

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

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

JCR Assigned Green 1(F) to the Green Bond Framework of Japan Freight Railway Company

Issuer : Japan Freight Railway Company
Subject : Japan Freight Railway Company Green Bond Framework

<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: Overview of Evaluations

Japan Freight Railway Company (JR Freight) is a special company established to centrally manage and operate the freight railway business which had been handled by Japan National Railway Company (JNR) under the Act on Passenger Railway Company and Japan Freight Railway Company (JR Company Act). In April 1987, when the JNR was divided and privatized, it was decided that the freight sector would be separate from the passenger sector and become an independent entity capable of nationwide unified business operations, in light of the clarification of management responsibilities based on the assumption of its own solid management of revenues and expenditures, and the facilitation of freight transportation, which tends to be disproportionate between long-haul outward and return route routes. JR Freight's shares are held entirely by the Japan Railway Construction, Transport and Technology Agency.

JR Freight operates a wide range of businesses nationwide, including the operation and management of complex logistics facilities on the premises of freight stations, centered on freight railway transportation, and the real estate business, centered on the leasing of office buildings and commercial facilities. The operating kilometer of freight rail transportation is 7,954Km, and it has an overwhelming domestic transportation network. Of these, the Class I railway business section in which it owns routes is limited to 35Km, and the remaining section is operated as a Class II railway operator using routes owned by each JR passenger company and railway by joint public-private sector funding company.

In January 2021, the JR Freight Group established the "JR Freight Group Long-Term Vision 2030" and established a policy of "contributing to enhancing social value by providing optimal solutions as a comprehensive logistics corporate group centered on railways." The policy states that the JR Freight Group can contribute to the formation of a sustainable society by providing society with four values: "improvement of logistics productivity," "safe and secure logistics

services," "realization of a green society," and "revitalization of local communities." Among them, "realization of a green society" is described as "contributing to realization of green society including carbon neutral by 2050" by advancing business management considering the environment, while making use of the excellent environmental characteristics of freight railway." In addition, under the Long-Term Vision 2030, it specifically promotes the initiatives related to the above four values and "realization of employee job satisfaction."

In addition, the JR Freight Group has set up a cross-organizational project team headed by the president, the Carbon Neutral Community Contribution Promotion Project, to contribute to the Japanese government's goal of reducing carbon neutrality by 2050 and CO₂ by 46% by 2030, and to further strengthen the environmental superiority of freight rail transportation and increase corporate value, and has announced that it will promote business operations that take the global environment into consideration. JCR has confirmed that, going forward, JR Freight Group is planning to make efforts to strengthen carbon neutral initiatives, disseminate them to the outside, contribute to railway user companies, and contribute to the community through carbon neutral initiatives, etc.

The scope of this evaluation is the Green Bond Framework (this framework), which designates projects on "clean transportation" and "green building" as eligible projects among the initiatives contributing to ESG initiatives set by JR Freight in the targets and business plans under the Group Long-Term Vision 2030.

JCR evaluates that the eligibility criteria set by JR Freight in this framework include projects that contribute to modal shift efforts being undertaken by JR Freight for "clean transportation" and projects for "green building" that are aimed at "realization of a green society" as set forth by JR Freight in the Group Long-Term Vision 2030. JCR also values that the project selection process, the fund management system, and the post-issuance reporting system have been properly established and are highly transparent.

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 for the items required in the "Green Bond Principles¹" and the "Green Bond Guidelines²" by the Ministry of the Environment.

¹ Green Bond Principles 2021
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

² Green Bond Guidelines 2020
[https://www.env.go.jp/press/files/jp/113511.pdf\(pp.14-47\)](https://www.env.go.jp/press/files/jp/113511.pdf(pp.14-47))

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 first confirms whether the proceeds set out in this framework is used for green projects that have a clear environmental improvement effect. Next, in cases where the use of proceeds is expected to have a negative impact on the environment, JCR confirms that the impact is examined sufficiently by an internal specialist department or an external third party and whether necessary measures for avoidance and mitigation have been taken. Finally, JCR confirms the alignment with the Sustainable Development Goals (SDGs).

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

Outline of Use of Proceeds

a. Environmental Improvement Effects of the Project

<Green Bond Framework for Use of Proceeds>

JR Freight has defined the following uses of proceeds related to green bonds in this framework. The proceeds of the Green Bond are expected to be used to fund new investments and refinance existing equipment for eligible projects described below. In the case of refinancing of existing facilities, projects that have started within two years of the issuance of green bonds or environmental performance has been confirmed are eligible.

