

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

Japan Credit Rating Agency, Ltd. (JCR) publishes the review results of the Green Finance Framework Evaluation as follows:

## JCR Reviewed ARUHI Green Finance Framework Evaluation of ARUHI Corporation

Issuer/Borrower : ARUHI Corporation (Securities Code: 7198)  
Subject : ARUHI Green Finance Framework of ARUHI Corporation

### <Review Results of Green Finance Framework Evaluation>

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

### 1. Overview

On March 31, 2021, JCR assigned "Green 1(F)," an overall evaluation for ARUHI Green Finance Framework of ARUHI Corporation as a review result of Green Finance Framework Evaluation. The overview is as follows:

ARUHI Corporation (hereinafter referred to as "ARUHI" or "the Company") is the largest mortgage bank specializing in housing lending operations founded in 2000. In 2001, the Company began to handle "Good Mortgage," an all-time fixed-rate mortgage for 30 years, starting its full-fledged activities as a mortgage bank. ARUHI has begun to handle "Flat 35," a long-term fixed-rate mortgage in collaboration with the former Government Housing Loan Corporation (the present Japan Housing Finance Agency) since December 2004. The Company's share of [Flat 35] in all financial institutions in Japan has reached the highest, giving ARUHI the No. 1 spot for twelve consecutive years until the year ended March 2022.

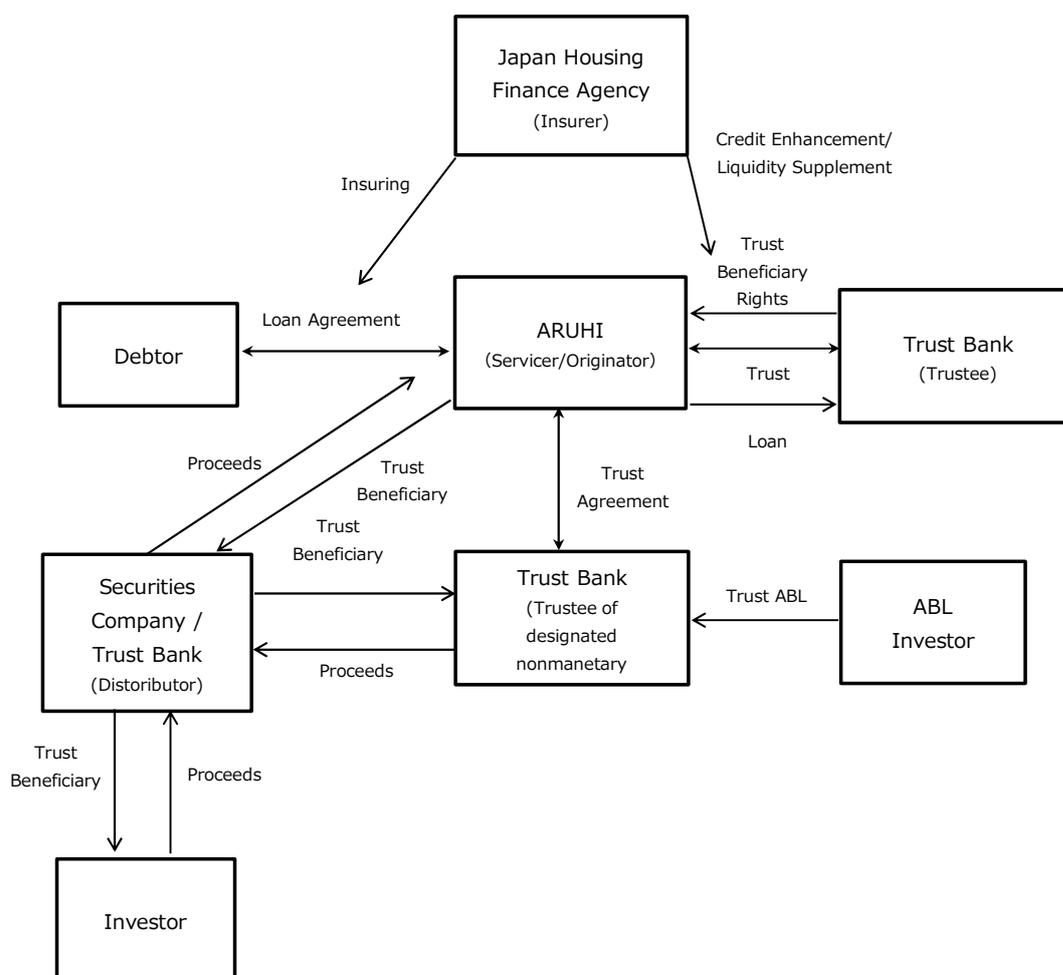
ARUHI calls itself as a "one-stop home-buying service company" and aims to realize society that is resilient to environmental/social changes and enables many people to continue to living safely by providing a variety of products/services, mainly mortgages.

