

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

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

JCR Assigns Green 1 (F) to ARUHI Green Finance Framework of ARUHI Corporation

Subject : ARUHI Green Finance Framework of ARUHI Corporation

Green Finance Framework Evaluation Results

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

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.

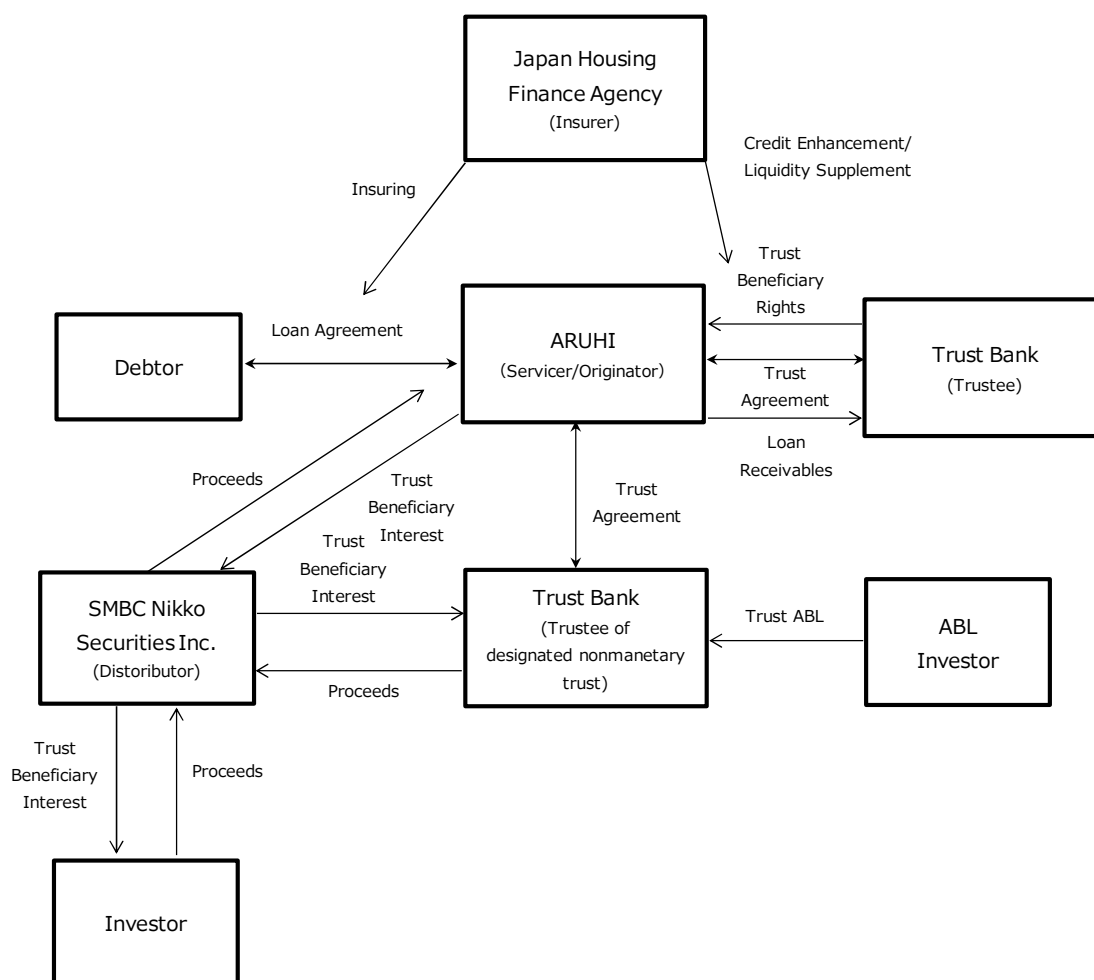
Under the slogan of "Lifestyle Production Company," ARUHI provides a variety of products and services, mainly housing loans, with the aim of creating a society where many people can continue to live with peace of mind while residing strongly against changes in the environment and social conditions.

The subject to be evaluated is 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 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.¹²³

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

¹ ICMA(International Capital Market Association) Green Bond Principles, 2008 Edition <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

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/>

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.

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.