(Eligibility Criteria in the JR Freight's Green Bond Framework)

Eligible category	Eligible project	Project Examples
Clean Transportation	Investment in the construction and acquisition of facilities contributing to the transportation of freight railways	- Tokyo Rail Gate EAST and other logistics facilities directly connected to cargo terminals - Renovation and new construction of freight stations - Other facilities related to freight railway transportation
	Investment related to update and new production of electric locomotives and freight trains	- Electric locomotives, freight trains, etc.
	Investment in renewal and new production of freight rolling stocks and containers, etc.	- New container rolling stocks, next-generation low-floor container rolling stocks, constant-temperature transport container rolling stocks, etc.
	Investment for renewal and new production of transportation-related equipment, etc.	- Replacement of transportation-related equipment such as railroad tie and railroad switch

		<ul style="list-style-type: none"> - Replacement and upgrade of obsolete equipment - Switch to LED lights on the premises of freight stations - Development of infrastructure used for switching work on the premises of freight stations (hybrid diesel locomotives, etc.) - Other facilities that support freight rail transportation
	Investment in renewal and new production of operating systems	- Renewal of systems related to the operation of freight railway transportation, etc.
Green Building	<p>Investment related to the construction and acquisition of green buildings, for which one of the following environmental certifications has been acquired or is scheduled to be acquired</p> <ul style="list-style-type: none"> - rank S, rank A, or rank B in CASBEE certification - 5-stars, 4-stars or 3-stars in DBJ Green Building certification - 5-stars, 4-stars or 3-stars in BELS certification 	- Real estate, etc., including Tokyo Rail Gate EAST, for which one of the environmental certifications listed on the left has been acquired or is expected to be acquired

<JCR's Evaluation of the Framework>

Eligible Category 1: Clean Transportation

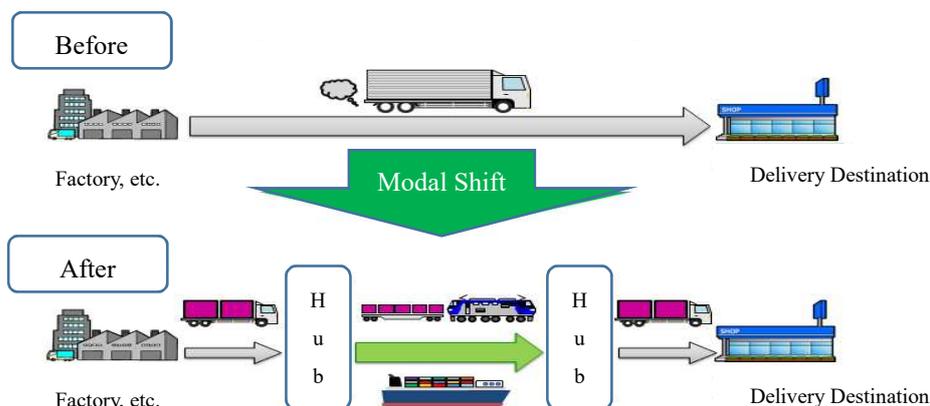
The eligible projects listed in Eligible Category 1 are new investments in projects contributing to the promotion of modal shift being pursued by JR Freight and refinancing of existing facilities, which fall under the category of "clean transportation," and are expected to have a high environmental improvement effect.

Regarding "clean transportation", JR Freight aims at modal shift of means of transportation to railways by utilizing features of railways such as massiveness, punctuality, and environmental-friendliness. "Modal Shift" refers to the conversion of freight transportation by trucks and other vehicles to the use of railways and vessels with minimal environmental load, as defined by the Ministry of Land, Infrastructure, Transport and Tourism.

In the report of the Transportation Policy Council in 1981 after the Second Oil Crisis, the Japanese Government used the term "Modal Shift" to curb petroleum consumption. Beginning with this term, the Japanese Government presented numerical targets for the modal shift rate up to 2010 in the Joint Council on Domestic Measures to Address Global Warming in 1997 and the Comprehensive Logistics Policy Outline in 2001. Under the revision of the Act on Comprehensive Logistics Efficiency in 2016, the government is supporting the promotion of modal shift, including the provision of support for projects that contribute to the reduction of environmental load and

labor saving by integrating and streamlining distribution operations in cooperation with two or more logistics companies.

