

_____ JCR Green Loan Framework Evaluation by Japan Credit Rating Agency, Ltd. _____

Japan Credit Rating Agency, Ltd. (JCR) publishes the evaluation results of the Green Loan Framework as follows.

JCR Assigns Green 1 (F) to the Green Loan Framework of Japan Pallet Rental Corporation

Subject of the evaluation : Japan Pallet Rental Corporation Green Loan Framework

< Green Loan Framework Evaluation Results >

Overall Evaluation	Green 1(F)
Greenness Evaluation (Use of Proceeds)	g1(F)
Management, operation, and transparency evaluation	m1(F)

Chapter 1: Overview of Evaluations

Japan Pallet Rental Corporation (“JPR”) operates logistics relating businesses primarily engaging in services of providing RTI (Returnable Transport Items) such as rental pallets. It was established in 1971.

JPR’s net sales for the fiscal year ended March 2021 (FY2020) were approximately JPY 29.2 billion with 356 employees. Since its establishment in 1971, JPR has been promoting expansion of use of rental pallets as the largest company in Japan that provides pallet rental services. At the same time, JPR has been improving the efficiency of logistics as a pioneer of the industry by, for example, sophisticating logistics using IoTs and big data, and improving the efficiency of transportation using AI.

JPR owns approximately 11 million pallets, and ship out approximately 148.2 million rental pallets annually. JPR has built a system for the timely and appropriate supply and collection of rental pallets at about 60 locations nationwide (depots) to conducts the business. It has approximately 3,200 corporate customers, and the services are being used at 63,000 locations.

Setting out the corporate mission of “Becoming a driving force for enriching our society”, JPR has been working to improve logistics and prepare infrastructure with concepts of standardization / sharing and palletization since its inception in 1971 to free working people from heavy labor and create an affluent society.

JPR has applied the above corporate philosophy to the environmental field, and incorporated that it would introduce pallets using recycled plastics into the medium-term management plan starting from 2021. In addition, JPR intends to strengthen ESG and SDGs initiatives by placing "Creating a Green Society" as the core of its management targets.

The subject to be evaluated is the Green Loan Framework (the “Framework”) to limit the Company’s loan financing to the use of proceeds with environmental benefits, and JCR evaluates whether the Framework complies with the Green

Loan Principles (2021 edition) and the Green Loan and Sustainability Linked Loan Guidelines. These Principles are not binding as they are principles or guidelines voluntarily published by the Loan Market Association (LMA), the Asia-Pacific Loan Market Association (APLMA), the Loan Syndication and Trading Association (LSTA) and the Ministry of the Environment, respectively, but JCR evaluates the Framework with reference to those principles and guidelines on the basis of globally unified standards.¹²

Under this framework, JPR indicates that it uses the proceeds of green loans to purchase rental pallets that contribute toward establishing a recycling-oriented society. The pallets used in JPR's rental business are maintained by JPR's specialized department for the centers of the distribution wholesale industry, etc. to keep them within the intended routes to maintain high collection rates (exceeding 99%). JPR provides repair and maintenance at depots to the collected pallets to extend usable periods. Comparing to cases where individual companies purchase on their own pallets and use, JCR has evaluated that extension of the useful life of pallets is realized and effective use of resources through reducing the number of pallets in need is achieved, and also an effect of CO₂ reduction relating to production and use of pallets are realized.

JCR has ensured that JPR has clearly defined management's involvement in the method of selection and the processes in terms of management, operation and transparency, and also the fund management and reporting are to be conducted properly. In addition, JPR's company-wide environmental policies, such as the medium-term management plan, are determined by the Executive Committee. In terms of practical affairs, the Committee for Measures under the Energy Conservation Act has been established within the company to improve the environment for carrying out the business, and the effects of environmental improvement for use of proceeds in this framework will be calculated by utilizing the knowledge of outside experts. Based on the above, JCR has confirmed that JPR has a strong management and operation system, and secures transparency in the management and operations.

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green1 (F)" for the overall "JCR Green Loan Framework Evaluation" Details of the evaluation results are indicated in the next chapter.

This framework is considered to meet the standards for items required by the Green Loan Principles and the Green Loan and Sustainability Linked Loan Guidelines.