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluation

Evaluation Phase 1: Greenness Evaluation

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

(1) JCR's Key Consideration in This Factor

In this section JCR initially checks whether the use of proceeds set out in the Framework is applied to green projects that have clear environmental improvement effects. Next, in cases where negative environmental impacts are anticipated, supervisors shall examine whether or not the necessary avoidance measures and mitigation measures have been taken through a thorough examination of the impacts by internal expert departments or external third-party organizations. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

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

<The Framework for Use of Proceeds>

The underlying assets of Green RMBS shall be loans for new and used houses that satisfy the standards for energy conservation of [Flat 35] S among the housing loan receivables executed by the Company as the originator ([Flat 35 (guaranteed type)]). Specifically, they shall be the housing loan receivables (green eligible assets) that satisfy the criteria for the Interest Rate A Plan (Energy conservation, Durability, and Variability) and Interest Rate B Plan (Energy Conservation) for new houses and the Interest Rate A Plan (Energy Conservation, Durability and Variability) for used houses respectively. Note, however, that the funds procured by the Trust Beneficiary Interests or Trust ABL shall be appropriated in full to the acquisition of Green Eligible Assets.

<JCR's Evaluation for the Framework>

a. Environmental Improvement Effects of Projects

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>

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	-	4
	Houses with primary energy consumption grade 4 or higher	4 or more	-
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)

- 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 is required 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. Since having good insulation performance leads to a decrease in primary energy consumption, the ministerial ordinance prescribing the building energy consumption performance standards, etc. requires that the design primary energy consumption does not exceed the standard primary energy consumption. Therefore, JCR considers that the insulation performance grade 4 has the same performance as the above-mentioned property of primary energy consumption grade 4.

As described above, all of the technical standards satisfy the primary energy consumption grade 4 or higher (measures to significantly reduce the design primary energy consumption) or the insulation performance grade 4 (measures to significantly reduce the heat loss are taken). For this reason, JCR considers that energy conservation measures are being taken for housing that meets these technical standards. In addition, all housing which are subject to the use of proceeds for Green RMBS are subject to property inspections by inspection agencies that have agreements with the Japan Housing Finance Agency (the "Designated confirmation and inspection body" based on the Building Standards Law or the "Registration Housing Performance Evaluation Organization" based on the Housing Quality Assurance Law), and it has been confirmed that such housing conforms to the standards.

From the above, JCR evaluates the use of proceeds of Green RMBS has environmental improvement effects.

- 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 conservation".**

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 conservation." JCR evaluated the project as contributing to the following SDGs objectives and targets, while referring to ICMA's SDGs mappings.



Objective 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.



Objective 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.



Objective 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.

Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on the current situation described below, JCR evaluated that the management and operation had been well developed, that transparency is very high.

It is fully expected that the project would be implemented as planned and that the proceeds would be adequately allocated.

In Phase 2, JCR evaluated "m1 (F)" as the highest level in terms of management, operation and transparency.

1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

(1) JCR's Key Consideration in This Factor

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

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

a. Goals

<The Framework for Goals>

We commit to contributing to the realization of a recycling-based society that will continue to use good products for a long period of time through the housing loan business. Through the compilation of Green RMBS, the objective is to contribute to the dissemination of new and used houses that are highly Energy conservation, thereby reducing CO₂ emissions.

Criteria for energy conservation in [Flat 35] S are adopted as criteria for determining whether the underlying assets contribute to the above objectives.

<JCR's Evaluation for the Framework>

The Company is the largest financial institution specializing in housing loans, and has been handling [Flat 35] Since 2004. Specifically, [Flat 35] S is a loan provided for low-environmental-impact housing that meets the standards set by the Japan Housing Finance Agency with regard to insulation and energy efficiency. By providing [Flat 35] S to customers, it contributes to the diffusion of houses that improve the environment.

In addition, offering [Flat 35] for used houses have been expanding year by year, and the Company also strives to contribute to a sound material-cycle society by continuing to use good houses for a long time.

