

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

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

JCR Assigned Green 1 to Green Ritz Series 1 Trust ABL

Subject	:	Green Ritz Series 1 Trust ABL
Type	:	Loan
Amount	:	JPY 3,004,030,000
Execution Date of Loan	:	January 28, 2020
Final Repayment Date	:	January 31, 2057
Repayment Method	:	Pass-Through Repayment
Use of Proceeds	:	Among the [Flat 35 (Guarantee Program)] implemented by ARUHI Corporation, the [Flat 35] S-loan pool is provided for houses that meet certain energy conservation standards or criteria for durability and variability.

<Green Loan Evaluation Results>

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

Chapter 1: Evaluation Overview

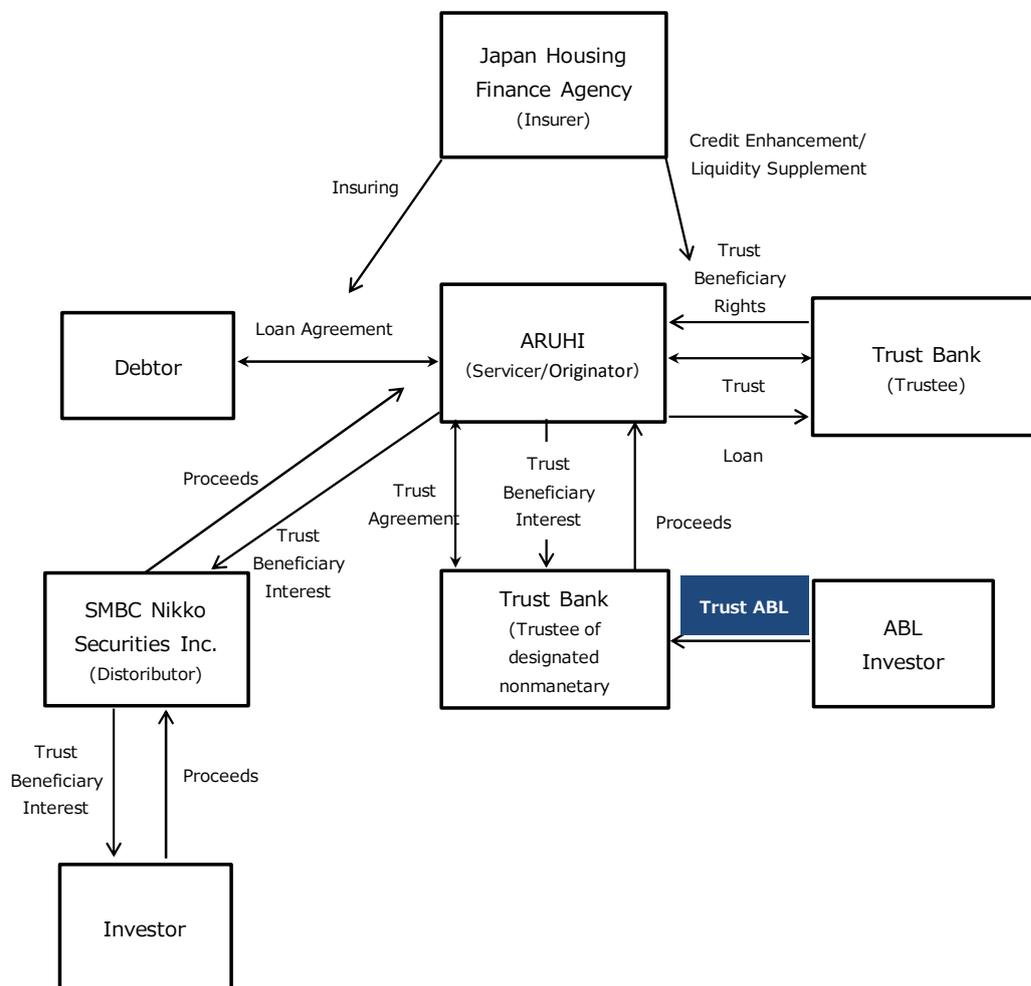
ARUHI Corporation (the "Company") is one of the largest mortgage-lending financial institutions (mortgage banks) founded in 2000. In 2001, the Company commenced handling of "Good Housing Loans," a fixed-term housing loan for 30 years. The Company commenced full-fledged operations as a mortgage bank. In December 2004, the Company began handling long-term fixed-rate housing loan "[Flat 35]" in collaboration with the Housing Loan Corporation (currently Japan Housing Finance Agency). The Company deals [Flat 35] the most of all financial institutions until March 2019 for nine consecutive years, and the share in fiscal 2018 is 26% including refinance.

