

Green Bond Evaluation by Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) announces the Annual Review of its Green Bond Evaluation.

JCR Reviewed Green Bond Evaluation on the UUR Green Joint Trust Beneficiary Rights (UUR Green Trust)

Subject	:	UUR Green Joint Trust (UUR Green Trust)
Type	:	Trust beneficiary right
Issue Amount	:	JPY 10 billion
Interest Rate	:	0.25%
Trust Setup Date	:	September 28, 2018
Expiration Date of the Trust	:	September 29, 2023
Method of Repayment	:	Lump-sum repayment at maturity
Use of Proceeds	:	Loans to United Urban Investment Corporation

<Green Bond Review Results>

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

1. Overview

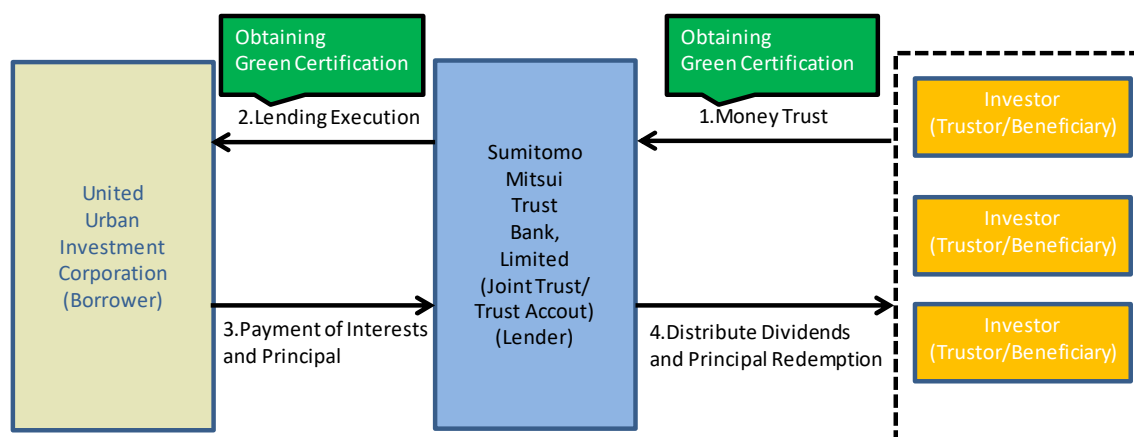
On September 28, 2018, JCR announces its "Green 1" overall evaluation of trust beneficiary rights backed by loans receivable to United Urban Investment Corporation ("UUR"). The main summary is as follows.

Sumitomo Mitsui Trust Bank, Limited ("SMTB") was founded both in 1924 as Mitsui Trust Co., Ltd., and in 1925 as Sumitomo Trust Co., Ltd., and is the core company of Sumitomo Mitsui Trust Group. This is a trust bank established by the merger of Sumitomo Trust Co., Ltd., Chuo Mitsui Trust and Banking Co., Ltd., and Chuo Mitsui Asset Trust and Banking Co., Ltd. in 2012. The Sumitomo Mitsui Trust Group to which SMTB belongs is Japan's

largest asset management group, and it is a trust banking group with a leading size in the industry centering on asset management and administration.

The subject to be evaluated is the trust beneficiary rights that are delivered by the joint money trusts established by SMTB (the “Trust Beneficiary Rights”.) The overview of finance is shown below.

(Scheme Diagram)



SMTB receives money in trust from investors (1), or borrowing from ABLs and lends the fund to UUR (2). It is a mechanism that interests paid by UUR to SMTB (3) shall be returned to investors as dividend income (4). The long-term loans from SMTB to UUR (the "Loans"), which are the use of proceeds of the issuance of the Trust Beneficiary Rights, shall be used to refinance the funds for the acquisition of the existing office buildings, commercial buildings and a new hotel by UUR. The Loans acquired the highest green loan evaluation from JCR, “Green1”, and SMTB has confirmed the greenness of the loan's use of proceeds.

JCR reviewed the Trust Beneficiary Rights and confirmed that SMTB provided the Loans to UUR, the borrower, and that it was used to finance the acquisition of existing office buildings, commercial facilities and a new hotel by UUR. JCR also confirmed that the management and operation of the Trust Beneficiary Rights are maintained as JCR expected and reporting concerning the use of proceeds and the environmental improvement effects were carried out.

