

Green Bond Evaluation by Japan Credit Rating Agency, Ltd.

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

## JCR Assigned Preliminary Green 1 to the Bonds of RENOVA, Inc.

Subject	:	RENOVA, Inc. 1st unsecured corporate bonds
Type	:	Unsecured Bonds
Issue Amount	:	To be determined
Interest Rate	:	To be determined
Issue Date	:	To be determined
Redemption Date	:	To be determined
Method of Redemption	:	Bullet
Use of Proceeds	:	Investment and financing for each SPC for the development and construction of wind power generation businesses

### <Green Bond Preliminary Evaluation Results>

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

### Chapter 1: Evaluation Overview

RENOVA, Inc. (the “Company”) is an independent power producer and developer of renewable energy. The Company was established in 2000 as Recycle One, Inc. (renamed in 2013 as RENOVA, Inc.) and initially engaged in surveys and consulting in the environment and energy fields. The Company subsequently entered the plastic recycling business, developed into the renewable energy business in 2012, and is now focusing on the business as a special renewable energy company. The Company went public in 2017 and listed on the First Section of the Tokyo Stock Exchange in 2018. Its business model is development and possessing renewable energy power generation businesses, such as large-scale solar power and large-scale biomass, and obtaining income from selling electricity by utilizing FIT (Feed-in Tariff system). It is distinguished by its integrated business model, from the development of projects to the promotion of development, financing, and operational management after commencement of operations. On a consolidated basis, the Company is an aggregate of SPCs established for each power plant, and plays a holding company’s role.

The Company develops, constructs, and operates renewable energy generation facilities under the corporate slogan "Creating our future with renewable energy." In addition, it has a mission of "To create green and sustainable energy systems for a better world" and a vision of "To become Asia's renewable energy leader." It has steadily built up a track record of achieving its SDGs commitment of 10 million tons of CO<sub>2</sub> savings by 2030.

The subject of this evaluation is corporate bonds (the "Bonds") issued by the Company. The proceeds of the Bonds will be used to finance each SPC for the development and construction of three wind power projects on the land or sea under development by the Company. The ratio of new investment and refinancing is planned to be about 1:1. CO<sub>2</sub> annual savings from the assets subject to use of proceeds are expected to be about several hundred thousand t-CO<sub>2</sub>, and the Company has identified the expected negative environmental impacts of the three wind power generation projects subject to the use of proceeds and has implemented measures to avoid or mitigate them by conducting environmental impact assessments. Therefore, the Company assumed that a high environmental improvement effect can be expected.

The selection of the three wind power generation projects which is subject to use of proceeds was carried out in accordance with the process stipulated in its green bond framework (the "Framework"), which was selected by the Company's Finance and Planning Division and decided by the CFO. The selection of eligible businesses is evaluated and selected in accordance with the process stipulated in the Framework, and the Finance and Planning Division of the Company selected and determined by the Board of Directors. A system for tracking and managing the funds procured by the Bonds and for internal control has also been sufficiently established. Allocation of proceeds and the content of environmental improvement status are also appropriate. Accordingly, JCR evaluated that the Bonds would be transparent to investors as well as to a system for management and operation of procurement of funds.

As a result, based on JCR Green Finance Evaluation Methodology, JCR assigns "g1" for the preliminary evaluation of the "Greenness Evaluation (Use of proceeds)" and "m1" for the preliminary evaluation of the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" for the overall "JCR Green Bond Preliminary Evaluation." Detailed evaluation is discussed in the next chapter.

The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.<sup>12</sup>

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

<sup>2</sup> Ministry of the Environment Green Bond Guidelines 2020 edition  
<https://www.env.go.jp/press/files/jp/113511.pdf>

## Chapter 2: Current Status of the project on each evaluation factor and JCR's evaluations

### Evaluation Phase 1: Greenness Evaluation

JCR assigns "g1", the highest grade, to "Evaluation Phase 1: Greenness Evaluation".

Rationale: 100% use of proceeds of the bond will be allocated to a green project, considering the factors described below.

