations and proactively contribute to solutions to global issues including climate change." The Commission released an interim report on August 31, 2018, in which it says, "As Japan possesses the world's top level technical capabilities and experiences in improving the environmental performance of automobiles, towards 2050, a milestone in taking action against global warming, the country will introduce to the world its long-term goals of not only reducing greenhouse gas emissions domestically but also improving the environmental performance of vehicles produced by Japanese

automakers, and will actively lead the world. From this point of view, we set out a long-term goal of achieving the world's highest environmental performance of vehicles produced by Japanese automakers in global markets by 2050." As a milestone to achieve this long-term goal, the METI "aims to increase the share of next-generation vehicles in new passenger vehicle sales to 50-70% by 2030." Specifically, the METI targets at increasing the share of HEVs in new passenger vehicle sales volume from 31.6% in 2017 to 30-40%, and the share of PHEVs and BEVs from the current below 2% to 20-30% by 2030. It can be said that HEVs and PHEVs are given important positions in national environmental strategy based on international trends.

Diffusion targets and current situation of Japan's next-generation vehicles (share in new passenger vehicle sales volume)

| Next-generation vehicles | 2017 results | 2030 |
|--------------------------|--------------|--------|
| HEVs | 31.6% | 30~40% |
| BEVs and PHEVs | 1.23% | 20~30% |
| FCEVs | 0.02% | ~3% |

Diffusion targets presented by the April 2010 Study Group on Next-Generation Vehicle in the Next-Generation Vehicle Strategy 2010, and rearranged by R&I

- Among all the models eligible for proceeds allocation, the fuel efficiency of HEVs and PHEVs exceeds by 20% or more the FY2020 standards set by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Hence, R&I concluded that vehicles equipped with adequate environmental performance were selected. The MLIT's fuel efficiency standards were established based on a scheme where the government provides environmentally friendly cars with vehicle acquisition tax and vehicle weight tax breaks or exemptions (eco-car tax breaks). Thus, the eligible vehicles are applicable for significant tax breaks. Furthermore, FCEVs, which will be discussed later, are applicable for not only these eco-car tax breaks but also subsidies. Prius and Aqua, which are leading vehicles among HEVs and PHEVs, are equipped with a series-parallel hybrid system, in which TMC has strength. They demonstrated high fuel economy performance in the top 10 standard and small size car category of the Top 10 Fuel Efficient Passenger Cars (2017) ranking, published by the MLIT (*1). This illustrates that the vehicle models eligible for proceeds allocation are made up of cars with relatively high environmental performance, even compared to other HEVs, not to mention gasoline-powered cars. For reference, the top models eligible for the current proceeds allocation are Prius, C-HR HV, and Aqua. Also, as there are many traffic lights on Japanese roads, it is necessary to frequently perform stop and go when driving a car, whereas HEVs use electricity at low speeds and hence can be expected to reduce environmental burden.

- Prius, TMC's main vehicle model, is the world's first mass-produced HEV that became popular instantly in 1997 with the overwhelming fuel economy performance, twice as efficient as gasoline-powered vehicles. Based on TMC's idea that "eco-friendly vehicles contribute to society only when they come into widespread use," the number of Prius sold exceeds 4 million at the moment, and Prius continues to be largely popular in the market. Prius is not only a contribution to the environment through its proliferation but also a pioneer of electrified vehicles, and it plays a role of spreading the mechanism of HEVs to the world. Its contribution to the automobile industry on the environment front is significant.

*1 Top 10 Fuel Efficient Passenger Cars (2017) [Top 10 standard and small size car]

| Rank | Model names | JC08 mode value km/L |
|------|-------------|----------------------|
| 1 | Prius | 40.8 |
| 2 | Aqua | 38.0 |

Document published by the Ministry of Land, Infrastructure, Transport and Tourism and rearranged by R&I

FCEVs

• In the Basic Policies and Measures towards 2030 section of the Fifth Strategic Energy Plan set by the METI, "fundamental reinforcement of measures for realizing a hydrogen society" is mentioned. Specific details are set out in accordance with the Basic Hydrogen Strategy. The Fifth Strategic Energy Plan states that based on the Basic Hydrogen Strategy, "Japan should accelerate an expansion of demand for hydrogen in mobility, centering on fuel cell-powered vehicles, in the immediate future." In addition, at the second meeting of the Ministerial Council on Renewable Energy, Hydrogen and Related Issues, Prime Minister Abe stated that "Japan will lead the way towards decarbonization in the world by providing hydrogen as a new energy option." In Japan, the dissemination of FCEVs is becoming a means to accomplish decarbonization.