As a result, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" as overall evaluation results of the Trust Beneficiary Rights. Detailed evaluation is discussed in the next chapter. The Trust Beneficiary Rights are considered to meet the criteria for the items required by ICMA’s Green Bond Principles and the Green Bond Guidelines issued by the Ministry of the Environment of Japan.¹²

¹ ICMA(International Capital Market Association) Green Bond Principles 2018
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

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

2. Post-issuance Review Items

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

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of proceeds procured by the Trust Beneficiary Rights and the appropriation of funds procured for green projects has been properly carried out in a manner specified by the issuer at the time of assigning the Green Bond Evaluation.

(2) Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

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

(3) Appropriateness and Transparency of management of the proceeds

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

(4) Reporting

JCR evaluates if the environmental improvement effects resulting from the green project financed by the funds procured by the Trust Beneficiary Rights are appropriately calculated according to the method stipulated by the issuer at the time of assigning the Green Bond Evaluation.

(5) Organization's Environmental Activities

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

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

- a. The proceeds have been allocated to the following eight Green Buildings through the Loans to UUR in lieu of the issuance of the Trust Beneficiary Rights:

(List of Use of Proceeds)

1. Pacific Marks Yokohama East

Location	3-4 Sakae-cho, Kanagawa-ku, Yokohama, Kanagawa
Principal Uses	Office
Site Area	2,525.41m ²
Total Floor Area	15,387.49m ²
Number of Stories	Basement floor and 12 floors above ground
Completion	October, 1992
Acquisition Value	JPY 7,110 million
Environmental Certification	CASBEE for Real Estate S
Features and Environmental Performance	A large office building located 10 minutes' walk from Yokohama Station on the JR Line. Energy efficiency efforts are being made to reduce environmental impact, such as the adoption of LED lighting and the renewal of air conditioning equipment.

2. Pacific Marks Shin-Yokohama

Location	3-18-20 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
Principal Uses	Office
Site Area	475.00 m ²
Total Floor Area	4,141.89 m ²
Number of Stories	Basement floor and 10 floors above the ground
Completion	October, 1991
Acquisition Value	JPY 1,700 million
Environmental Certification	CASBEE for Real Estate A
Features and Environmental Performance	An office building located four minutes' walk from Shin-Yokohama Station on the JR Line. Energy efficiency efforts are being made to reduce environmental impact, such as the adoption of LED lighting and the renewal of air conditioning equipment.

3. Pacific Marks Sapporo Kita-Ichijo

Location	7-4-4 Kita Ichi-jo Nishi, Chuo-ku, Sapporo, Hokkaido
Principal Uses	Office
Site Area	987.04 m ²
Total Floor Area	6,048.97 m ²
Number of Stories	Basement floor and 8 floors above ground
Completion	February, 1993
Acquisition Value	JPY 2,250 million
Environmental Certification	CASBEE for Real Estate A
Features and Environmental Performance	An office building located 8 minutes' walk from Odori Station, Sapporo Municipal Subway Line Energy efficiency efforts are being made to reduce environmental impact, such as the adoption of LED lighting and the renewal of air conditioning equipment.

4. Mallage Kashiwa

Location	2-3-1 Oyamadai, Kashiwa, Chiba
Principal Uses	Commercial facility
Site Area	79,484.47 m ²
Total Floor Area	54,689.28 m ²
Number of Stories	4 floors
Completion	June, 2004
Acquisition Value	JPY 17,310 million
Environmental Certification	CASBEE for Real Estate S
Features and Environmental Performance	A shopping center located about 12 minutes by bus from Kashiwa Station on the JR Line. Efforts are being made to reduce environmental impacts through energy efficiency and resource conservation, such as adopting LED lighting, reducing waste, and waste for fertilizer.

5. Pacific Marks Tsukishima

Location	1-15-7 Tsukishima, Chuo-ku, Tokyo
Principal Uses	Offices and Residences
Site Area	3,302.07 m ²
Total Floor Area	14,507.92 m ²
Number of Stories	2 basement floor and 13 above ground floors
Completion	March, 1990
Acquisition Value	JPY 8,080 million
Environmental Certification	CASBEE for Real Estate A
Features and Environmental Performance	An office building located in four minutes' walk from Tokyo Metro's Tsukishima Station. Ecosystems are being considered by adopting LED lighting to save energy and ensuring a high greening rate (20.2%).