### (1) JCR's Key Consideration in This Factor

In this section, JCR first assesses whether the funding money will be allocated to green projects that have explicit improvement effects on environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on use of proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

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

#### Overview of Use of Proceeds

#### a. On the environmental improvement effects of the project

##### **i. 100% of the proceeds are used to develop and construct wind power generation projects, which can be expected to reduce CO<sub>2</sub>.**

The three wind power projects listed in the table below are candidates for the use of proceeds. All three wind power generation projects have not yet commenced commercial operation and are under development. For each project, (1) the wind power generation project of Yurihonjo City, Akita Prefecture is currently in the final stage of the designated process for the promotion area of the Law on Promotion of Utilization of Sea Areas Related to Renewable Energy Power Generation Facilities ("Renewable Energy Sea Area Utilization Act"). This project was undertaken by Akita Yurihonjo Offshore Wind GK, in which the Company has made a lead investment. On June 24, 2020, the Ministry of Economy, Trade and Industry issued a recommendation for the Environmental Impact Assessment Preparation Report. Operators are scheduled to be selected through the open recruitment process after designation of promotion areas. (2) As for wind power generation business in Reihoku Town, Kumamoto Prefecture, field investigation based on the Environmental Impact Assessment Law has been completed and the related parties are consulting for the report. It will be constructed after the completion of the procedure of environmental impact assessment and is expected to be completed in FY 2024. (3) The wind power generation project in Quang Tri Province, Vietnam is under construction, and commercial operation is expected in the FY 2021. After examining the materials obtained from the Company, it is expected that CO<sub>2</sub> savings in these three projects will be reduced by several hundred thousand t-CO<sub>2</sub> per year. (Shown in approximately number in light of business progress)

(Overview of each business)

1. Offshore Wind Power in Yurihonjo City, Akita Prefecture

Project Name	Offshore Wind Power Project in Yurihonjo, Akita (under development)
Location	Off the coast of Yurihonjo, Akita
Capacity	Approx. 700MW (planned)
Implementation Status of Environmental Impact Assessment	Received recommendation from the Ministry of METI for the Preparation for Environmental Impact Assessment
Construction Starts	To be determined
Date of Operation	To be determined
Characteristics	The Company is the lead investor and is jointly developed with Cosmo Eco Power, JR-East Energy Development, and Tohoku Electric Power.

2. Wind Power in Reihoku Town, Kumamoto Prefecture

Project Name	Reihoku Wind Project (under development)
Location	Reihoku, Kumamoto
Capacity	Approx. 50 MW
Development Status	Preparation of Environmental Impact Assessment Preparation Report
Construction Starts	Around 2022 (planned)
Date of Operation	Around 2024 (planned)
Characteristics	wind power project where the Company develops at full scratch

3. Vietnam Quang Tri Onshore Wind Power

Project Name	Quang Tri onshore wind power project (under development)
Location	Quang Tri Province, Vietnam
Rated capacity	Total of 144.0MW at three power stations
Construction Starts	May, 2020
Date of Operation	October, 2021 (planned)
Characteristics	<ul style="list-style-type: none"> <li>- In May 2020, the Company participated in a large-scale onshore wind power project led by PCC1, a Vietnamese power utility (RENOVA's 40% stake)</li> <li>- National power supply master plan approved by Vietnam government</li> <li>- Business in accordance with Vietnam's FIT scheme</li> </ul>

In the domestic operations, Akita Yurihonjo Offshore Wind project, and Reihoku Wind Project, procedures are being carried out based on the national environmental impact assessment system, and so far there have been no negative events in the environment/society that have led to business discontinuation. Quang Tri Onshore Wind Power Project, environmental impact surveys have been completed based on the Vietnam's procedure. Negative effects on the environment and society that lead to business discontinuation have not occurred at this time, and the probability of the completion of the above-mentioned three projects and the realization of environmental improvement effects is high.

**ii. The use of proceeds falls under “Renewable Energy” defined in the Green Bond Principles and “Renewable Energy Projects” defined in the Green Bond Guidelines 2020 Edition.**

## b. Negative impact on the environment

The Company's development, construction and operation of renewable energy power generation businesses, including businesses targeted for use of proceeds, are to comply thoroughly with environment-related laws and regulations, as well as related laws and regulations, and to comply with the Compliance Charter, which stipulates items to be observed in order to conduct faithful activities in accordance with social ethics. In particular, in the implementation of wind power generation projects, obtaining consensus on local residents' projects is an essential element for success. Regarding the projects subject to use of proceeds, surveys were conducted on the surrounding environment, vegetation, birds, landscape, noise, etc., and countermeasure were made to requests submitted by the governor and the minister. Consultations with local governments on the environment to be considered and the scope of residents in the vicinity, and detailed explanatory meetings were held on the outline of the project and its impact on the environment and landscape, and consensus building with the surrounding residents is being carefully promoted.

Specifically, concerning the Akita Yurihonjo Offshore Wind Project, residents raised concerns about the effects on landscape, fisheries, noise, migratory birds, etc. the Company carried out on-site surveys in environmental impact assessments and dozens of explanatory meetings for residents based on these surveys are being held to promote the understanding of residents. Reihoku Wind Project promotes understanding of the project by communicating closely with local stakeholders from the initial stage of the project development. Quang Tri Onshore Wind Power Project, the Company is working with one of the leading power plant construction companies in Vietnam to reduce risks, and the Company has obtained an environmental impact assessment in Vietnam. JCR evaluates that the benefits for these risks are appropriate.