• Meanwhile, TMC began developing FCEVs in 1992 and has been supplying them ahead of the rest of the world since launching automobiles equipped with fuel cells and hydrogen-absorbing alloy tanks in 1996. Within this green bond framework, the vehicles eligible for proceeds allocation include MIRAI, a FCEV which has been on sale to the public since 2014.

• There is high expectation on MIRAI as a driving force for the diffusion of FCEVs. In fact, despite the unfavorable external environment for sales, where it is difficult to make the hydrogen station business self-sustaining, and the number of installed stations is small, MIRAI is a car that Toyota pioneers in supplying in anticipation of the future. MIRAI carries expectations for the realization of hydrogen society (self-sustaining hydrogen station business, successful diffusion, etc.).

• Since MIRAI does not emit any CO₂ during operation, it completely fulfills zero emissions criteria in the concept of "Tank to Wheel." However, in the present situation, there remains a problem where most of the hydrogen used in FCEVs involves CO₂ emissions because it is obtained through the chemical reactions of fossil fuels. In this project, this point will be taken into account, and CO₂ reduction effects from FCEVs will be calculated based on the concept of "Well to Wheel" and included as part of the environmental improvement effect figures in the impact report. Furthermore, it is hoped that renewable energy and the resources that have no use currently (such as brown coal and sewage sludge) will be used in the hydrogen production process in the future. As such, the environmental performance of FCEVs on a life cycle basis could be further improved.

• As MIRAI's sales volume is limited at the moment, its share in the entire assets eligible for the proceeds from this green bond is small. However, R&I believes that the importance of promoting the sale of MIRAI is large from the environmental point of view.

(2) Consideration is given to any potentially negative effects on the environment

• While resource depletion and environmental pollution are considered as environmental risks arising from the use of nickel-metal hydride batteries in electrified vehicles, TMC has in place a process to mitigate such environmental risks. For more details, refer to

https://www.toyota-global.com/sustainability/report/archive/er18/pdf/er18_full_en.pdf

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- The eligible project for this green bond is the same as the eligible project in this framework, and its contents are in accordance with the green bond framework.
 - As with the evaluation on this framework, R&I confirmed that: 1) sufficient environmental improvement effects can be expected from the vehicles eligible for proceeds allocation, and 2) consideration is given to any potentially negative effects on the environment. R&I accordingly determined that the use of proceeds is appropriate as the use of proceeds from a green bond issuance.
 - In addition, the balance of the eligible assets in this green bond framework is expected to sufficiently exceed the amount of this green bond issue, and the balance equivalent of the eligible assets that decrease after the green bond issue will be replaced by the newly generated credit satisfying the eligibility criteria at each time. R&I accordingly confirmed that this green bond's proceeds would be used for the eligible assets throughout the green bond issue period..
 - The current specified period (refer to p.4) is from December 2016 to the end of November 2018.
- For the reasons stated above, R&I has judged the extent to which the proceeds from the issuance of the green bond are used to invest in projects with environmental benefits is excellent.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings (Environmentally Responsible Building) |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

< Evaluation on the Green Bond Framework >

- The eligibility criteria are based on Toyota Group's guiding principles and policies for environmental issues.
- Regarding the process for project evaluation and selection, the eligibility criteria was determined by the TFC's Finance and Accounting department in consultation with the TMC's Environmental Affairs Division and Finance Division. R&I affirms from the contents of this green bond framework, that establishing the criteria involved several departments, and a checking and verification mechanism and expertise are in place.