This evaluation target is ARUHI Green Finance Framework (hereinafter referred to as "the Framework") established to limit the proceeds financed through Green RMBS to only use of proceeds with environmental benefits. JCR evaluates

whether the Framework complies with "Green Bond Principles (2018 edition)"<sup>1</sup>, "Green Loan Principles (2018 edition)"<sup>2</sup> and "Green Bond Guidelines (2017 edition)"<sup>3</sup>. "Green Bond Principles," "Green Loan Principles" and "Green Bond Guidelines" are principles or guidelines voluntarily published by Loan Market Association (hereinafter referred to as "LMA"), Asia-Pacific Loan Market Association (hereinafter referred to as "APLMA") and Ministry of the Environment, respectively and are not regulatory; therefore, these are not binding; however, JCR evaluates the Framework by referring to these principles or guidelines as globally unified standards at present.

The Green RMBS scheme, an assumption in the Framework is as follows:

[Schematic Chart of Green RMBS]



ARUHI trusts a loan that satisfies the criteria set forth in the Framework among loans that meet criteria of [Flat 35] in [Flat 35 (guaranteed type)] owned by the Company to a trust bank that is a trustee, and trust beneficial interests (mortgage beneficial interests) are granted to the Company. Loan claims that are the underlying assets are insured by housing loan insurance provided by Japan Housing Finance Agency due to characteristics of [Flat 35 (guaranteed type).] In cases where

<sup>1</sup> Green Bond Principles (2018 edition) published by International Capital Market Association ("ICMA")  
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>

<sup>2</sup> Green Loan Principle 2018 published by Loan Market Association ("LMA") and Asian Market Loan Association ("APLMA")  
<https://www.lma.eu.com/>

<sup>3</sup> Green Bond Guidelines (2017 edition) published by Ministry of the Environment  
[http://greenbondplatform.env.go.jp/pdf/greenbond\\_guideline2017.pdf](http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf)

a mortgage debtor is unable to make full payment by the final repayment date, the Japan Housing Finance Agency pays the insurance claim under the scheme.

ARUHI decides to use proceeds for new and existing housing that meets the standards on energy efficiency or durability/variability of [Flat 35]S in the Framework. It is required to have at least either of the primary energy consumption grade 4 or higher or the insulation performance grade 4 so as to meet the standards of energy efficiency or durability/variability. JCR evaluates that use of proceeds specified by ARUHI is subject to mortgages for housing with environmental benefits.

This review is made in response to changes in the details stipulated as eligibility criteria for Green Finance in the Framework by ARUHI since Japan Housing Finance Agency has changed the system of [Flat 35]S.

In [Flat 35]S, changes were made, including tightening standards of [Flat 35]S (energy efficiency) in the system revision in 2022. This was due to changes in Japanese Housing Performance Labeling Standards by the Ministry of Land, Infrastructure, Transport and Tourism, which took effect in April and October 2022, respectively. The changes in these standards were made to further tighten the existing energy efficiency standards, and JCR evaluates that use of proceeds of ARUHI after the changes made continues to target housing with environmental benefits.

To program Green RMBS and to implement individual Green RMBS in ARUHI are determined through appropriate processes, including reporting to the management in the Company and approval given by personnel with decision authority in its internal regulations. JCR has confirmed that the management/operation system in ARUHI is properly established and that transparency is ensured since disclosure for reporting is made to investors in an appropriate manner and with appropriate frequency.

Consequently, JCR, based on JCR Green Finance Assessment Methodologies, assigned "g1(F)" for "Greenness Evaluation (use of proceeds)," "m1(F)" for "Management, Operation, and Transparency Evaluation" and "Green1(F)" for "JCR Green Finance Framework Evaluation (comprehensive assessment)" for ARUHI Green Finance Framework that is subject to this review.