¹ LMA, APLMA, LSTA Green Loan Principles 2021 <https://www.lsta.org/content/green-loan-principles/>

² Ministry of the Environment Green Loan and Sustainability Linked Loan Guidelines
<http://www.env.go.jp/press/files/jp/113511.pdf>

Chapter 2: Current Status of Target Projects in Each Evaluation Item and Evaluation of JCR

Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated that the use of proceeds was 100% for green projects and assigned the highest rank of "g1(F)" for Phase 1: Greenness Evaluation.

(1) JCR's Key Consideration in This Factor

In this section, JCR first confirms whether the proceeds set out in the Framework is used for green projects that have clear environmental improvement effects. Next, in cases where the use of proceeds is expected to have a negative impact on the environment, JCR confirms whether the impact is fully examined by an internal specialist department or an external third party and whether necessary measures have been taken for its avoidance and mitigation. Finally, JCR confirms the consistency with the Sustainable Development Goals (SDGs).

(2) Current Status of Evaluation Targets and JCR's Evaluation

<Framework on Use of Funds> (excerpt)

(Outline of Use of Proceeds)

The use of funds procured through green loans shall be appropriated to funds that fall under the following items.

- To purchase JPR's pallets

(Eligibility Criteria)

1. Rental pallets: Being a plastic rental pallet that contributes to the creation of a recycling-oriented society

- To use pallets long term by cleaning and repairing them
- To keep the number of pallets required low through reducing the impacts of uneven inventory levels and seasonal fluctuations by jointly using them
- To realize efficient pallet collection through joint collection to reduce load relating to transport them
- Environmental improvement effects are estimated

Quantitative evaluation and consideration of the environmental impact of possessing own pallets and using rental pallet services were carried out in fiscal 2007 and fiscal 2018. In fiscal 2007, the evaluation was carried out based on the joint research with Associate Professor Kurokawa of Tokyo University of Marine Science and Technology (at that time). In fiscal 2018, recalculations were conducted by then The Kankyo Sogo Techno Co., Ltd. (now KANSO TECHNOS CO., LTD) and reassessments were conducted under the supervision of Professor Kurokawa of the Tokyo University of Marine Science and Technology, using the figures of fiscal 2016.

If a large number of reusable rental pallets flow out of the original routes, the useful life of the pallets will be shortened. This hinders the maximizing the expected CO₂ reduction effect by reusing.

JPR keeps a high recovery rate of pallets by keeping down spills through providing maintenance to the pallets by the specialized divisions at distribution centers, a final destination of pallets. (Fiscal 2020 performance ratio (PT-11 type): 99.2%)

<JCR's Evaluation of the Framework>

a. Environmental Improvement Effects of the Project

i. Use of proceeds is for new investment related to clean transportation, eco-efficient and/or circular economy adapted products, production technologies and processes; therefore, environmental improvement effects can be expected.

Rental pallets, for which JPR intends to use the proceeds, are lent by JPR to customers, corporations, and they will return the pallets when they finish using them to depots, JPR's operation base for collection and maintenance. JPR proposes various forms of use of pallets to meet needs of customers. To this end, JPR provides various services including storage, transportation and joint collection system.

Of the above, transportation and joint collection system are services that leverage the strengths of rental pallets. The transportation is a service that a corporation, which borrows JPR's rental pallets, can use the pallets to transport goods to another JPR's customer. The customers do not need to have their own pallets. Moreover, there are advantages that the empty pallets after delivering the goods are no need to return by returning them through wholesalers or retailers and others.

The joint collection system is a service that JPR lends owned pallets to a corporation and JPR picks up empty pallets after delivering goods from the registered JPR's designated joint delivery destination (distribution centers, etc.) and deliver them to a depot. Even in the system, corporations do not have to own pallets nor providing transportation to return the pallets since JPR will do instead. In addition, there is an advantage that a problem of uneven inventory level possessed by individual customers can be leveled out since various customers use the service. One another advantage, which is for JPR, is that a group of JPR employees designated to visit wholesalers and retail stores will collect the pallets, the collection rate will increase and prevent pallets to be taken outside of the designated routes.

