

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

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

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

Subject : ARUHI Green Finance Framework of ARUHI Corporation

<Green Finance Framework Evaluation Review Results>

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

1. Overview

On April 10, 2020, JCR announced its "Green 1 (F)" overall evaluation for Green Finance Framework Evaluation of ARUHI Corporation's Green Finance Framework. The main summary is as follows.

(Excerpt from the evaluation report on April 10, 2020)

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%¹ 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.

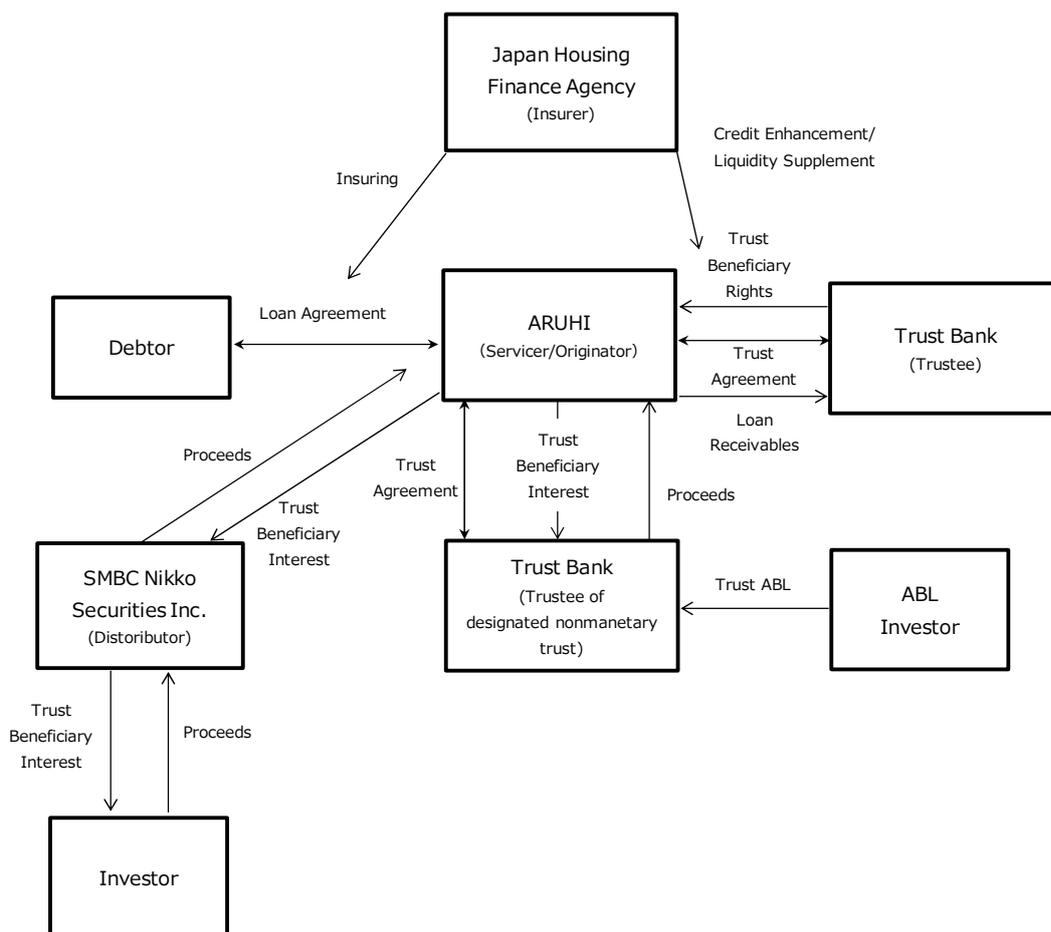
The subject to be evaluated is ARUHI Green Finance Framework (the "Framework") of ARUHI to limit the funds procured through Green RMBS to the use of proceeds with environmental improvement effects. JCR evaluates whether the Framework complies with the Green Bond Principles (2018 edition), the Green Bond Guidelines (2017

¹ ARUHI's share was 27.5% (including refinance) as of March 2021, was the largest for tenth consecutive years until the fiscal year ended March 2020.

edition) and Green Loan Principles. The Green Bond Principles, the Green Bond Guidelines, and the Green Loan Principles are not binding, as they are the principles or regulations voluntarily published by the International Capital Markets Association (ICMA), the Ministry of the Environment, the Loan Market Association (LMA), and the Asia-Pacific Loan Market Association (APLMA), respectively, but JCR evaluates with reference to these principles and guidelines as globally uniform standards at present.²³⁴

The structure of Green RMBS premised on the Framework 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 (guaranteed type)] owned by it to the trust bank as the trustee, and receive trust beneficial interests (the "Trust Beneficial Interests.") On the nature of [Flat 35 (guaranteed type)], [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.