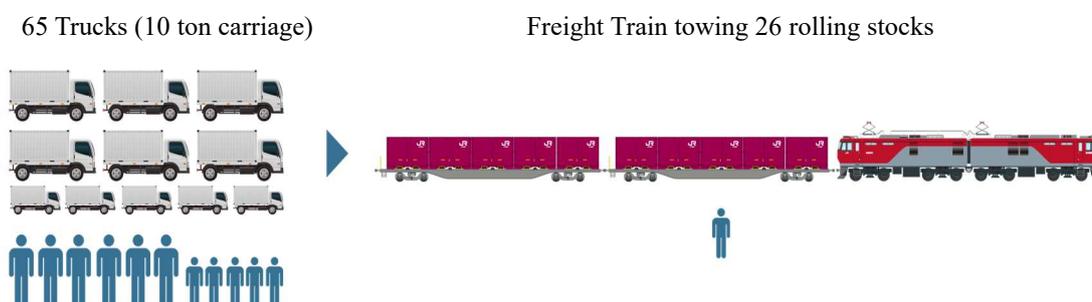
(Chart 1: About Modal Shift)



(Source: MLIT web page, (JCR translation))

As mentioned above, it is possible to transport large volumes of freight in medium and long distance at once (massiveness) in freight railway transportation. JR Freight can operate freight trains towing up to 26 cars, which are equivalent to 65 10-ton truck cars. In addition to realizing mass transportation of cargo in this way, it is also possible to contribute to solving the lack of long-distance truck drivers, which has become a problem in recent years.

(Chart 2: Comparison of Freight Train and Truck Transportation Volumes)

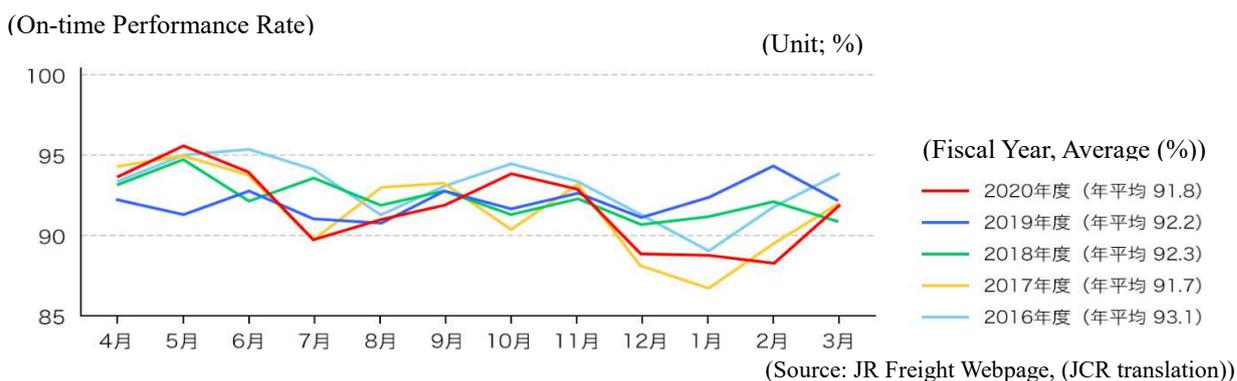


Freight Train can deliver up to 650 tonnage (65 trucks with 10 ton carriage equivalent), which can reduce fuel consumption from Truck and contribute to energy efficiency. Moreover, it will be able to adapt driver shortage of Truck which is predicted to occur in the near future.

(Source: JR Freight Webpage (JCR translation))

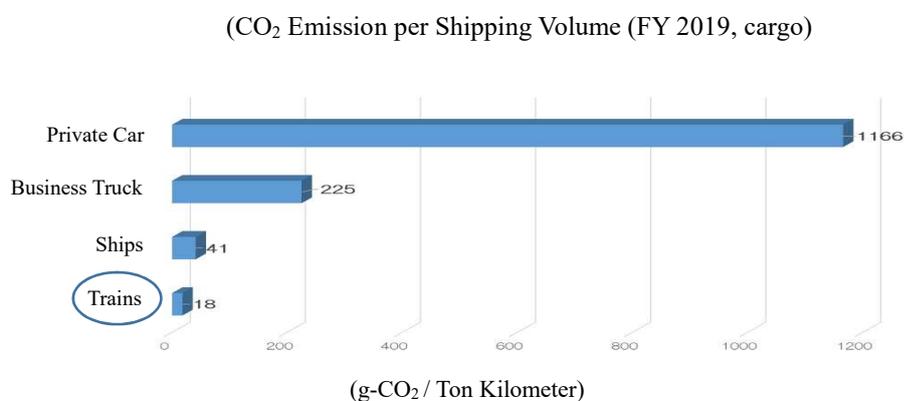
In addition, in terms of punctuality, which is a characteristic of railways, the on-time performance rate exceeds 90% on average annually. For railways, there is a risk that railway lines will be damaged and infrastructure disrupted due to the severity of disasters. However, JR Freight launched a Disaster Risk Study Group in 2018 to simulate the operation of truck and ship substitutes and detour trains on the assumption that major trunk lines would be disrupted, which proved effective during Typhoon Hagibis which occurred in 2019.