## c. Consistency with SDGs Goals and Targets

This subject to the use of proceeds is classified as "Renewable Energy", and JCR evaluated these projects as contributing to the following SDGs targets and targets based on the SDGs mappings of the ICMA.



**Goal 3: Ensure healthy lives and promote well-being for all at all ages**

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



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

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



**Goal 8: Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all**

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



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

**Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including**

regional and transboundary infrastructure, to support economic development and human welfare with a focus on affordable and equitable access for all.

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



**Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.**

**Target 11.3.** By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.



**Goal 12: Ensure sustainable consumption and production patterns**

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



**Goal 13: Take urgent action to combat climate change and its impacts**

**Target 13.1.** Strengthen resilience and adaptation capability to climate-related and natural disasters in all countries.

## Evaluation Phase 2: Management, Operations and Transparency Evaluation

JCR assigns "m1", the highest rating on JCR evaluation Phase 2: Evaluation on Management and Operation and Transparency.

Rationale: The project has allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

### 1. Criteria for selecting uses of Proceeds and the Appropriateness and Transparency of the Process

#### (1) JCR's Key Consideration in This Factor

In this section, JCR confirms that the objectives to be achieved through the green bond, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

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

##### a. Goal

The Company will promote the development and construction of renewable energy power generation facilities through the issuance of green bonds. This is consistent with the Company's mission of "To create green and sustainable energy systems for a better world." It also has SDGs commitment to "reduce cumulative 10 million t-CO<sub>2</sub> by 2030," contributing to the commitment by developing renewable energy generation facilities that will be funded. Thus, the issuance of the Bonds is consistent with the Company's goal.

##### b. Selection standard

Eligible criteria in the Framework developed by the Company is "Expenditures on the development, construction, installation, operation, and maintenance of domestic and international renewable energy power facilities (solar power, offshore and land wind power, biomass, geothermal) and related facilities." The criteria will be prepared by the Finance and Planning Division and reported to the Board of Directors. JCR assigned "Green 1 (F)" to the Framework.

JCR considers the Company's selection criteria to be appropriate and effective in improving the environment.

##### c. Processes

Projects subject to the use of proceeds are selected by the Finance and Planning Division in coordination with the expert division and decided by the CFO. JCR has confirmed that the selection criteria and processes have been applied to the three wind farms covered by the proceeds of the bonds. JCR evaluates the selection process as appropriate and involves specialized departments and management.

The above targets, selection criteria, and processes are described in this evaluation report and will be disclosed to investors in the form of shelf registration documents and shelf registration supplements at the time of issuance of the bonds. JCR evaluates that transparency to investors is ensured.

## 2. Appropriateness and Transparency of Fund Management

### (1) JCR's Key Consideration in This Factor

It is generally assumed that the methods of managing procurement funds vary widely among issuers, but it is necessary to confirm that funds procured through the issuance of green bonds are appropriated for green projects, and that mechanisms and internal systems are in place to easily track and manage the appropriations.

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

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

The use of proceeds of the Bonds will be used for the investment and financing to the SPCs for the development and construction of the three wind power projects described in Evaluation Phase 1 of this Evaluation Report, and will not be used for other purposes. The ratio of newly investment to refinancing is planned to be about 1:1.

The Company plans to prepare a spreadsheet for green bond procurement, and the Finance and Planning Division will manage the status of procurement every six months until full allocation. At the time of deposits and withdrawals, the Finance and Planning Division confirms the receipt and disbursement of proceeds, and after recording them on the spreadsheet, the CFO of the Executive Officer approves them. The Accounting Development Department checks the deposits and withdrawals on a quarterly basis and checks the consistency with the books in the accounting system. After the payment is made, reports will be made to the Management Committee and the Board of Directors on a quarterly basis.

The allocation of proceeds of the Bonds will be regularly checked by the Finance and Planning Division, and will be checked by an audit corporation in the process of accounting audits. Therefore, internal control and external audits are considered to work properly.

The proceeds will be used for fund the aforementioned investment in three wind power projects within three years of procurement. From procurement to allocation, unallocated funds are managed in cash or cash equivalents. JCR confirms that if an unallocated funds are generated before redemption of the Bonds, such as when the subject of use of the proceeds is removed from the scope of use of the proceeds, the Company will promptly select a renewable energy power generation business as a substitute and allocate the funds to the investment of the business or its refinancing.

Based on the above, JCR evaluates that the Company's fund management is appropriate and that disclosure to investors is appropriate.