JCR evaluates that the Framework meets the standards for items required by "Green Bond Principles," "Green Loan Principles" and "Green Bond Guidelines."

## 2. Review items

In this section, JCR describes items to be confirmed in reviewing the Framework. JCR confirms mainly items whose details have changed since the previous evaluation.

### (1) Use of Proceeds

JCR evaluates whether the category of eligible criteria and use of proceeds of green finance continuously have greenness after the changes made.

### (2) Selection Standards and Processes for Use of Proceeds

JCR evaluates whether the goals to be achieved through green finance, the selection criteria of green projects and the adequacy of the processes and a series of processes are continuously appropriate.

### (3) Management of Proceeds

JCR evaluates whether the proceeds financed through green finance are certainly allocated for green projects, and if there are a scheme and internal system in which the allocation status can be easily tracked and managed.

### (4) Reporting

JCR evaluates whether the environmental benefits resulting from the green project with proceeds financed through green finance are appropriately calculated with the method stipulated by the issuer when the green finance evaluation is assigned.

### (5) Organizational Environmental Initiatives

JCR evaluates whether the issuer's management continues to highly prioritize environmental issues for management.

### 3. Review Contents

#### (1) Use of Proceeds

ARUHI stipulates use of proceeds in the Framework as follows:

The underlying assets of Green RMBS should be mortgage claims (green qualified assets) that are subject to new and existing homes that satisfy standards of energy efficiency of [Flat 35]S among mortgage claims ([Flat 35 (guaranteed type)]) executed by ARUHI as an originator, and specifically ZEH, Interest Rate A Plan (energy efficiency, durability and variability) and Interest Rate B Plan (energy efficiency) for new housing, and ZEH and Interest Rate A Plan (energy efficiency, durability and variability) for existing housing. The proceeds financed based on the issuance of trust beneficiary interests and trust ABL are fully allocated to acquire green qualified assets.

The following (the parts indicated in bold and underlined are changes made this time) is stipulated as specific criteria.

New/Existing	Category	Technical Standards
New housing	<u>ZEH</u>	<u>ZEH</u>
	Interest Rate A Plan (Energy efficiency)	Certified low-carbon housing  <b><u>[Properties whose application for a design inspection was received on or after October 1, 2022]</u></b> <b><u>Housing with an insulation performance grade 5 or higher and a primary energy consumption grade 6</u></b> [Properties whose application for a design inspection was received on or before September 30, 2022] <u>Housing with a primary energy consumption grade 5 or higher</u> Certified housing under a performance improvement plan
	Interest Rate B Plan (Energy efficiency)	<b><u>[Properties whose application for a design inspection was received on or after October 1, 2022]</u></b> <b>1. <u>Housing with an insulation performance grade 4 and a primary energy consumption grade 6</u></b> <b>2. <u>Housing with an insulation performance grade 5 or higher and primary energy consumption grade 4 or 5</u></b> [Properties whose application for a design inspection was received on or after January 1, 2021 and on or before September 30, 2022] Housing with an insulation performance grade 4 or higher and a primary energy consumption grade 4 or higher [Properties whose application for a design inspection was received on or before December 31, 2020] Housing with an insulation performance grade 4 or housing with a primary energy consumption grade 4 or higher
	Interest Rate A Plan (durability and variability)	Long-term high quality housing
Existing housing	<u>ZEH</u>	<u>ZEH</u>
	Interest Rate A Plan (Energy efficiency)	Certified low-carbon housing  <b><u>[Properties whose application for a design inspection was received in and after October 1, 2022]</u></b> <b>1. <u>Housing with an insulation performance grade 4 and a primary energy consumption grade 6</u></b> <b>2. <u>Housing with an insulation performance grade 5 or higher and a primary energy consumption grade 4 or higher</u></b> [Properties whose application for a design inspection was received on or before September 30, 2022] <u>Housing with a primary energy consumption grade 5 or higher</u> Certified housing under a performance improvement plan
	Interest Rate A Plan (durability and variability)	[Properties whose application to confirm a long-term use structure was filed on or before September 30, 2022 and whose application for certified long-term high quality housing on or before March 31, 2023] Long-term high quality housing

This review was made in response to changes in the standards of [Flat 35]S for mortgage loans (green eligible assets) that is subject to the underlying assets of Green RMBS in the Framework by ARUHI.