(Chart 3: On-time Performance Rate for the Last Five Years)



In terms of environmental-friendliness, CO₂ emissions per unit of transportation in fiscal 2019 were the smallest for railroads, less than one-thirteenth of those for commercial freight vehicles (trucks, etc.). JR Freight has estimated CO₂ savings of about 4,080,000 t-CO₂ per year in its group report. As a specific model case, when 10 tons of cargo are transported from Fukuoka to Tokyo, JR Freight calculated that CO₂ emissions can be reduced to about one-tenth in the case where truck transportation is used only from the receiving site to the Fukuoka cargo terminal station and from the Tokyo cargo terminal station to the delivery site, and railroad container transportation is used between the cargo terminal stations, compared to the case where cargo is transported fully by truck from the receiving site in Fukuoka to the delivery site in Tokyo. Therefore, it says that it can achieve high CO₂ emission reduction effects by using its own freight rail transportation.

(Chart 4: CO₂ Emissions per Shipping Volume)



(Source: MLIT web page (JCR translation))

In this way, JR Freight has promoted a shift from freight transport using trucks, etc. to freight rail transport, mainly for medium-and long-distance transport. On the other hand, trucks were the main players in domestic freight transportation, and the role of railways remained small. In recent years, however, demand for large-volume and medium-and long-distance freight transportation by railroads has been increasing from the viewpoint of the lack of long-distance truck drivers due to the aging of society and the tightening of regulations on working hours toward fiscal 2024. In 2004, JR Freight began working with logistics companies to lease out more than half of its transportation capacity and provide customers with round-trip freight transportation capacity, which is called block train. In light of the above issues, JR Freight has been expanding its provision to logistics companies in recent years. In addition, it is working to expand freight rail transport by constructing a multi-tenant large-scale logistics facility called a "rail gate" in the freight station to serve as a base for modal shift.

JCR evaluates that the "investments related to the construction and acquisition of facilities contributing to the transportation of freight railways," "investments related to the renewal and new manufacturing of electric locomotives and freight trains," "investments related to the renewal and new manufacturing of freight rolling stocks and containers," "investments related to the renewal and new manufacturing of transportation-related facilities, etc." and "investments related to the renewal and new manufacturing of operation systems," all of which are cited as eligible projects in the JR Freight Framework, fall under the category of "clean transportation" because they can be expected to strengthen the freight railway transportation system, which is a clean means of transportation, and further promote modal shift.

Eligible Category 2: Green Building

Eligible Category 2 is a new investment or refinancing for the acquisition of buildings (green buildings) that have already or are scheduled to acquire regional, national or internationally recognized certifications at the certification level up to the top three categories, and is expected to have a high environmental improvement effect.

1. Green Building

i. CASBEE (Comprehensive Assessment System for Building Environmental Efficiency)

CASBEE is an acronym for Comprehensive Assessment System for Built Environment Efficiency, which is a building environmental comprehensive performance assessment system. It is a method for evaluating and rating the environmental performance of buildings. In April 2001, with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, the Comprehensive Environmental Evaluation Research Committee for Buildings was established as a joint project between industry, government, and academia, and since then development and maintenance have been continuously conducted. Evaluation tools include CASBEE for Buildings and CASBEE for Urban Development, as well as CASBEE for Real Estates developed with the purpose of showing environmental performance in an easy-to-understand manner for the real estate market.

CASBEE is evaluated by the value of BEE (Built Environment Efficiency) with L as the denominator and Q as the numerator, reconfiguring from the viewpoint of environmental quality of buildings (Q = Quality) and environmental load of buildings (L = Load) on the evaluation items in the four fields: energy efficiency, resource efficiency, local environment, and indoor environment. The assessment results are divided into five grades: rank S (excellent), rank A (very good), rank B+ (good), rank B- (slightly poor), and rank C (poor). CASBEE for Real Estate is classified into four grades: rank S (excellent), rank A (very good), rank B+ (good), and rank B (satisfying mandatory items). In order to obtain a high evaluation, in addition to environmental considerations such as energy saving and the use of materials and equipment with low environmental load, indoor comfort and consideration of landscape, etc. are also required, and the overall quality of buildings is required.