The subject to the use of proceeds is [Flat 35] S among [Flat 35] (guaranteed type), which is provided for new or used housings that meet certain standards regarding energy conservation, durability and variability. Therefore, the promotion of Green RMBS stipulated in the Framework leads to the promotion of contributions to recycling-oriented societies and the dissemination of highly energy conservation housing, which are the objectives of the Company. Therefore, JCR evaluates that promoting Green RMBS is consistent with the target of the Framework.

b. Selection criteria

The standards for selecting the "green eligible assets" in the Framework are as described in Evaluation Phase 1. JCR evaluates them as projects with high environmental improvement effect on the selection standard of the Company.

c. Process

<The Framework for Processes>

(Project Selection Process)

(a) Processes leading to selection of underlying assets meeting the standards in [Flat 35] S

Green RMBS is organized by the Finance and Accounting Department under the ESG Task Force, which is responsible for promoting environmental and ESG-related initiatives led by the CEOs, and ultimately after discussions at the Board of Directors' meetings.

(b) Process of environmental performance assessment of individual housing in [Flat 35] S

The designated confirmation and inspection body under the Building Standards Law or the registration housing performance evaluation organization under the Housing Quality Assurance Law has conducted property inspections to verify that individual housing meets Energy conservation standards.

(c) Process for selecting underlying assets within the Company

The Treasury Department in the Company selects and extracts from mortgage receivables claims that satisfy the requirements of the Energy conservation standards and uses them as backing assets.

<JCR's Evaluation for the Framework>

Arranging Green RMBS stipulated in the Framework is planned by the person in charge in the Finance Department and decided by the Board of Directors. Implementation of Green RMBS as an individual product is decided by internal approval request with the CFO as the final approver. The formulation of Green RMBS is undertaken after prior consultation with the ESG Task Force, an advisory body to promote ESG-related efforts. The loan pool which meets the standards of [Flat 35] S among [Flat 35] (guaranteed type), which supports Green RMBS, shall be selected by the person in charge in the Finance Department together with the person who is in charge of preparing the transfer-related data. The selection criteria are set forth in detail in the trust agreements and other RMBS related agreements. From this, JCR evaluates that the selection process of the Company is appropriate.

In addition, the designated confirmation and inspection body based on the Building Standard Law or the registration housing performance evaluation organization based on the Housing Quality Assurance Law inspects and confirms whether the assets subject to [Flat 35] S conform to the standards of energy conservation, durability and variability. Both organizations are based on laws and regulations, and JCR evaluates that inspection and evaluation activities will be conducted appropriately.

The objectives, selection criteria and selection processes set forth in the Framework are described in this evaluation report and will be published on the Company's press releases and on its website. Therefore, JCR evaluates that transparency to investors is ensured.

2. Appropriateness and Transparency of management of the proceeds

(1) JCR's Key Consideration in This Factor

The management method of procured funds is usually expected to vary from issuer to issuer. Confirm whether the funds procured through green finance are appropriated to green projects without fail, and whether a mechanism and internal system are in place to easily track and manage the appropriation.

It also places importance on whether the funds procured through the Green Bond are expected to be appropriated for the Green Project as soon as possible, and on the evaluation of the management and management method of unallocated funds.

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

<The Framework Fund Management>

(1) Appropriation Plans for Procurement Funds Pertaining to Green RMBS

The proceeds of the issuance of the RMBS shall be applied promptly to the acquisition of the underlying green eligible assets. For this reason, no unallocated funds will be generated at the beginning.

(2) Managing Procurement Funds Pertaining to Green RMBS

All of the assets supported by Green RMBS are Green Qualified Assets, and it is provided in the Trust Agreement that the contractual collection of Green Qualified Assets and early collection of Green Qualified Assets shall be reflected through the redemption of principal of the corresponding RMBS. Therefore, no unallocated funds are generated and no special fund management is required for the balance of Green RMBS.

The outstanding balance of the RMBS during the securitization period and the balance of the green eligible assets as supporting assets are monitored monthly by the trust bank system and appropriately managed.

<JCR's Evaluation for the Framework>

The subject to the use of proceeds is [Flat 35] S among [Flat 35] (guaranteed type), which is provided for new or used housings that meet certain standards regarding energy conservation, durability and variability. The proceeds of Green RMBS shall be allocated promptly in full to acquire the loan pool which are the underlying assets by the trust bank as the trustee, and shall not be allocated for any other purposes. In addition, the purpose of using proceeds is clearly stipulated in the trust contract and other various agreements, so tracking management is not necessary.