Regarding the joint collection system, based on the joint research conducted jointly with Associate Professor Kurokawa of Tokyo University of Marine Science and Technology (at that time) between 2007 and 2008, recalculations is being conducted by then The Kankyo Sogo Technos Co., Ltd. (now KANSO TECHNOS CO., LTD) using the latest results of fiscal 2016 under the supervision of Professor Kurokawa of the Tokyo University of Marine Science and Technology to determine how much lifecycle CO₂ can be reduced for each of wooden and plastic rental pallet operated by JPR compared to a client company procuring and operating its own pallets.

The lifecycle CO₂ emitted throughout the three stages of manufacturing, use, and disposal was calculated that it can be reduced by approximately 55.9% by using plastic pallets, the current mainstream, compared to using pallets owned by individual companies. For the company-owned pallets, it is considered that since the company solely has to collect empty pallets from the delivery destination and deliver them to the company, volume of CO₂ emission will be more compared to JPR's rental pallets, which can be returned to the nearest depot from the delivery destination³.

In comparing rental pallets and company-owned pallets, it may take long time till collection after delivering goods from its plant, etc. to delivery destination such as distribution center for company-owned pallets, and they are not properly collected in some cases as they are lost or converted to other usage purposes during the time. According to various media reports, etc., the uncollected ratio is as high as 4-6%. The number of pallets held in Japan is 500 million pieces, and many newly produced pallets (2020: about 61 million) are replenished for replacement of missing pallets due to reasons of broken or uncollected, and it is considered that more than 10% of the total number of pallets held are broken or uncollected. Although there is room for verification regarding the accuracy of figures

³ From JPR Environmental Impact Assessment Report

and differences in the rate of breakage and uncollected cases by industry, there is a common understanding that larger number of pallets are held and distributed compared to the case where highly efficient operations are carried out by using rental pallets.⁴⁵⁶⁷

On the other hand, JPR's rental pallets reduce disposal of pallets due to breakage as JPR provides appropriate maintenance including repair to collected pallets at own depots. In addition, as mentioned above, JPR increased collection rate as high as 99.2% through increasing customers' convenience using the joint collection system, etc., and reduces pallets go outside of the designated routes. As a result, it increases useful life of rental pallets.

According to the above-mentioned calculation by the Kankyo Sogo Technos, where the total number of pallets used (useful life × annual turnover) was compared for JPR's rental pallets and company-owned pallets, the total number of pallets used for JPR's pallets was more than twice as large as that of company-owned pallets. JCR evaluated that, rather than using company-owned pallets, the number of pallets required is less than half where JPR's rental pallets are used, and will result in savings in resources.

JCR also believes that using and distributing rental pallets within the distribution network with a large number of JPR's customers (3,200 corporations and 63,000 business offices), realizing of repeated use through appropriate maintenance and repairs, and recycling after disposal lead to the effective use of products such as rental pallets, and is appropriate in light of the types of recycling-oriented business activities illustrated by the study groups of the Ministry of Economy, Trade and Industry and the Ministry of the Environment.⁸

Based on the above, JCR evaluated that the use of proceeds in this framework has environmental improvement effects.

ii. Among the uses of funds illustrated in the Green Loan Principles, the use of proceeds is applicable to "Clean Transportation" and "eco-efficient and/or circular economy adapted products, production technologies and processes". It is also applicable to " Projects for eco-efficient products, manufacturing technologies, and processes" among the uses of funds exemplified by Green Loans and Sustainability Linked Loan Guidelines.

b. Negative impact on the environment

<This Framework on Negative Impacts on the Environment> (excerpt)

1. Assumed risks

- Disposed pallets are dumped without proper treatment.

2. Risk mitigation measures

- Pallets to be disposed due to breakage, etc. are handed over to pallet manufactures or recycling companies.
- Pallets are crushed and used as recycled raw materials in the production of new plastic products.
- The number and weight of pallets brought into the crushing plant are regularly reported and reconcile it with the number of pallets shipped from JPR.