Japan Housing Finance Agency made changes, including tightening standards for [Flat 35]S (energy efficiency) in the system revision in FY 2022.

Two changes made, including tightening standards for [Flat 35] S (energy efficiency) are as follows:

1. Establish [Flat 35]S (ZEH)
2. Tighten standards for energy efficiency in [Flat 35] S and others.<sup>4</sup>

### 1. Establish "[Flat 35]S (ZEH)"

[Flat 35] S (ZEH) is a system to lower borrowing rates of [Flat 35] for a certain period in cases where ZEH-level housing is purchased.

A definition required as a ZEH level in this system as shown in the table below vary depending upon houses and condominiums, or target areas and specifications of condominiums.

Figure 2: Target of [Flat 35] S (ZEH)

戸建て	区分	断熱等性能	一次エネルギー消費量(対省エネ基準)		適用条件
			再エネ除く	再エネ含む	
『ZEH』 Nearly ZEH ZEH Oriented	強化外皮基準 【断熱等性能等級5】	▲20%以上	▲100%以上		-
			▲75%以上 ▲100%未満		寒冷地、低日射地域、多雪地域
			(再エネの導入は必要ない)		都市部狭小地、多雪地域
マンション	区分	断熱等性能 全住戸で以下を達成	一次エネルギー消費量(対省エネ基準) 共用部を含む住棟全体で以下を達成		適用条件
			再エネ除く	再エネ含む	
『ZEH-M』 Nearly ZEH-M ZEH-M Ready ZEH-M Oriented	強化外皮基準 【断熱等性能等級5】	▲20%以上	▲100%以上		1~3階建て
			▲75%以上 ▲100%未満		4・5階建て
			▲50%以上 ▲75%未満		
			(再エネの導入は必要ない)		6階建て以上

※上表におけるZEHの水準は、「ZEHロードマップフォローアップ委員会」(経済産業省、国土交通省及び環境省をオブザーバーとする委員会)により定義されているものです。  
※再エネとは、再生可能エネルギーのことをいう。

(Source: A leaflet on [Flat35] S)

ZEH stands for Net Zero Energy House, and it is "housing aiming to increase energy self-sufficiency as much as possible and to make a balance of annual primary energy consumption zero by introducing renewable energy after realizing significant energy efficiency while maintaining qualities of indoor environments and by actively utilizing natural energy through controlling energy loads with advanced architectural designs or adopting passive technologies and through introducing systems in high-efficiency facilities."

ZEH has 4 stages as follows: (i) "ZEH" (reduce primary energy consumption by 100% or more from standard primary energy consumption by adding renewable energy); (ii) "Nearly ZEH" (reduce primary energy consumption by 75% or more and less than 100% from standard primary energy consumption by adding renewable energy); (iii) "ZEH Ready" (reduce primary energy consumption by 50% or more and less than 75% from standard primary energy consumption by adding renewable energy) and (iv) "ZEH Oriented" (reduce primary energy consumption by 20% or more from standard primary energy consumption by excluding renewable energy.)

ZEH-M has 4 stages as follows: (i) "ZEH-M" (reduce primary energy consumption by 100% or more from standard primary energy consumption by adding renewable energy), (ii) "Nearly ZEH-M" (reduce primary energy consumption by 75% or more and less than 100% from standard primary energy consumption by adding renewable energy), (iii) "ZEH-M Ready" (reduce primary energy consumption by 50% or more and less than

<sup>4</sup> The subject is renovation in [Flat 35]S and [Flat 35].

75% from standard primary energy consumption by adding renewable energy) and (iv) "ZEH-M Oriented" (reduce primary energy consumption by 20% or more from standard primary energy consumption by adding renewable energy.)

Housing with ZEH or ZEH-M certification (the aforementioned 4 stages from (i) to (iv)) targeted by [Flat 35]S (ZEH) requires to reduce 50% or more from standard primary energy consumption; therefore, JCR believes that the housing has BEI with 5-star or more in BELS and use of proceeds is appropriate.