Buildings with rank B+ or above, which JR Freight has recently defined as eligibility criteria, have BEE of at least 1.0 for CASBEE for Buildings and environmental quality is clearly superior in terms of environmental load. In CASBEE for Real Estate, although the criteria for measurement are not BEE, they are equivalent to rank B+ in conventional CASBEE for Buildings, JCR has evaluated them as having environmental improvement effects.

ii. DBJ Green Building certification

This is a certification system provided by DBJ (Development Bank of Japan) to evaluate real estate with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "buildings with consideration for the environment and society." It evaluates three major categories: "Ecology (environmental)," "Amenity (comfort)," "Risk Management (crime prevention and disaster prevention)," "Community (regional and landscape)" and "Partnership (stakeholder collaboration)." Each is represented by five stars (one of the highest domestic excellence), four stars (extremely excellent), three stars (very excellent), two stars (excellent), and one star (sufficient). Although this is not an evaluation specializing in environmental performance, it is highly recognized in Japan, and it also has certain evaluation items regarding environmental performance. As a result, JCR also evaluates this certification as equivalent to "standards and certifications recognized regionally, nationally or internationally" in the green project classification defined in the Green Bond Principles. However, since the certification is not limited to the environmental performance, it is considered desirable to confirm the evaluation for the environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property being evaluated, but also on a comprehensive assessment that includes the comfort of tenant users, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and community, and cooperation with stakeholders. The scoring design is based on the aggregation of specific "excellent initiatives" for the environment and society, and there are many properties in the real estate market that do not reach the target of evaluation. In order to be highly evaluated, it is necessary to be a building that is appropriately considered not only for the environment, but also for all stakeholders related to the building.

The level of DBJ Green Building certification is assumed to be approximately the top 20% of all domestic income-producing properties in "Environmental and Social Considerations."³ In addition, each evaluation up to three stars covers an aggregate of the top 10% (five stars), the top 30% (four stars) and the top 60% (three stars) of properties that exceed the certification level. Therefore, JCR evaluates that the use of proceeds for JR Freight is narrowed down to properties with high environmental performance among buildings aiming to acquire certification.

iii. BELS (Energy Saving Performance Indication System for Buildings)

BELS is an acronym for Building-housing Energy-efficiency Labeling System, which is the building energy saving performance labeling system. It is a system in which energy saving performance is evaluated and certified by a third-party evaluation organization for new and existing buildings. Building insulation performance and primary energy consumption are subject to evaluation, and for high evaluation, it is required to have excellent energy-saving performance. The rating is expressed as the number of stars and ranked from one to five according to BEIs (Building Energy Index). BEI is a measure of energy saving performance relative to the standard value, with the design primary energy consumption as the numerator and the standard primary energy consumption as the denominator. One star satisfies the existing energy saving standards, two stars satisfy the energy saving standards, and three stars satisfy the guidance standards.

JCR believes that buildings with three stars or more in BELS eligible for JR Freight will have energy-saving performance (non-residential: BEI value 0.8 or less) above the guidance standard, which is appropriate for the use of funds.

³ Revision and Release of DBJ Green Building Certification Assessment Items (February 2019 DBJ Green Building Certification Website)

Based on the above, JCR evaluates that the use of funds specified by JR Freight falls under "clean transportation" and "green building" in the Green Bond Principles, and "Projects to enhance the efficiency of logistics systems by the systematic installation of logistics bases, aggregation of transportation networks, modal shift, and coordinated transportation and delivery" in the "Projects for clean transportation" and "projects concerning green building" in the use of proceeds shown in the Ministry of the Environment's Green Bond Guidelines. In addition, regarding "clean transportation," JCR evaluates that it is an initiative that contributes to the modal shift efforts being promoted by the Japanese government.

b. Negative impact on the environment

In implementing the projects described in this framework, JR Freight has identified the following factors that could have a negative impact on the environment:

- JR Freight conducts environmental surveys on soil contamination, water pollution, and the use of asbestos and other hazardous substances in buildings when developing its own sites and acquiring real estate.
- In accordance with the Building Standards Act and the Air Pollution Control Act, asbestos is removed or certain other measures are taken for demolition, repair, etc. of existing buildings.
- Although railroads are more energy efficient and environmentally friendly than other transport facilities, they consume a large amount of energy, including electricity, in their business operations. Therefore, it aims at further energy saving including rolling stock.

Measures to avoid or mitigate negative impacts on these environmental issues are identified as follows.

- Compliance with environment-related laws and regulations required by the national government and local governments where the project is implemented, and environmental load surveys are conducted as necessary.
- Adequate explanations to local residents are provided in the implementation of businesses.
- Implementation of assurance of transportation safety based on the JR Freight Safety Management System is being carried out.
- The JR Freight Group carries out material procurement, prevention of environmental pollution, and consideration for the working environment and human rights in accordance with the basic philosophy and policy of the JR Freight Group for global environmental conservation activities and the basic policy of procurement, etc.

JCR evaluates that the identification of negative environmental impacts of JR Freight mentioned above, and the avoidance and mitigation measures against them, are appropriate.

c. Consistency with SDGs

JCR evaluated that the projects to be realized through this framework will contribute to the following SDGs goals and targets, referring to ICMA's SDGs mapping.