⁴ Cargo News, April 20, 2021, <http://cargo-news.co.jp/cargo-news-main/2987>

⁵ Logistics weekly 2017 November 24 <https://weekly-net.co.jp/news/21242/>

⁶ Japanese Palette Association youtube <https://www.youtube.com/watch?v=ovxr5qW5Ouk>

⁷ Palette Production Statistics(Japanese)
<https://www.jpa-pallet.or.jp/wp/wp-content/themes/jpa-pallet.or.jp/images/454.pdf>

⁸ https://www.meti.go.jp/shingikai/energy_environment/ce_finance/OOA002_04_02.pdf on the types of recycling-oriented business activities

JPR has identified the negative impact of rental pallets that may give to the environment and implemented measures as described above. JCR evaluated that the above measures minimize the possible negative impacts of the use of proceeds given to the environment.

c. Consistency with SDGs

JCR evaluated that the use of resources set out in the Framework contributes to the following SDGs goals and targets, with reference to ICMA's SDGs mapping.



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

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



Goal 12: Ensure Sustainable Consumption and Production Patterns

Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on the current situation described below and JCR's evaluation of the subject, JCR evaluated that the management and operational systems have been well developed, that transparency is very high and that it can be fully expected for the project to be implemented as planned and for the proceeds to be adequately allocated. In Phase 2, JCR evaluated the management, operation and transparency to be the highest level of "m1 (F)".

1. Appropriateness and Transparency Concerning Selection Standards and Processes for Use of Proceeds

(1) JCR's Key Consideration in This Factor

In this section, JCR confirms the objectives to be achieved through green financing, the appropriateness of green project selection standards and processes, and whether or not a series of processes are properly disclosed to investors and others.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Goal

<Goals for Green Loans to be executed under this Framework>

(Investment policy based on the long-term vision)

JPR's core business of the rental pallet business, is contributing to a recycling-oriented society and reducing an environmental impact (reducing CO₂ emissions) by providing services for repeated use, joint use and collection of pallets.

In addition, using uniform pallets from production, storage, to shipment results in the elimination of baggage handling at logistics sites, and is an initiative that also contributes to improved productivity and efficiency.

<JCR's Evaluation of the Framework>

JPR determines that the goal of the green loan to be executed under this framework is to contribute to a recycling-oriented society through promoting expansion of rental pallet business, reducing environmental load, and improving productivity and efficiency.

JCR believes that using the proceeds of the green loans to purchase rental pallets is necessary to achieve the above goal and contributes a recycling-oriented society and improving the environment. At the same time, JCR also evaluates that the above contributes realizing JPR's desire at the time of its foundation, to free people from heavy labor, through standardizing and sharing logistics services.

Japan Pallet Rental Co., Ltd. Corporate Philosophy

Becoming a driving force for enriching our society.

Based on the above, JCR evaluates that the implementation of the Green Loan under this framework is also consistent with JPR's company-wide target.

b. Selection criteria

As confirmed in Phase 1 of the evaluation, the project has environment improvement effects; therefore, JCR has evaluated that the eligibility criteria for this framework are appropriate in light of the above objectives.

c. Process

<The Framework relating to Processes >

(Selection Process for Eligible Projects)

1. Parties involve in the selection of projects

Projects, for which proceeds to be used for financing, were evaluated and selected after considering conformity to the conformity standards based on the investment policy in line with the long-term vision at the Executive Committee of JPR.

2. Project selection process

Responsible persons in the Business Development Department and the Finance and Accounting Department comprehensively analyzed and examined the subject projects, and the final decisions were made at the Executive Committee, which is the internal evaluation function.

<JCR's Evaluation of the Framework>

JPR convened Executive Committee meeting, the internal evaluation function, for the subject projects, for which procured funds to be used, and evaluated and selected projects after considering whether they conform to the conformity standards based on the investment policy in accordance with the long-term vision touched on in "a. Goals." The Executive Committee made decisions on this framework.

In addition, with respect to the green loans, responsible persons in the Business Development Department and the Finance and Accounting Department analyzes and considers, and the final decision is made at the Executive Committee.

The above-mentioned target setting, selection criteria and the process of JPR are published in this evaluation report; therefore, transparency to investors, etc. have been secured.

Based on this, JCR has evaluated that JPR appropriately established selection criteria and processes for the subject projects for which proceeds to be used, and J transparency is ensured for investors, etc.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in This Factor

It is usually assumed that the management of the proceeds varies widely depending on issuers/borrowers. JCR confirms whether the proceeds are surely appropriated to the green project and whether a mechanism and internal system are in place to enable easy tracking and management of the appropriation of funds.

JCR also attaches importance to whether the proceeds are scheduled to be used for a green project at an early stage and to the management and operation methods for unallocated funds.