In the Framework, the Company uses new and used houses to meet energy conservation, durability and variable standards of [Flat 35] S. In order to satisfy the standards for energy conservation, durability, and variable standards, the houses must have at least one of the primary energy consumption grades of 4 or higher, or one of the insulation

² ICMA(International Capital Market Association) Green Bond Principles, 2018 Edition
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ Ministry of the Environment Green Bond Guideline,
 2017 http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

⁴ LMA (Loan Market Association), APLMA (Asia Pacific Loan Market Association) Green Loan Principle 2018
<https://www.lma.eu.com/>

performance grades of 4. JCR evaluates that the proceeds are used for housing with environmental improvement effects.

(Excerpt ends)

This review will be conducted in response to changes made by the Japan Housing Finance Agency to the system of [Flat 35] S, which will lead change the content set forth in the framework as eligible criteria for the Green Bonds of ARUHI.

In January 2021, Japan Housing Finance Agency reviewed the energy-saving standards of [Flat 35] S (Interest Rate B Plan) and changed the standards to new "Housing with insulation performance grade 4" and "Houses with primary energy consumption grade 4 or higher" from the former "Housing with insulation performance grade 4" or "Houses with primary energy consumption grade 4 or higher".

The change in this standard intends further strengthens the energy conservation standards, and JCR evaluates that the use of proceeds of the bonds after the change have environmental improvement effects.

Arrangement of Green RMBS and the implementation of each Green RMBS are determined through appropriate processes, including reporting to management and approval those authorized to approve in-house regulations. Regarding reporting, JCR confirmed that the management and operation system of ARUHI was properly established and that transparency was ensured, as disclosures are to be made to investors in an appropriate manner and with appropriate frequency.

As a result, based on JCR Green Finance Evaluation Methodology, JCR assigns "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1 (F)" for overall "JCR Green Finance Framework Evaluation" to the Framework. Detailed evaluation results are described in detail in the next chapter.

The Framework meets the standards required by the Green Bond Principles, the Ministry of the Environment's Green Bond Guidelines, and the Green Loan Principles.

2. Review items

In this section, JCR describes the items to be confirmed in the review. The review focuses on items whose content has changed compared with the previous evaluation.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the use of proceeds or eligible criteria categories for Green Finance remain the same from the methods stipulated by the issuer at the time of assigning the Green Finance Evaluation.

(2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

JCR evaluates if there are any changes to the objectives to be achieved through the Green Finance, the criteria for selecting green projects, the adequacy of the process, and the series of processes to be implemented.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluates whether the proceeds have been certainly allocated for green projects or not. JCR also evaluates if there is a system and internal system in which the allocation status can be easily tracked and managed.

(4) Reporting

JCR evaluates if the environmental improvement effects resulting from the green project financed by green finance are appropriately calculated according to the method stipulated by the issuer at the time of assigning the Green Finance Evaluation.

(5) Organization's Environmental Activities

JCR evaluates if the issuer's management is continuing to regard environmental issues as a high priority issue.

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

i. The use of proceeds is for acquiring housing loans that meet primary energy consumption grade 4 or higher (measures must be taken to significantly reduce design primary energy consumption) or insulation performance grade 4 or higher (measures must be taken to significantly reduce heat loss, etc.) and it is expected to have a high environmental improvement effect.

Housing loan receivables (the “Green Eligible Assets”) which are underlying Green RMBS under the Framework are those that have energy saving (interest rate plan A, interest rate plan B,) durability and variability (interest rate plan A). In both cases, since the design primary energy consumption of the housing subject to housing loans is lower than the standard primary energy consumption, JCR evaluates that underlying assets of Green RMBS in the Framework are targeted at housing with low environmental impact.