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

Target 7.3. Double global energy efficiency improvement by 2030



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

Target 9.4. Improve sustainability by improving infrastructure and industry through improved resource use efficiency and expanded introduction of clean technologies and

environmentally conscious technologies and industrial processes by 2030. All countries will take measures tailored to their respective capacities



Goal 11: Make town and human settlements inclusive, safe, resilient and sustainable

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

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

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



Target 13.3: Improve education, awareness, human capacity, and institutional functions related to climate change mitigation, adaptive, impact mitigation, and early warning

Evaluation Phase 2: Management, Operations and Transparency Evaluation

Based on the current situation described in detail below and JCR's evaluation of it, JCR evaluated that the management and operational system had been well developed, that transparency was very high, and that it was fully expected that the project would be implemented as planned and that the proceeds would be adequately allocated. Phase 2: JCR evaluated management, operation and transparency as the highest level "m1 (F)."

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

(1) JCR's Key Consideration in This Factor

In this section, JCR confirms the objectives to be achieved through green financing, 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. Goal

<This Framework on the Significance of the Issuance of Green Bonds>

(Significance of Issuance of Green Bonds in the JR Freight Green Bond Framework)

The JR Freight Group is actively promoting growth and strategic investments that will lead to the future, such as improving logistics productivity, in order to strengthen the trunk logistics railway network linking the entire country and improve the logistics nodal functions of freight stations. By strengthening our business infrastructure through these investments, we intend to maximize our environmental strengths in freight rail transportation and contribute to the realization of a green society, including carbon neutrality by 2050 through the promotion of modal shift.

Funds raised through the issuance of Green Bonds will be used for highly effective environmental improvement projects in accordance with the Green Bond Principles, among the initiatives of the JR Freight Group to promote modal shift. Through this issuance, the JR Freight Group aims to further promote its comprehensive environmentally friendly logistics business and deepen stakeholders' understanding of the environmental advantages of rail transportation.

<JCR's Evaluation of the Framework>

In January 2021, the JR Freight Group established the "JR Freight Group Long-Term Vision 2030" and established a policy of "contributing to enhancing social value by providing optimal solutions as a comprehensive logistics corporate group centered on railways." One of the values that the JR Freight Group provides to society is "realization of a green society." Among these, an item "contributing to the realization of a green society including carbon neutrality by 2050 by promoting environmentally conscious business operations while making use of the superior environmental characteristics of freight railways" is listed.

The content of the significance of the issuance of green bonds described in this framework is in accordance with the policies and specific initiatives described in the JR Freight Group Long-Term Vision 2030.

In addition, under the basic policy for business operations in JR Freight's FY2021 Business Plan, there is a description about ESG management as follows:

Contribute to solving social issues such as SDGs through the freight railway business, and contribute to the realization of a green society and a sustainable society by implementing ESG management on its own. We will contribute to reducing CO₂ emissions by promoting a modal shift to energy-efficient freight railways, and will also promote activities to disseminate and enlighten the Eco-Rail Mark in cooperation with the Railway Freight Association to raise the awareness of freight railways. In addition, we will strive to reduce energy consumption in our own business activities by increasing the number of locomotives dedicated to hybrid-type replacement and by improving the energy conservation of lighting. In addition, we will also actively engage in activities for global environmental conservation, such as donations to green charity funds and participation in forest volunteers by working with Group companies. Taking into account the impact of logistics stagnation on society and the economy, we will continue fulfilling its responsibilities as a social infrastructure by strengthening its efforts to continue transportation, such as early recovery in the event of a large-scale disaster and expansion of alternative transportation methods, and by developing a system that can promptly and smoothly transport emergency goods and daily necessities.

(Source: JR Freight FY2021 Business Plan)

For "clean transportation" described as an eligibility criterion, JCR evaluates that it covers projects that contribute to the initiatives of modal shift being undertaken by JR Freight described in the above business plan. For "green building," it covers projects aimed at "realizing a green society" as set out in the Group Long-Term Vision 2030.

Based on the above, JCR has assessed that the businesses covered by this framework are consistent with the JR Freight Group Long-Term Vision 2030.

b. Selection Standards

The standards for selecting the use of funds in JR Freight are as described in Phase 1 of the Evaluation. With regard to the aforementioned selection standards, JCR evaluates that projects that contribute to the promotion of modal shift and projects that target buildings with high environmental performance are the targets of eligible projects, and projects that contribute to the achievement of the JR Freight Group Long-Term Vision 2030.

c. Process

<This Framework for the Selection Process>

The Finance Department and the Corporate Planning Department select candidates for eligibility criteria for use of Green Bond funds, which are finalized by the financial officer after consultation with related departments. When evaluating the eligibility of each project, we take into consideration potentially negative environmental and social impacts. We confirm the appropriateness of the subject equipment, the acquisition of equipment certifications and licenses required by the countries, regions, and local governments, and the implementation of environmental assessment procedures and sufficient explanations to local residents.