(2) Current Status of Evaluation Targets and JCR's Evaluation

< The framework relating to cash management >

(Method of Linking Financing and Assets)

The proceeds are tied to a pre-selected individual project in full.

(Method of tracking and managing procured funds)

The proceeds of the Green Loan executed under this Framework will be allocated and managed by the Finance and Accounting Department based on the instructions relating to the borrowings, and the details will be reported to the director in charge of the Finance and Accounting Department on an annual basis to obtain confirmation.

Until all of the proceeds are allocated to eligible projects, the amount allocated to the project and the unallocated amount are scheduled to be disclosed annually on JPR's website.

(Internal Control and External Audit for Tracking Management)

Borrowings for eligible projects shall be resolved at the Executive Committee.

Such decisions are subject to internal audits during the fiscal year. The pallet procurement process is subject to audit by an external auditor.

(Method of Management of Unappropriated Funds)

The proceeds will be used to pay for eligible projects generally within three months.

Until the appropriation of the proceeds is decided, the Company plans to disclose to the lender in the form of a Monetary Consumption Loan Agreement, etc. that the proceeds will be managed in cash or cash equivalents.

<JCR's Evaluation of the Framework>

Funds procured through the Green Loan shall be appropriated and managed by the Finance and Accounting Department of JPR. At the time of disbursement, the group manager of the department in charge submits an application and the group manager of the Finance and Accounting Department approves it. In addition, such movements are scheduled to be reported to the director in charge of the Finance and Accounting Department annually. Until the proceeds are fully appropriated, appropriated and unallocated amounts to the project will be disclosed annually on JPR's website.

The resolutions relating to the borrowings and procurement process for the pallets will be subject to internal and external audits, respectively. In addition, the documents relating to the financial will be retained and managed throughout the term of loans.

The proceeds of the Green Loan are expected to be used to purchase the rental pallets, a eligible project, within three months after procurement. Until the proceeds are appropriated, it is expected that proceeds will be managed as cash or cash equivalents, and the fact will be disclosed to the lender in advance.

Based on the above, JCR has evaluated that JPR's fund management is appropriate.

3. Reporting

(1) JCR's Key Consideration in This Factor

In this section, JCR evaluates whether the disclosure system for investors before and after the issuance of green finance, which is implemented with reference to the Framework, is planned in detail and in an effective manner.

(2) Current Status of Evaluation Targets and JCR's Evaluation

<Reporting Framework>

(Method of Disclosure on Appropriation of Funds)

JPR plans to disclose that the funds raised will be fully appropriated within three months or so after the funds are credited.

JPR plans to disclose the pre-determined matters as status of appropriations and the environmental improvement effects on JPR's website on an annual basis.

(KPIs (key performance indicator) in Impact Reporting)

The following impact reporting is planned as environmental improvement effects.

- Effective use of resources compared to the case where pallets are purchased by individual companies will be calculated based on CO₂ savings, JPR's turnover and actual CO₂ emission saved

<JCR's Evaluation of the Framework>

a. Reporting on the status of appropriation of funds

JPR plans to disclose that the funds procured through the Green Loan will be fully appropriated within three months after the funds are credited. In addition, the use of funds is scheduled to be communicated to investors, etc. through loan agreements, etc. The appropriation status of funds will also be disclosed on the JPR's website. JCR also confirmed through an interview that JPR is scheduled to announce in press releases, etc. when changes occur in the situation, such as changes or cancellations of the targets for fund appropriation.

b. Reporting on the Effectiveness of Environmental Improvements

As reporting of environmental improvement effects, JPR will disclose degree of effective use of resources and volume of CO₂ savings compared to the case where pallets are purchased by individual companies using own data on its websites.

JCR has evaluated that the JPR's reporting system is planned to disclose both the appropriation of funds and the effects of environmental improvement to investors and others appropriately.

4. Organization's Environmental Initiatives

(1) JCR's Key Consideration in This Factor

In this section, JCR evaluates whether the management of the issuer/borrower regards environmental issues as a matter of high priority for management and whether the green finance policy, process and selection criteria for green projects are clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

(2) Current Status of Evaluation Targets and JCR's Evaluation

Setting out of the corporate mission of "Becoming a driving force for enriching our society", JPR has been working to improve logistics and prepare infrastructure with concepts of standardization / cooperation and palletization since its inception in 1971 to free working people from heavy labor and create an affluent society from the method of transporting one by one, which had been common until that time.