■ About [Flat 35] and [Flat 35 (guaranteed type)]

1. Summary of [Flat 35]

[Flat 35] is a fixed-term fixed-rate housing loan for a maximum period of 35 years that is provided in collaboration between private financial institutions and Japan Housing Finance Agency. It started to be offered in October 2003, and the Company had offered approximately 970,000 loans by the end of 2017. Among these, [Flat 35 (guaranteed type)] is a kind of product in which Japan Housing Finance Agency provides insurance for housing loans provided by private financial institutions, and Japan Housing Finance Agency pays insurance claims to the private financial institutions in the event of an insurable event, such as when the debtor of the housing loan fails to complete the repayment by the due date or when the debtor loses the benefit of time. Japan Housing Finance Agency guarantees the payment of principal and interest on time with regard to the payment of obligations regarding Green RMBS.

2. Summary of [Flat 35] S

(1) [Flat 35] S

Among [Flat 35] (including [Flat 35 (guaranteed type)]), [Flat 35] S is an excellent housing acquisition support system to those who acquire houses with superior energy conservation and earthquake resistance for a certain period of time. [Flat 35] S is a product offered since June 2005, which lowers the interest rate for a certain period of time. The interest rate for the first 10 years in the A Plan and for the first 5 years in the B Plan shall be lowered. Funds procured from Green RMBS shall be used for acquiring housing loan receivables for new and used houses that meet the technical standards for energy conservation, insulation, durability, etc. listed in the following table among [Flat 35 (guaranteed type)].

<Technical Standards for Environmental Performance of [Flat 35] S Subject to Green Eligibility by ARUHI>

(Properties for which applications for design inspections have been accepted since January 1, 2021)

| Classification of [Flat 35]S | Technical standard | Relevant situation | |
|---------------------------------------|---|----------------------------------|--|
| | | Primary energy consumption grade | Performance class such as thermal insulation |
| Interest rate A plan Energy saving | Certified low carbon housing | 5 | 4 |
| | Housing with Primary Energy Consumption Grade 5 | 5 | - |

| | | | |
|--|---|-----------|---|
| | Performance Improvement Plan Certified Housing | 5 | 4 |
| Interest rate B Plan Energy saving | Housing with insulation performance grade 4 and Houses with primary energy consumption grade 4 or higher (The technical standard, which was changed this time) | 4 or more | 4 |
| Interest rate A plan (Durability and Variability) | Long-term excellent housing | - | 4 |

(i) [Flat 35] S Interest Rate A Plan (Energy Conservation)

- Certified low carbon housing

Houses for which plans for new construction of low-carbon buildings are approved pursuant to the provisions of the Act on Promote of Low-Carbon Cities (hereinafter referred to as the "Eco-Community Act") or housing for which intensive urban development plan plans are approved pursuant to the provisions of the Act. For condominium buildings, etc., the loan is limited to the case where the loaned housing is approved.

Certification standards for certified low-carbon houses are to meet both "standards to be derived for further promoting the rational use of energy in buildings" and "other standards to be derived for promoting the low-carbon use of buildings". The former standard satisfies both the induction criterion for reduced energy consumption performance prescribed in the Act on Energy Consumption Performance Improvement of Buildings (hereinafter referred to as the "Building Energy Conservation Act") and the thermal performance criterion prescribed in the Building Energy Conservation Act (about the same level as the primary energy consumption grade 5) and the thermal performance criterion prescribed in the Building Energy Conservation Act (about the same level as the thermal insulation grade 4).

- Housing with Primary Energy Consumption Grade 5

Housing that meets the standards of Primary Energy Consumption Grade 5 in the evaluation method criteria.

- Performance Improvement Plan Certified Housing

The term "housing" means a housing (limited to a housing whose completion date is on or after April 1, 2016) for which an reduced energy consumption performance improvement plan for buildings has been approved pursuant to the provisions of the Act on Energy Consumption Performance Improvement of Buildings (hereinafter referred to as the "Building Energy Conservation Act"). For condominium buildings, etc., the loan is limited to the case where the loaned housing is approved.

The certification criteria for the Performance Improvement Plan Certified Housing are to meet the criteria to be derived for further promote of the improvement of the reduced energy consumption performance of buildings. This standard satisfies both the induction standard for reduced energy

consumption performance stipulated in the Building Energy Conservation Law (the same level as the primary energy consumption grade 5) and the thermal performance standard stipulated in the Building Energy Conservation Law (the same level as the thermal insulation performance grade 4).