## 2. Tighten standards on energy efficiency in [Flat 35]S

The standards on energy efficiency in [Flat 35]S have been tightened as shown below since October 2022 due to changes made to Japan housing performance indication and valuation method standards by the Ministry of Land, Infrastructure, Transport and Tourism.

Figure 3: Tightening the standards on energy efficiency in [Flat 35]S

新築住宅				既存住宅			
区分	現行	→	見直し後	区分	現行	→	見直し後
ZEH		創設	ZEH	ZEH		創設	ZEH
Aプラン (※)	一次エネ等級5	強化	断熱等級5 & 一次エネ等級6	Aプラン (※)	一次エネ等級5	強化	断熱等級4 & 一次エネ等級6 or 断熱等級5 & 一次エネ等級4
Bプラン	断熱等級4 & 一次エネ等級4	強化	断熱等級4 & 一次エネ等級6 or 断熱等級5 & 一次エネ等級4	Bプラン	開口部断熱 or 外壁等断熱		同左

※ 金利Aプランの基準については、それぞれに認定低炭素住宅及び性能向上計画認定住宅を含みます。

(注) 表中の「断熱等級」は断熱等性能等級を、「一次エネ等級」は一次エネルギー消費量等級を、それぞれ表します。

なお、現行では断熱等級4及び一次エネ等級5がそれぞれの最高等級ですが、今後、それを上回る水準が設定される予定です。

(注) 【フラット35】リノベ(金利Aプラン)の基準についても、既存住宅における【フラット35】S(金利Aプラン)と同様の見直しを行います。

(Source: Overview of System Revisions in FY 2022 (Japan Housing Finance Agency))

The housing performance indication standards referred to in [Flat 35] have a primary energy consumption grade and a thermal insulation performance grade, which are indicators on energy efficiency.

As for both indicators of the housing performance indication standard before the revisions made, the standard equivalent to the current energy conservation standard was the highest; however, a thermal insulation performance grade 5 and a primary energy consumption grade 6 were newly established in April 2022, and a thermal insulation performance grades 6 and 7 were additionally set in October 2022.

The primary energy consumption grade refers to the standard specified in Chapter 5, 5-2 Primary Energy Consumption Grade in the evaluation method criteria under "Housing Quality Assurance Act." This is to be evaluated by primary energy consumption, taking into consideration the energy efficiency of equipment, including heating and cooling, hot-water supply and lighting or utilization of renewable energy while considering external performance such as heat insulation performance. The following grades are set in the evaluation method standards.

<Primary energy consumption grade>

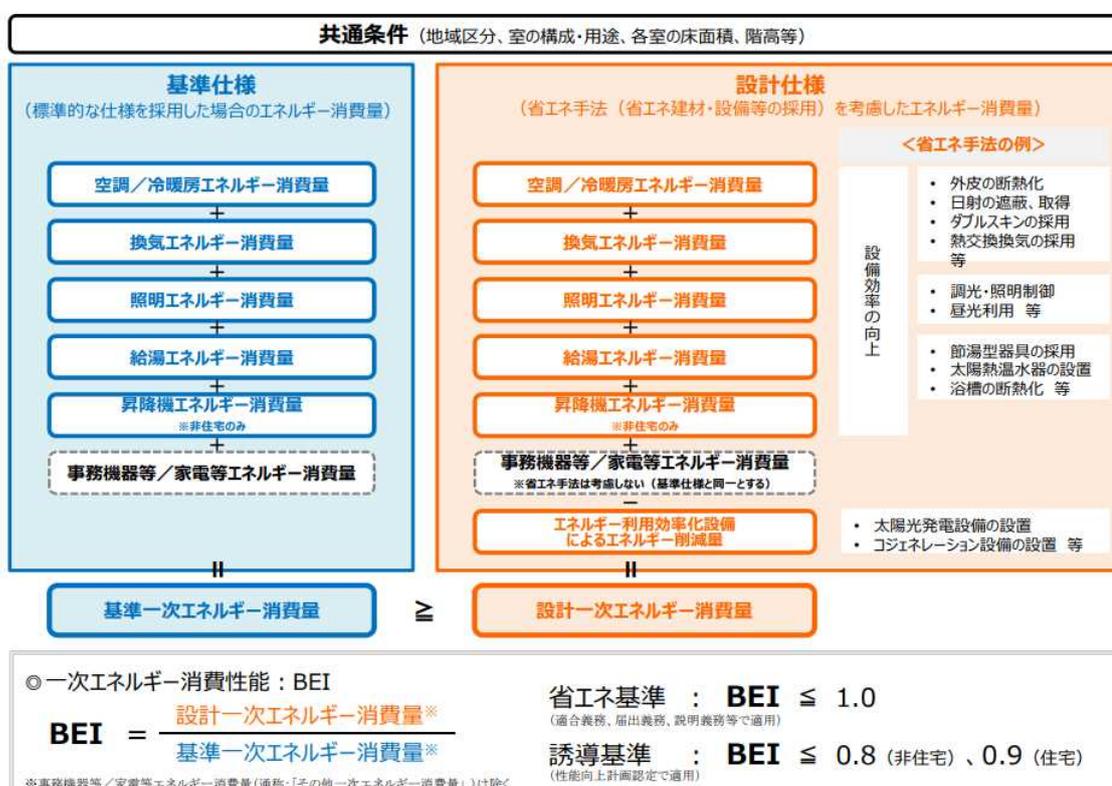
Grade	Measures taken
6	Measures are taken to reduce significant primary energy consumption
5	Measures are taken to reduce larger primary energy consumption