### 3. Reporting

#### **(1) JCR's Key Consideration in This Factor**

In this section, JCR evaluates whether the disclosure system for investors, etc. before and after the issuance of green bonds is planned in a detailed and effective manner at the time of the issuance of green bonds

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

##### **a. Reporting on the proceeds allocation**

The proceeds of the Bonds will be used to fund the three wind power projects described in Evaluation Phase 1. From procurement to allocation of the proceeds last within three years. Unallocated funds will be managed by cash and cash equivalents. Until the funding is fully allocated to the three businesses, the status of funding and the progress of the business are planned to be disclosed to investors on an annual basis and in a timely manner when there are significant changes to the status of funding and the progress of the business. In principle, businesses that can be covered by green bonds are held and operated in-house. In the event that the subject asset is no longer subject to the use of proceeds due to loss or impairment, the event will be disclosed on the Company's website and re-allocated to eligible projects as alternatives.

##### **b. Reporting on environmental improvement effects**

The Company plans to update annually on its website the annual GHG reductions and annual power generation, as defined in the Framework as an indicator of the impact of the assets covered by the Bonds. Upon issuance of the Bonds, estimates of annual power generation and GHG reductions will be disclosed to the extent practicable. The Company will undergo a third-party review by JCR of the accuracy of the reporting status until the redemption of the Bonds.

JCR evaluates that the above reporting is planned to be disclosed appropriately to investors, in terms of both the allocation of proceeds and the effects of environmental improvement.

## 4. Organization's Environmental Initiatives

### (1) JCR's Key Consideration in This Factor

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

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

The Company develops, constructs, and operates renewable energy generation facilities under the corporate slogan "Creating our future with renewable energy." The corporate slogan states that by giving full consideration to the environment in which people live in the process of developing and construction renewable energy power generation facilities, the Company aims to benefit from nature and to link it to the next generation, thereby contributing to a better life together with renewable energy.

The Company's mission is "To create green and sustainable energy systems for a better world," and the vision is "To become Asia's renewable energy leader." It also shows its stance of raising corporate value by actively addressing issues related to climate change, CO<sub>2</sub> emissions, and environmental conservation.

The Company's SDGs commitment is to reduce CO<sub>2</sub> by 10 million tons by 2030, and as of the end of May 2020, it had operated renewable energy projects (solar and biomass) of more than 330MW (capacity based). It is currently constructing a total of 361MW of renewable energy facilities, including solar power generation and biomass power generation, and it is steadily achieving its commitment. Started business as environmental consultants, the Company has been involved in environmental projects on a consistent basis, and the desire to utilize their wealth of knowledge to engage in the development of as wide a range of renewable energy as possible is strongly shared. The projects under construction or development include the solar power generation business, biomass power generation business, offshore and land wind power generation business, and geothermal power generation business, which will contribute to an increase in the share of renewable energy both domestically and internationally through a diverse mix of power sources in a wide range of regions, including overseas. In addition, efforts to contribute to achieving SDGs goals are being promoted by contributing to regional revitalization through the creation of employments and business opportunities generated through its renewable energy power generation projects, and providing students with educational opportunities related to renewable energy using its own power generation facilities.

Regarding renewable energy, there are departments with specialized knowledge at each stage of development, construction, and management. From an understanding of the state of laws and regulations, the introduction of the latest technologies for environmental considerations and an appropriate system of operation have been established, and a system has been put in place to give full consideration to the environmental and social aspects. Regarding ESG in general, the Public Relations and Investor Relations Team specializes in dialogue with stakeholders and utilizes it in the Company's business operations.

From the above, JCR evaluates that the Company's management positions environmental issues as a top management priority, and that departments with expert knowledge clearly position green bond procurement policies and processes, criteria for selecting green projects, and so on.

■ Evaluation result

Based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1" for the preliminary evaluation of "Greenness Evaluation (Use of Proceeds)" and "m1" for the preliminary evaluation of "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1" as an overall "JCR Green Bond Preliminary Evaluation" to the Bonds. The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

[JCR Green Bond Evaluation Matrix]

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

■ Subject

Issuer: RENOVA, Inc. (Security Code: 9519)

[Assignment]

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Preliminary Evaluation
1st Unsecured Corporate Bonds	To be determined	To be determined	To be determined	To be determined	JCR Green Bond Evaluation:Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

(Responsible analysts for this evaluation): Rieko Kikuchi and Kosuke Kajiwara

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## Important explanation of the Green Bond Evaluation

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

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

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

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

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

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

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

### 4. Relationship with Credit Ratings

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

### 5. Third-Party Evaluation of JCR Green Bonds

There is no capital or personnel relationship between the subject of this evaluation and JCR that may give rise to conflicts of interest.

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#### ■ Glossary

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

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

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)

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

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

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