(ii) [Flat 35] S Interest Rate B Plan (Energy Conservation) (**The technical standard, which was changed this time**)

Housing with insulation performance grade 4 **and** Houses with primary energy consumption grade 4 or higher

(Properties for which applications for design inspections have been accepted until December 31, 2020)

Housing with insulation performance grade 4 **or** Houses with primary energy consumption grade 4 or higher

- Housing with insulation performance grade 4

Housing that meets the criteria for performance class 4, such as thermal insulation, among the criteria for evaluation methods.

- Houses with primary energy consumption grade 4 or higher

- Primary Energy Consumption Level 4 or Level 5 Housing

Housing that meets the standards for primary energy consumption grade 4 or equivalent grade 5 in the evaluation method criteria.

- Performance Improvement Plan Certified Housing (Housing with completion date before March 31, 2016)

The term "housing" refers to a housing (limited to a housing whose completion date is prior to March 31, 2016) that has been certified as a plan to improve the reduced energy consumption performance of the building pursuant to the provisions of the Building Energy Conservation Act. For condominium buildings, etc., the loan is limited to the case where the loaned housing is approved.

- Housing that conforms to the reduced energy consumption performance standards for buildings

Housing that is certified to conform to the Building Reduced energy consumption Performance Standard under the Building Energy Conservation Law.

(iii) [Flat 35] S Interest Rate A Plan (durability and variability)

- Long-term excellent housing

This is a housing for which a long-term excellent housing construction plan is approved pursuant to the provisions of the Law on Promote of Popularization of Long-term Excellent Housing (Act No. 87 of 2008). Among the certification standards for long-term excellent houses, there is a standard concerning energy saving that "conforms to the performance class 4 of thermal insulation, etc."

(2) Environmental improvement effect of the Green Eligible Assets

The primary energy consumption grades and insulation performance grades are the basis for the establishment of the technical standards for [Flat 35] S. The primary energy consumption grades are the standards specified in the fifth 5-2 Primary Energy Consumption Grades of the Evaluation Method Standard (hereinafter referred to as the "Evaluation Method Standard") based on the Act on Promote of Quality Assurance, etc. of Housing. The primary energy consumption grades are evaluated by considering the energy efficiency of equipment including heating, cooling, hot water supply, lighting, etc.

and the utilization of renewable energy, while considering the skin performance such as heat insulation performance. In the evaluation method standard, the following grades are set.

< Primary energy consumption grades >

| Grade | Measures being taken |
|-------|--|
| 5 | Measures have been taken to further reduce primary energy consumption in design. |
| 4 | Measures have been taken to greatly reduce primary energy consumption in design. |
| 1 | — |

Among the above evaluation method standards, the houses whose grade is 4 are considered to have an environmental improvement effect because the primary energy consumption (design primary energy consumption), such as heating and air conditioning, ventilation, hot water supply, and light, of the houses to be evaluated, does not exceed the standard primary energy consumption. In addition, the standard primary energy consumption calculation referred to in the evaluation of Grade 5 is 10% lower than that of grade 4. From these results, JCR considers that houses with grade 5 are highly energy conservation.

The thermal insulation performance grade is a standard specified in the 5-1 thermal insulation performance grade of Evaluation Method Standard 5. This standard is for realizing a higher level of thermal insulation than before by wrapping a house with a thermal insulation material or the like. In the evaluation method standard, the following grades are set.

<Insulating performance grade>

| Grade | Measures being taken |
|-------|---|
| 4 | Measures are taken to reduce heat loss, etc. to a large extent. Measures to substantially reduce heat loss, etc. shall be taken (to the extent equivalent to the Building Energy Consumption Performance Standard prescribed in the Ordinance of the Ministry of Economy, Trade and Industry and Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism (No. 1, 2016)) to substantially reduce heat loss, etc. |
| 3 | Measures are taken to reduce heat loss, etc. to a certain extent. |
| 2 | Measures are taken to reduce heat loss to a small extent. |
| 1 | — |

The insulation performance grade 4 requires that the average heat transfer rate of the outer skins (the average amount of heat that escapes to the outside by passing through floors, outer walls, roofs, and openings, etc. from the inside of the house, divided by the total area of the outer skins of the house, such as roofs (or ceilings), walls, floors, and windows) and the average heat acquisition rate in the cooling period (the value obtained by dividing the amount of sunlight acquired by the total area of the outer skins of the house, such as roofs (or ceilings), walls, floors, and windows) fall below the standard values set for each region in the revised energy conservation standards. This standard value is stipulated in the ministerial ordinance (Ordinance of the Ministry of Economy, Trade and Industry and Ordinance of the Ministry of Land, Infrastructure and Transport No. 1 of 2016) which stipulates the building energy consumption performance standard. Buildings satisfying the above Building Energy Consumption Performance Standards of the Ministerial Decree must meet the following two requirements: the insulation performance grade 4 and the primary energy consumption grade 4 or higher (the amount of primary energy consumed in design is less than the standard primary energy consumption).