4	Measures are taken to reduce large primary energy consumption
1	-

The newly established primary energy consumption grade 6 refers to 0.8 or less of BEL, excluding renewable energy and is equivalent to a reduction amount of primary energy consumption whose consumption level is required by ZEH.

JCR evaluates that properties whose primary energy consumption grade is 4 or higher are housing in which primary energy consumption (design primary energy consumption) that is an evaluation target such as heating and cooling, ventilating, hot-water supply and lighting of housing does not exceed primary energy consumption that is a standard and have environmental benefits. JCR evaluates that the aforementioned properties have high environmental benefits since primary energy consumption grade 6 is additionally established to the existing standards.

Figure 4: Design primary energy consumption and standard primary energy consumption



(Source: Regarding Reviewing Housing Performance Indication System provided by the Ministry of Land, Infrastructure, Transport and Tourism)

The insulation performance grade is a standard specified in 5-1 Thermal Insulation Performance Grade of Chapter 5, the Evaluation Method Standard. This standard is to realize a higher level of thermal insulation than the conventional one by wrapping housing with thermal insulation materials. The following grades are established in the evaluation method standard.

Numerical standards are stipulated for the insulation performance grade 5, intending to have the level as same as the outer level required in ZEH. For grades 6 and 7, outer levels and average heat transmission coefficients

are established with a target level that can reduce heating and cooling primary energy by approximately 30% (grade 6) and 40% (grade 7), respectively.

<Thermal insulation performance grade>

Grade	Measures taken
7	Measures are taken to reduce more significant heat losses.
6	Measures are taken to reduce significant heat losses.
5	Measures are taken to reduce larger heat losses.
4	Measures are taken to reduce large heat losses (to the extent equivalent to building energy consumption performance standards set out by the ordinance that stipulates building energy consumption performance standards)
3	Measures are taken to reduce heat losses to a certain extent.
2	Measures are taken to slightly reduce heat losses
1	-

A total heat loss ( $U_A$ ) and a solar heat gain coefficient ( $\eta_{AC}$ ) required in respective grades are clearly shown after dividing an area in Japan into eight regions in the insulation performance grade. Of these, an average of the total loss for grade 6 and grade 7 is determined by referring to the level required by G2 and G3 proposed by HEAT20 (an abbreviation of "Committee for the Development of Highly Insulated Housing Technology for 2020".)

Grades in HEAT20 consists of 3 stages: G1, G2 and G3 as follows:

G1: The performance of the minimum sensible temperature during winter is "generally not below 13°C in 1 to 2 regions" and "generally not below 10°C in 3 to 7 regions."

G2: The performance of the minimum sensible temperature during winter is "generally not below 15°C in 1 to 2 regions" and "generally not below 13°C in 3 to 7 regions."

G3: The performance of the minimum sensible temperature in winter is "not below 15°C in all regions."

The terms and conditions are relatively stricter than the energy efficient standards in 1953, which were the performance of the minimum sensible temperature during winter is "generally not below 10°C in 1 to 2 regions" and "generally not below 8°C in 3 to 7 regions."