<JCR's Evaluation of the Framework>

At JR Freight, the Finance Department and the Corporate Planning Department select eligible projects for the use of Green Bond funds, and the financial officer makes the final decision on the eligible criteria. The financial officer also makes a final decision on the framework and reports it to the Executive Committee and other bodies.

With respect to individual bonds, after the Finance Department formulates a fund plan, the Finance Department and the Corporate Planning Department confirm the capital investment plans formulated by each department, select candidates based on eligibility criteria and the content of reporting, and after consultation with each department, a substantive final decision is made by the financial officer. JR Freight is owned by the Japan Railway Construction, Transport and Technology Agency, and the issuance of corporate bonds is subject to approval by the Ministry of Land, Infrastructure, Transport and Tourism. Therefore, after the decision by the finance officer mentioned above,

an application for approval is submitted to the Ministry of Land, Infrastructure, Transport and Tourism following a resolution by the Board of Directors of JR Freight, and approval is subsequently granted by the Ministry of Land, Infrastructure, Transport and Tourism. The above selection process is evaluated by JCR as appropriate.

Accordingly, the project selection standards and processes set out in this framework of JR freight are properly established. In addition, at the time of issuance of the Green Bonds under this framework, JR Freight will disclose this framework and the use of proceeds through statutory disclosure documents such as securities registration statements, and will provide explanations to investors in debt IR prior to the bond issuance. Accordingly, JCR evaluates that transparency is ensured.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration in This Factor

It is usually assumed that the methods of managing the procurement funds are diverse depending on the issuer. JCR confirms that the funds procured by issuing green bonds are appropriated to the Green Projects and that a mechanism and an internal system are in place so that the appropriated status can be easily tracked and managed.

JCR also emphasizes whether funds procured through green bonds are scheduled to be appropriated for green projects at an early stage, and the evaluation of methods for managing and operating unused funds.

(2) Current Situation of Evaluation Targets and Evaluation of JCR

<This Framework on Cash Management>

The proceeds from the Green Bond issuance will be used by the Finance Department to prepare a dedicated book and to manage the appropriation of the proceeds on a quarterly basis until the full amount is appropriated for eligible projects.

We will also manage any unused funds until the proceeds from the Green Bond issuance are available for eligible projects in cash or cash equivalents.

<JCR's Evaluation of the Framework>

JCR confirmed that JR Freight would appropriate the bond proceed under the Framework by the end of the current fiscal year, in principle, no later than the next fiscal year. Unappropriated funds, if any, will be managed in cash or cash equivalents.

With regard to cash management, as stated in the framework, the Finance Department will prepare a dedicated book and manage it quarterly so that the amount of Green Bonds issued does not exceed the total project expenditures for which the funds will be used. In addition, a system is planned to be established to receive confirmation and approval from the General Manager of the Finance Department on the basis of internal dissemination of this dedicated book.

Furthermore, with regard to the above-mentioned fund management, it is planned that it will be subject to internal audits by the Audit Department and external audits, and it is confirmed that necessary responses and reports will be made whenever audits are conducted. In addition, a system has been put in place to preserve forms, etc. related to the management of funds for green bonds over the period up to the redemption of green bonds.

Based on the above, JCR evaluates the appropriateness and transparency of JR Freight's fund management are high.

3. Reporting System

(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 bonds, 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

<Reporting Framework>

JR Freight discloses its funding appropriations and impact reporting on its website or in the JR Freight Group report on an annual basis. The first disclosure is scheduled within one year after the issuance of the Green Bond.

i. Reporting the status of appropriation of funds

We will disclose on an annual basis the following items regarding the appropriation of funds until all proceeds have been appropriated for eligible projects.

- Amount appropriated
- Balance and method of investment of unappropriated funds
- Approximate amount or percentage of the portion of the proceeds used for refinancing

In addition, we plan to disclose any material changes in funded status during the redemption period.