The high thermal insulation performance indicates that the outer skin performance of the body is good, which leads to a decrease in primary energy consumption through a decrease in the frequency of use of air conditioning, and thus the above two standards are considered to be inseparable.

Therefore, it is considered to have almost the same performance as the properties of Primary Energy Consumption Grade 4 described above.

As mentioned above, any of the standard satisfies the performance of primary energy consumption grade 4 (measures are taken to reduce primary energy consumed in design substantially) or higher or insulation performance grade 4 (measures are taken to reduce heat loss, etc. substantially). Therefore, houses, which satisfy these standards are considered to be taken the measures for energy conservation. Apart from this, houses under Green RMBS go through property inspections performed by inspection agencies contracted by Japan Housing Finance Agency (designated inspection agencies based on the Building Standards Act or registered housing performance assessment agencies based on the laws relating to promoting securing housing quality, and are confirmed that they conform to the standards.

Based on the above, JCR has evaluated that the use of proceeds of Green RMBS still has environmental improvement effects under the revised standards.

ii. Projects subject to use of proceeds are green projects as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines and fall under the category of "Energy Efficiency."

b. Negative impacts on the environment

Negative effects on the circumstance include noise, vibration, and waste generated during construction work regarding the housing loan receivables which are the underlying assets of Green RMBS. However, housing is constructed in accordance with various laws and regulations such as the Noise Control Law, the Vibration Control Law, and the Waste Disposal Law. JCR considers that appropriate environmental consideration is given.

c. Consistency with SDGs

The project is a green project defined in the Green Bond Principles, the Green Loan Principles, or the Ministry of the Environment's Green Bond Guidelines that is classified as "Energy Efficiency." JCR evaluated the project as contributing to the following SDGs objectives and targets, while referring to ICMA's SDGs mappings.



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

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.



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

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste

management.

- (2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

JCR evaluates the appropriateness of the selection criteria and processes described in this framework as appropriate at the time of the initial evaluation. JCR confirms that there are no changes in this revised framework. JCR also evaluated that the transparency also be secured because disclosure will be done in the evaluation report.

- (3) Appropriateness and Transparency of management of the proceeds

JCR evaluates the management of proceeds described in this framework as appropriate at the time of the initial evaluation. JCR confirms that there are no changes in this revised framework. JCR also evaluated that the transparency also be secured because disclosure will be done in the previous evaluation report.

- (4) Reporting

a. Proceeds Allocation Status Reporting

JCR evaluates the reporting of the Proceeds allocation status in the framework as appropriate at the time of the previous evaluation. JCR confirms that there are no changes to the revised framework. And JCR confirmed that any changes in the green RMBS are disclosed on the ARUHI's website.

a Reporting on environmental improvement effects

JCR evaluates the reporting of environmental improvement effects described in this framework as appropriate at the time of the previous evaluation. In January 2021, ARUHI disclosed the number and amount of mortgage loans on its website as a summary of backing assets related to green RMBS.

- (5) Organization's environmental activities

In 2004, the Company began handling the [Flat 35] of the Japan Housing Finance Agency. In FY2019, it held the largest share, including refinancing, for the tenth consecutive year from FY2010 to FY2019. It offers products with a line-up suited to interest rate plans, loan ratios, and other factors, and offers services that meet a wide range of customers' needs such as "ARUHI Super Flat" utilizing [Flat 35] (guaranteed type).. Among them, [Flat 35] S, which is subject of use of the proceeds, covers houses with better environmental performance than ordinary houses such as energy conservation, durability, and variability as described above, and it aims to contribute to the dissemination of better-quality houses through the provision of such products. In addition, it is actively engaging in the implementation of loans for used houses, and in recent years the amount of loan disbursements has been on the rise. By providing loans to used houses, it intends to promote the continuation of better houses for a longer period, thereby contributing to the establishment of a sound material-cycle society.