JCR evaluates that housing with an insulation performance grade 4 has environment benefits since it is nearly equal to properties with a primary energy consumption grade 4. JCR also evaluates that the thermal insulation performance grade 5 or 7, the new target evaluation, have a high level of environment benefits since these are additionally established to the existing standards as same as the primary energy consumption grade.

JCR, based on the aforementioned, evaluates that use of proceeds of Green RMBS continuously has environment benefits in the revised standards.

## (2) Selection Standards and Processes for Use of Proceeds

JCR evaluates that adequacies of the selection criteria and processes described in the Framework are reasonable at the time of the previous evaluation. Although the selection criteria are partially changed, as mentioned in (1) above, the post-change selection criteria are also appropriate.

JCR evaluates that the processes have had no change since the previous evaluation and are continuously appropriate, and the transparency continues to be ensured since the selection criteria and processes are disclosed in the Evaluation Report or others.

### (3) Management of Proceeds

JCR evaluates that the proceeds management described in the Framework was adequate at the time of the previous assessment. JCR also confirms that there is no change in the revised Framework this time. JCR evaluates that the proceeds management is continuously appropriate since the management is conducted in accordance with the Framework in the RMBS that has already been implemented.

### (4) Reporting

#### a. Reporting on appropriation of proceeds

JCR evaluates that reporting on the appropriation of proceeds described in the Framework was adequate at the time of the previous assessment. JCR also confirms that there are no changes in the revised Framework this time.

In cases where there is any change in the Green RMBS scheme, ARUHI discloses that effect on its website.

#### b. Reporting on environmental benefits

JCR evaluates that reporting on environmental benefits described in the Framework was appropriate at the time of the previous assessment. ARUHI has disclosed information on Green RMBS and the outline of the underlying assets on its website whenever implementing RMBS since the first RMBS in January, 2020. JCR evaluates that the disclosure set forth in the Framework is properly made.

### (5) Organizational Environmental Initiatives

ARUHI has begun to handle [Flat 35] of Japan Housing Finance Agency since 2004, and its share, including refinancing was 27.3% in FY 2021 and has had the top share for the 12 consecutive years from FY2010 to FY2021. The products offered have an extensive lineup tailored to interest rate plans or loan shares such as "ARUHI Super Flat" utilizing [Flat 35 (guarantee-type)] and services are provided for a wide range of customers. Of those, mortgages that fall under [Flat 35]S among [Flat 35 (guarantee-type)] that is subject to use of proceeds this time, are targeted at housing with superior environmental performance than ordinary housing, including energy efficiency or durability/variability as mentioned above, and ARUHI aims to contribute to spreading better quality housing through providing such products. ARUHI also actively addresses execution of loans for existing housing and considers promoting to take over better housing for a longer use and in turn contributes to realizing recycling-oriented society. ARUHI also offers a service, "Quick Pre-Examination before Searching Housing" that allows customers who are considering buying housing to know a borrowable amount on mortgages before searching for a property to be purchased in addition to its representative financial instrument, [Flat 35.] The Company also provides a service, "ARUHI Life Service" that supports customers who purchased housing for their new life. Accordingly, ARUHI aims to realize society that is resilient to environmental/social changes, enabling many people to continue living safely as a "one-stop home-buying service company" that provides a variety of products/services tailored to their life stages, mainly by making [Flat 35]S loans.

An ESG Committee is established with CEO as its chairman and members in the Executive Committee as one formation in ARUHI. The ESG Committee, in principle, is held once a quarter, and CEO and the members discuss sustainability trends in its Company and society with a medium-to long-term perspective and make decisions on specific initiatives/measures for ESG. ESG Task Force is also established as advancing functions to address specific initiatives/measures company-wide decided in the ESG Committee in ARUHI. A wide range of consultations has been made to date, including social issues in addition to contributing to local communities hosted by the Company, addressing diverse human resources and implementing Green RMBS in ESG Task Force. In particular, ARUHI publishes "Award for the Most Livable Town" in which information per main town gathered through its screening from a viewpoint of convenience for people living in the town. The Award is used as part of regional/social contributions, for instance, the town selected as "Award for the Most Livable Town" utilizes the Award to revitalize the town by bolstering its images. ARUHI also expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter referred to as "TCFD") and disclosed information in line with the TCFD recommendations in June 2022.