Under the slogan of "Lifestyle Production Company," ARUHI provides a variety of products and services, mainly housing loans, with the aim of creating a society where many people can continue to live with peace of mind while residing strongly against changes in the environment and social conditions.

The subject to be evaluated is Green Ritz Series 1 trust ABLs (the “ABLs”), which are backed by [Flat 35 (Guarantee Program)] loan pools originated by the Company. JCR evaluates whether the ABLs comply with the Green Bond Guidelines (2017 edition) and the Green Loan Principles.²³

The structure of Green Ritz Series 1 is as follows.

[Schematic Chart of Green RMBS]



The Company shall trust [Flat 35] S loans that satisfy the criteria set forth in the Framework among [Flat 35 (Guarantee Program)] owned by it to the trust bank as the trustee, and receive trust beneficiary interests (the "Trust Beneficiary Interests.") The ABLs were created by repackaging a portion of the Trust Beneficiary Interests backed by housing loans. On the nature of [Flat 35 (Guarantee Program)], [Flat 35] S, the underlying assets, is covered by housing loan insurance provided by Japan Housing Finance Agency. If the mortgage debtor is unable to make full payment by the final repayment date, the agency pays insurance benefits.

JCR assigned Green 1 (F) and Green 1 evaluations to the Green Finance Framework for the Green RMBS of ARUHI (the “Framework”) and Green Ritz Series 1 Trust Beneficiary Interests, respectively. The ABL is a portion of the Trust Beneficiary Interests backed by housing loan, and thus the valuation may be based on the valuation of the Trust Beneficiary Interests.

² Ministry of the Environment Green Bond Guideline 2017 http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

³ LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2018 <https://www.lma.eu.com/>

In the Framework, ARUHI set the subject to the use of the proceeds as new and used homes that meet the criteria for energy conservation, durability, and variability in [Flat 35] S. In order to meet the standards for energy conservation, durability, and variability, it is necessary to have at least one of the primary energy consumption grade 4 or higher or thermal insulation performance grade 4. JCR evaluates that the use of proceeds determined by the Company is for housing loans that have an environmental improvement effect.

The implementation of the ABLs has been determined through an appropriate process including reporting to the management of the Company and the approval of the person with authorization under the internal rules. In addition, since reporting is disclosed to the investors with appropriate content and frequency, JCR confirmed that the management and operation system for the Company was appropriately constructed and transparency was secured.

As a result, JCR assigns "g1" for the "Greenness Evaluation (Use of Proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" as the overall "JCR Green Loan Evaluation" to the ABLs.⁴

The ABLs meet the standards required by the Ministry of the Environment's Green Bond Guidelines and the Green Loan Principles.

[JCR Green Loan Evaluation Matrix]

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

■ Subject

[Assignment]

Subject	Amount	Execution Date of Loan	Final Repayment Date	Evaluation
Green Ritz Series 1 Trust ABL	JPY 3,004,030,000	January 28, 2020	January 31, 2057	JCR Green Loan Evaluation :Green 1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

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⁴ For the detail of the evaluation, see the evaluation report on ARUHI Green Finance Framework and Green Ritz Series 1 Housing Loan Trust Beneficiary Interests.

Important explanation of the Green Loan Evaluation

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

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

The JCR Green Loan Evaluation evaluates the planning and status of the appropriation of funds at the time of the green loan procurement plan or procurement, and does not guarantee the appropriation of funds in the future. In addition, the JCR Green Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loan 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

The JCR Green Loan 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 nature of JCR's Green Finance Evaluation

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

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■Glossary

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

■Status of registration as an external 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 such disclosure is subject to disclosure under Section 17g-7(a) of the U.S. Securities and Exchange Commission Regulations, such disclosure is attached to the press releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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