In addition to financial products such as [Flat 35], the Company also uses data accumulated through [Flat 35] Screening to provide information and preliminary examination services such as "Search by ARUHI" using a special app for customers who are considering purchasing housing. It also offers "ARUHI Living Services," a

service that supports new lifestyles, to customers who have purchased houses. With a focus on loans from [Flat 35] S, it aims to realize a society that is resilient to changes in environmental and social conditions and that enables many people to continue to live with peace of mind, as a "Lifestyle Production Company" that provides services tailored to their life stages in a one-to-one manner.

The Company established ESG Task Force led by the chief executive at the end of 2018. This is an organization with an advisory position in which discussions are held on medium-to long-term sustainability initiatives. Members are led by CEO, CFO, the General Affairs Department, the IR Office, and the Corporate Communications Department. A wide range of internal human resources, from management to regular employees, exchange opinions on ESG in light of their own company's status, and serve as a forum for efforts that contribute to company-wide sustainability. To date, a wide range of discussions have been held in ESG Task Force, including those on social aspects, as well as contributions to local communities sponsored by it and the implementation of Green RMBS for diverse human resources. In particular, the "City that is truly easy to live in Grand Prize" is published by it for each of major regions as a result of the collection of information obtained through its examination services from the viewpoint of convenience for people living in the town. In some cases, towns selected as "City that is truly easy to live in" were used to revitalize the town through the improvement of the image of the region, and is also used as part of its regional and social contributions.

Implementation of Green RMBS is reviewed at the internal ESG Task Force, and policies and processes are discussed and determined by the management, including members of the ESG Task Force. In addition, in Green RMBS implementation process, external inspection agencies and assessment agencies are used to evaluate whether housing target to home loan receivables meets the standards for Energy conservation of [Flat 35] S.

JCR evaluates that management identifies environmental issues as a high priority and is involved in selecting green finance procurement policies and processes and green projects.

4. Conclusion

As a result of verifying the matters described in the previous section, JCR confirmed that the content of the framework, including the revised part, is expected to have an environmental improvement effect in the green project. JCR also evaluated that the framework meets the criteria for items required in the Green Bond Principles, the Green Loan Principles, and the Green Bond Guidelines by the Ministry of the Environment,

[JCR Green Finance 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 |

■ Scope of Subject

Issuer: ARUHI Corporation (Security Code: 7198)

[Review]

| Subject | Evaluation |
|-------------------------------|---|
| ARUHI Green Finance Framework | JCR Green Finance Framework Evaluation : Green 1 (F) Greenness Evaluation :g1(F) Management, Operation and Transparency Evaluation :m1(F) |

Analysts in charge of this evaluation: Rieko Kikuchi and Kosuke Kajiwara

Important explanation regarding the evaluation of the Green Finance Framework

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

JCR Green Finance Framework evaluation, which is granted and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses the overall opinion of JCR 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, management and operation systems, and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event that 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. In addition, the JCR Green Finance Framework evaluation does not demonstrate the environmental improvement effects of individual bonds or borrows implemented under this framework, and does not assume responsibility for environmental improvement effects. In principle, JCR does not directly measure the environmental improvement effects of funds procured under the Green Finance Framework, although JCR confirms the quantitative and qualitative measures by the issuer or a third party requested by the issuer.

2. Method used to perform 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

The act of granting and providing an evaluation of JCR Green Finance Framework is conducted by JCR as a related business and differs from the act related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not commit to provide or make available for inspection a pre-determined credit rating.

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

There are no capital or personnel relationships that may result in a conflict of interest between the evaluation parties and JCR.

■ Matters of Attention

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■ Glossary

JCR Green Finance Framework Evaluation: 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 managed. Evaluations are performed on a 5-point scale, from the top to the top 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 (registration as an observer with the Institute of International Capital Markets)
- Climate Bonds Initiative Approved Verifier
- UNEP FI Positive Impact Finance WG member

■ Other status of registration as a credit rating agency, etc.

- Credit Rating Agency Commissioner (Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR is registered in the following 4 classes of 5 credit rating classes (as defined by the NRSRO(Nationally Recognized Statistical Rating Organization of the U.S. Securities and Exchange Commission): (1) Financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations, and (4) governments and municipalities. If we are subject to disclosures under Rule 17g-7(a) of the U.S. Securities and Exchange Commission, such disclosures are attached to news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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