The implementation of Green RMBS is discussed in ESG Task Force in ARUHI, and policies/processes are discussed/determined by members, including the management who is a member of the ESG Task Force. External audit institutions and evaluation organizations evaluate whether housing subject to mortgage claims meet energy efficiency standards of [Flat 35]S in the process of implementing Green RMBS.

JCR evaluates that the management continuously highly prioritizes environmental issues regarding environmental efforts in these institutions or organizations and is involved in green finance procurement policies/processes and green projects' selection as an organization.

#### 4. Review Results

JCR has confirmed that details in the Framework, including changes made, can be expected to have significant environmental benefits in green projects that is subject to use of proceeds. JCR also believes that the Framework meets the standards for the items required in "Green Bond Principles," "Green Loan Principles" and "Green Bond Guidelines."

[JCR Green Finance Framework Evaluation Matrix]

		Management, operation, and transparency evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Green 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)	N/A
	g4(F)	Green 4(F)	Green 4(F)	Green 5(F)	N/A	N/A
	g5(F)	Green 5(F)	Green 5(F)	N/A	N/A	N/A

(Responsible analysts for this evaluation) Rieko Kikuchi and Daisuke Sato

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## Important Explanation on this Evaluation

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

JCR Green Finance Framework Evaluation, which is assigned and provided by Japan Credit Rating Agency ("JCR"), is a comprehensive statement of the JCR's current opinions on the extent to which it manages, operates and ensures transparency in relation to, among other things, the conformity with green projects as defined by JCR, based on the policies stipulated in Green Finance Framework. Accordingly, it is not intended to evaluate the specific environmental benefits and management/operation systems and transparency evaluation of the use of proceeds such as individual bonds or borrowings, which are implemented based on the said policy. In cases where green finance evaluation is assigned for individual bonds or individual borrowings based on the Framework, evaluation should be made separately. JCR Green Finance Framework Evaluation does not demonstrate the environmental benefits of individual bonds or borrowings implemented under the Framework, and JCR is not responsible for the environmental benefits. With respect to the environmental benefits of the proceeds financed through Green Finance Framework, JCR confirms that issues are measured quantitatively/qualitatively by the issuer or the third party requested by the issuer; however, as a general rule, these are not measured directly.

### 2. Methodologies Used in Conducting this Evaluation

The methodologies used for this evaluation are listed in "JCR Green Finance Evaluation Methodology" under the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/> website.)

### 3. Relationship with Credit Rating Agency Activities

The act of assigning and providing JCR Green Finance Framework Evaluation is carried out by JCR as its related business and differs from the act of the credit rating business.

### 4. Relationship with Credit Ratings

This evaluation is different from the credit rating and does not commit to providing a predetermined credit rating or making available for browsing.

### 5. Third-Party Evaluation in JCR Green Finance Framework Evaluation

There is no capital or personal relationships that may cause conflicts of interest between this evaluation targets and JCR.

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#### Points to Consider

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**JCR Green Finance Framework Evaluation:** it evaluates the extent to which the proceeds financed through Green Finance is allocated to green projects as defined by JCR and the extent to which the use of proceeds for the said green finance is managed and operated and the transparency is ensured. The evaluation is shown on a five-point scale, from top to bottom, using the evaluation symbols of Green1 (F), Green2 (F), Green3 (F), Green4 (F) and Green5(F).

#### Status of Registration as External Evaluator of Sustainability Finance

- Registered as an external reviewer of Green Bonds by the Ministry of the Environment
- An observer registration as an external evaluator with the International Capital Markets Association ("ICMA")
- Members of the Working Group, UNEP FI Positive Impact Financial Principles
- Climate Bonds Initiative Approved Verifier

#### Status of Registration as a Credit Rating Agency or Others

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Credit Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR registered with the following four of the five credit rating classes of Nationally Recognized Statistical Rating Organization ("NRSRO") as defined by the U.S. Securities and Exchange Commission: (1) financial institutions, broker/dealers, (2) insurance companies, (3) general business corporations and (4) government and local governments. In cases where disclosure is required based on Section 17g-7(a) of the Securities and Exchange Commission rules, such disclosure is attached to a news release posted on the JCR's website (<https://www.jcr.co.jp/en/>)

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