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- R&I confirmed that eligible projects for the green bond will be selected based on the framework established by the issuer.
- R&I has judged that the process for project evaluation is very clear and reasonable.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

< Evaluation on the Green Bond Framework >

- The TFC's accounting department will allocate and manage the proceeds from the green bond issue.
- The TFC's Finance and Accounting department will allocate and manage the proceeds from the green bond issue.
- The Company will check whether the proceeds have been allocated to the eligible assets immediately after the bond issue. At the same time, the Company will confirm the amount of the green bond issue at that point does not exceed the balance of the assets eligible for the green bond (the assets handled during the period specified at the time of the issue). The Finance and Accounting department and its executive officer will carry out these confirmations, and the confirmation results will be disclosed promptly after the bond issue. Hence, transparency is ensured.
- With regards to the balance equivalent of the eligible assets that decrease after the green bond issue, the balance of the assets comprising of the new eligible vehicles meeting the eligibility criteria that arise after the issue date will be replaced as the balance of the eligible assets at each time. Based on the confirmation that the number of electrified vehicle sales is expected to increase in the future as evident in TMC's policies, and that credit satisfying the eligibility criteria is steadily being provided by TFC, R&I believes that new credit will be generated to fully replace the decreased balance equivalent of the eligible assets.
- Furthermore, after the bond issue, the Finance and Accounting department and its executive officer will confirm once every half year that the outstanding balance of the green bond does not exceed the most recent balance of the assets eligible for the green bond (assets handled after December 2016, which is the beginning of the specified period for the assets eligible at the time of the first green bond issue in {January 2019}). This assures a reasonable process is in place.
- As a result of the above confirmation, in the unlikely event that the outstanding balance of the green bond exceeds the balance of the eligible assets, the Company will manage the amount equal to the excess as cash and cash equivalents.

For the reasons stated above, R&I has judged that the policy for management of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- R&I confirmed that the proceeds will be managed based on the framework established by the issuer.
- R&I has judged that the proceeds management framework of the green bond is excellent.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

| | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Allocations to future investments only | <input checked="" type="checkbox"/> | Allocations to both existing and future investments |
| <input type="checkbox"/> | Allocation to individual disbursements | <input checked="" type="checkbox"/> | Allocation to a portfolio of disbursements |
| <input type="checkbox"/> | Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> | Other (please specify): |

4. REPORTING**Overall comment on section (if applicable):**

< Evaluation on the Green Bond Framework >

- Reporting on this green bond includes: 1) immediately after the bond issue, confirming the status of the proceeds allocation and the environmental improvement effects from the eligible assets and 2) annually verifying that the outstanding balance of the green bond does not exceed the most recent balance of the eligible assets, the balance of the eligible assets, and their environmental improvement effects.
- The reporting contents are the status of the allocation of the green bond proceeds and environmental improvement effects, which are considered to be reasonable.

For the reasons stated above, R&I has judged that reporting under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- R&I confirmed that reporting will be implemented in accordance with the framework stipulated by the issuer.
- R&I has judged that the policy for reporting on the green bond is excellent in content and frequency.

Use of proceeds reporting:

| | | | |
|-------------------------------------|-------------------------------|-------------------------------------|------------------------------|
| <input type="checkbox"/> | Project-by-project | <input checked="" type="checkbox"/> | On a project portfolio basis |
| <input checked="" type="checkbox"/> | Linkage to individual bond(s) | <input type="checkbox"/> | Other (please specify): |

Information reported:

- ☒ Allocated amounts ☒ Green Bond financed share of total investment
- ☐ Other (please specify):

Frequency:

- ☒ Annual ☐ Semi-annual
- ☒ Other (please specify): In addition to reporting the proceeds allocation of individual bond at the time of the issue, the balance of the eligible assets as a whole and the allocation status are disclosed annually.

Impact reporting:

| | | | |
|-------------------------------------|-------------------------------|-------------------------------------|----------------------------------|
| <input type="checkbox"/> | Project-by-project | <input checked="" type="checkbox"/> | On a project portfolio basis |
| <input checked="" type="checkbox"/> | Linkage to individual bond(s) | <input type="checkbox"/> | Other (<i>please specify</i>): |

Frequency:☒ Annual☐ Semi-annual

☒ Other (*please specify*): In addition to reporting the estimated amount of reduced CO₂ emissions per individual bond at the time of the issue, the estimated amount of reduced CO₂ emissions (the amount of emission control) based on the balance of the entire eligible assets is disclosed annually.

Information reported (expected or ex-post):☒ GHG Emissions / Savings☐ Energy Savings☐ Decrease in water use☐ Other ESG indicators (*please specify*):

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Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Issuer's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

The methodology for R&I Green Bond Assessment

https://www.r-i.co.jp/rating/products/green_bond/assessment.html

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|---|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.