Setting out the corporate mission of Pallets, which are the products handled by JPR, were rolled out from the U.S. to Japan after the World War II due to their high convenience, and they have been continuously used within individual companies' warehouses to avoid mixing with other companies' pallets resulting a series of losses previously. In order to spread use of pallets, a form of rental pallets was adopted with a concept of centralized management and control. Thereby, JPR was founded in 1971. Since its establishment, JPR has been striving for its day-to-day operation to enrich society from logistics through the above-mentioned "standardization and sharing" and "palletization" initiatives in which products are transported on the same pallets when they are loaded till unloaded.

JPR applied the above corporate philosophy to the environmental field, and incorporated the introduction of pallets using recycled plastics into the medium-term management plan from 2021. In addition, the content of "Creating a Green Society" was incorporated as a management target. JCR has confirmed that JPR's policy is to strengthen its ESG and SDGs initiatives, such as receiving "ESG/SDGs Assessment Loans" from Sumitomo Mitsui Banking Corporation.

JPR has the Executive Committee as the body to decide the company-wide environmental policy such as the above-mentioned medium-term management plan. The Executive Committee has the authority to formulate company-wide environmental policies and decide on this framework. On the practical side, JCR has confirmed in the interview to JPR that it is pursuing environmental improvements through its business as it has "Energy Conservation Law Countermeasure Committee" internally.

In addition to the above-mentioned committees in the practical side, while the departments involved in the practical part, such as Business Development Dept., Finance & Accounting Dept. and Corporate Planning Dept., are asking companies facing with problems of uneven inventory level due to a seasonal factor, empty pallets on the way back of delivery to use rental pallets, they are accumulating green expertise and involving in the formulation of the framework such as planning to formulate the framework and execute green loans.

As mentioned above, calculation of the environmental improvement effects indicated in this framework will be conducted by comparing the life cycle CO₂ between JPR rental pallets and company-owned pallets prepared with the cooperation of KANSO TECHNOS CO., LTD. and Professor Kurokawa of Tokyo University of Marine Science and Technology.

Based on the above, JCR highly commends the fact that JPR regards environmental issues centered on ESG and SDGs as a key management issue, has committees on environmental issues, and carries out initiatives from the practical and management perspectives. In addition, the content of this framework is formulated by incorporating the knowledge of the division in charge of internal operations and external experts.

■Result of evaluation

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for the "Greenness Evaluation (Uses of Proceeds)" and "m1 (F)" for the "Management, Operation and Transparency Evaluation." As a result, it assigned "Green 1 (F)" for the "JCR Green Loan Framework Evaluation". The Framework meets the standards for the items required in the Green Loan Principles and the Green Loan and Sustainability Linked Loan Guideline.

[JCR Green Loan Framework Evaluation Matrix]

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

■Subject to evaluation

Borrower: Japan Pallet Rental Co., Ltd. (Securitycode:-)

[New]

Subject	Evaluation
Green Loan Framework	JCR Green Loan Framework Evaluation: Green 1 (F) Greenness Evaluation: g1 (F) Management, Operation, and Transparency Evaluation: m1(F)

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Important explanations of this Evaluation

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

JCR Green Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, it is not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green finance evaluation, it is necessary to conduct a separate evaluation. JCR Green Finance Framework Evaluation does not prove the environmental improvement effects of individual bonds or borrowings implemented under this Framework, and does not assume responsibility for their environmental improvement effects. JCR confirms the environmental improvement effects of funds procured under the Green Finance Framework measured quantitatively and qualitatively by the issuer or by a third party nominated by the issuer, but in principle it does not directly measure such effects.

2. Method used to conduct this evaluation

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

3. Relationship with Acts Concerning Credit Rating Business

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

4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not promise to provide or make available for inspection a predetermined credit rating.

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

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■ Glossary

JCR Green Finance Framework Evaluation: This evaluates the extent to which the funds procured through green finance are appropriated for green projects as defined by JCR and the degree to which the management, operation and transparency of the green finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) symbols.

■ Status of Registration as an External Evaluator of Green Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)

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

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en>).

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