Impact reporting

We will disclose annually, to the extent practicable, the following indicators for the period from issuance of the Green Bonds to the completion of their appropriations:

Eligible project	Reporting Items (Example)
Investment in the construction and acquisition of facilities contributing to the transportation of freight railways	- Project Overview - Reduced CO ₂ of freight rail transportation (figure comparing all annual ton-kilometers handled by freight rail transportation with operating trucks)
Investment related to update and new production of electric locomotives and freight trains	
Investment in renewal and new production of freight rolling stocks and containers, etc.	
Investment for renewal and new production of transportation-related equipment, etc.	
Investment in renewal and new production of operating systems	
Investment for the construction and acquisition of green buildings	- Overview of the property - Status of Environmental Certification

<JCR's Evaluation of the Framework>

a. Reporting on the status of appropriation of funds

JR Freight plans to disclose annually on its website or in the JR Freight Group Report the content contained in this Framework on the appropriation of funds procured from the Green Bond. It also plans to disclose any material changes in funding status until redemption.

Accordingly, JCR assesses that reporting on the appropriateness of funds is appropriate.

b. Reporting on the Effectiveness of Environmental Improvements

JR Freight plans to disclose the contents of this framework annually on the website or in the JR Freight Group Report as a reporting item for the effects of environmental improvement. Reporting content includes an appropriate description of the environmental improvement effects of each eligible project.

JCR evaluates that the disclosure items and the frequency of disclosures specified in the Reporting Plan are appropriate because indicators of the effectiveness of environmental improvement are fully disclosed.

4. Organizational 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

The JR Freight Group established the "JR Freight Group Long-Term Vision 2030" in January 2021. In this long-term vision, JR Freight has set forth its commitment to ESG management and the SDGs more than ever, and states that the JR Freight Group will be able to contribute to the formation of a sustainable society by providing four values to society: "improvement of logistics productivity," "safe and secure logistics services," "realization of a green society," and "revitalization of local communities" by offering optimal solutions as a comprehensive logistics corporate group based on railways.

<p>JR Freight Group Long-Term Vision 2030</p> <p>As a Comprehensive Logistics Corporate Group Based on Railways Contributing to Enhancing Social Value by Providing Optimal Solutions</p> <p><Basic Policies></p> <ul style="list-style-type: none"> - As the only railway company in Japan to provide the nationwide network of freight rail transportation services, we will build a solid business foundation by strengthening our railway network, with safety as the foundation of all, in order to assume the trunk transportation of logistics, which is a social infrastructure, as in the past. - We will develop a real estate business that maximizes the potential of our assets by developing diverse real estate, including not only logistics facilities but also office buildings and commercial facilities. - Leveraging our expertise in the real estate business based on our nationwide railway network, we will provide optimal solutions by adding services such as storage and distribution processing to freight stations as logistics nodal points, thereby contributing to the improvement of logistics productivity as a comprehensive logistics corporate group based on railways. - Through these efforts, we will contribute to the realization of a green society and the formation of a sustainable society, while supporting people's lives and industries and achieving full privatization. 	
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In addition, the Company has also set forth a policy for its Long-Term Vision 2030, which consists of the above four values and "realization of employee job satisfaction," and is promoting specific initiatives for each of these five values.

Policy for Initiatives	Contents of Initiatives
Improvement of logistics productivity	Promotion of comprehensive logistics business
	Nationwide deployment of rail gates and transshipment stations, construction of new block trains, etc.
	Realization of Smart Cargo Terminals

Safe and secure logistics services	Establishment of safety
	Reliable logistics services
Realization of a green society	Promotion of carbon neutrality
	Promotion of modal shift
	Contributions to the Circular Economy
Revitalization of local communities	Contributions to Regional Revitalization through the Real Estate Business
	Contributing to Regional Revitalization through Railway Business
	Challenge to new businesses
Realization of employee job satisfaction, Governance Supporting Value Creation	Enhancement of ease of working
	Human Resource Development Initiatives
	Corporate Governance
	Compliance and Risk management

In carrying out the above initiatives, JR Freight is formulating SDGs initiatives and environmental measures for the entire JR Freight Group in the Corporate Planning Department. CO₂ emissions are calculated and reported by the Corporate Planning Department. JCR believes that it is desirable to verify its own environmental policies and initiatives through cooperation not only within the company but also with external environmental experts.

In order to contribute to the Japanese government's goal of carbon neutrality by 2050 and the 46% reduction in CO₂ in 2030, and to further strengthen the environmental superiority of freight rail transportation and increase corporate value, the JR Freight Group has established a cross-organizational project team headed by the president, the Carbon Neutral Local Community Contribution Promotion Project, and has announced that it will promote business operations that take the global environment into consideration. JCR has confirmed that going forward, JR Freight Group plans to strengthen its carbon neutral efforts, disseminate them externally, contribute to corporations using railways, and contribute to the local communities through carbon neutral initiatives, etc.

Based on the above, JCR has evaluated environmental issues as a high priority issue for management at JR Freight.

■Result of evaluation

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.

[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

(Responsible analysts for this evaluation) Atsuko Kajiwara 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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