The cash management of Green RMBS and the underlying assets during the period until the Green RMBS is redeemed is undertaken by the trustee bank. Repayments from the customers shall be applied monthly to the payment of dividends and the redemption of principal of the Trust Beneficial Interests in the manner set forth in the contracts. JCR confirms by contracts that in the case that the balance of the loan pool, which is the underlying assets, may decrease due to repayments from customers, the balance of green RMBS also decreases.

Transactions regarding the procurement of funds from investors through Green RMBS (transfer of the Trust Beneficiary Rights or implementation of Trust ABL backed by them) for acquiring the loan pool of the underlying assets are clearly stipulated in the agreements. Therefore, as long as the business is carried out in accordance with the agreement, the control is considered to be ensured.

In addition, no unallocated funds will be generated as funds from investors through Green RMBS will be paid to the Company through the underwriter on the date of transfer of the Trust Beneficiary Interests and execution

of the Trust ABL. Therefore, it is not necessary to determine how to manage unallocated funds. When the underlying assets are repaid in advance, Green RMBS is also to be repaid in accordance with the water fall stipulated in the trust agreement, therefore JCR considers that there is no need for re-allocation.

Based on the foregoing, JCR evaluates fund management as appropriate and transparent.

3. Reporting

(1) JCR's Key Consideration in This Factor

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

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

<The Framework for Reporting>

(1) Reporting on Fund Appropriation

Since no special fund management is required, no report will be made regarding fund appropriation. However, in the event of a significant change in the fund management, a report on the situation and the response shall be made on the web page.

(2) Reporting on Environmental Improvement Effects

The environmental improvement effects of the projects are verified to satisfy the technical standards for energy conservation based on laws and regulations. Depending on the achievement of each technical standard,

- [Flat 35] S Interest Rate A Plan (Energy conservation)
- [Flat 35] S Interest Rate B Plan (Energy conservation)
- [Flat 35] S Interest Rate A Plan (Durability and Variability)

Three categories of mortgages are set, and the number and amount of mortgages associated with this Green RMBS will be disclosed annually on the web page

<JCR's Evaluation for the Framework>

a. Reporting on Fund Appropriation

As described above, the proceeds of Green RMBS is considered to be used in full to acquire the loan pool which is consisted of [Flat 35] S among [Flat 35] (guaranteed type), the underlying asset, and therefore no interim reporting for the unallocated funds is expected. It is assumed that no unallocated funds will be generated during the term. However, in the event of any change in Green RMBS, the Company plans to disclose appropriate information on its website.

b. Reporting on Environmental Improvement Effects

The Company plans to disclose the number and amount of mortgages on its website as a summary of the underlying assets for Green RMBS. As described in Phase 1 of this evaluation report, it is obvious that the [Flat 35] S which are subject to the use of proceeds is targeted at low-environmental-burden housing, and in addition, the number of the loans is obvious. Therefore, JCR considers that the Company's impact reporting is appropriate as an indicator of the environmental improvement effects of RMBS. JCR confirmed that both the fund appropriation and reporting on environmental improvement effects will be appropriately disclosed to investors, etc.

4. Organization's Environmental Initiatives

(1) JCR's Key Consideration in This Factor

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

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

In 2004, the Company began handling the [Flat 35] of the Japan Housing Finance Agency. In FY2018, it held the largest share, including refinancing, for the ninth consecutive year from FY2010 to FY2018. 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.

■ Evaluation Results

Based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1 (F)" for the "Greenness Evaluation (Uses of Proceeds)" and "m1 (F)" for the "Management, Operation, and Transparency Evaluation." As a result, JCR assigns "Green 1 (F)" for the "JCR Green Finance Framework Evaluation" to the Framework. The framework meets the standards for the items required in the Green Bond Principles, the Green Bond Guidelines, and the Green Loan Principles.

[Evaluation of JCR Green Finance Framework Matrices]

		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 Evaluation

Issuer: ARUHI Corporation (Security Code: 7198)

[Assignment]

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)

(Responsible analysts for 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 Evaluation 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)

■ 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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