6. Pacific Marks Akasaka-mitsuke

Location	3-20-6 Akasaka, Minato-ku, Tokyo
Principal Uses	Office
Site Area	390.86 m ²
Total Floor Area	1,895.87 m ²
Number of Stories	Basement and 7 floors above the ground
Completion	March, 1994
Acquisition Value	JPY 2,450 million
Environmental Certification	CASBEE for Real Estate A
Features and Environmental Performance	An office building located in three minutes' walk from Tokyo Metro's Akasaka-mitsuke Station. Energy-saving measures are being taken to reduce environmental impact, such as the use of LED lighting and large openings (active natural lighting).

7. Tsubogawa Square Building

Location	3-3-5, Tsubogawa, Naha, Okinawa
Principal Uses	Call Centers, Data Centers, Backup Offices, etc.
Site Area	5,294.63 m ²
Total Floor Area	14,742.80 m ²
Number of Stories	11 floors
Completion	June, 2009
Acquisition Value	JPY 4,150 million
Environmental Certification	DBJ Green Building 3 stars
Features and Environmental Performance	A complex located in front of Tsubogawa Station on Okinawa Urban Monorail. It takes five minutes from Prefectural Office Station, which is locating in the center of Naha City and ten minutes from at Naha Airport Station. The building is designed to be against the power outages and disasters, including two-line power reception and space for tenant emergency power generators.

8. The b Fukuoka Tenjin

Location	1-2-1 Tenjin, Chuo-ku, Fukuoka, Fukuoka
Principal uses	Hotel
Site area	469.79m ²
Total floor area	3,567.22 m ²
Number of stories	10 floors
Completion	May, 2017
Acquisition value	JPY 3,000 million
Environmental certification	BELS certification three stars
Features and environmental performance	A hotel located in Tenjin district 1 minute walk from Tenjin Minami Station on the Nanakuma Line and 5 minutes' walk from Tenjin Station on the Kuko line. Energy efficiency efforts are being made to reduce environmental impact, such as the adoption of LED lighting and the renewal of air conditioning equipment.

- b. UUR continues to hold all eight properties, and no sales to other investment corporations have occurred.
 - c. Regarding the eight properties, no serious negative impacts on the environment have been confirmed, such as noise and soil contamination or complaints from local residents.
- (2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

At the previous evaluation, JCR conducted an interview on the appropriateness and transparency of the criteria for selecting the use of proceeds and UUR's process, and evaluated that the results were appropriate. In this review, JCR has confirmed that there are no particular changes to the selection criteria and process for Green Building, which is subject to use of proceeds of the Trust Beneficiary Rights in interviews.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluated the management of the proceeds as appropriate at the time of the initial evaluation. The entire amount of the Trust Beneficiary Rights has already been appropriated for the refinancing or purchase of existing or new Green Buildings and therefore there are no unallocated funds.

(4) Reporting

a. Reporting on the proceeds allocation

JCR has confirmed that the entire amount of the Trust Beneficiary Rights has been appropriated for the refinancing of funds for acquiring existing offices, commercial facilities and a new hotel through the Loans to UUR. JCR also confirmed that SMTB has already reported to investors through the Trust Assets Status Report.

b. Reporting on environmental improvement effects

JCR confirms that SMTB intends to disclose the details disclosed by UUR to investors of the Trust Beneficiary Rights.

Specifically, UUR discloses the level of environmental certification, electricity consumption, CO₂ emissions, and water consumption of "Green Eligible Assets" defined by the UUR Eligible Criteria once a year on the

UUR website. SMTB will disclose the content disclosed by the UUR as a report on the effects of environmental improvements to investors in the subsequent year's report on the Trust Assets Status Report.

JCR evaluates that the reporting planned will appropriately disclose to investors both the allocation of proceeds and the effects on environmental improvement.

(5) Organization's Environmental Activities

a. Sumitomo Mitsui Trust Group's Environmental Efforts

Sumitomo Mitsui Trust Group to which SMTB belongs has signed the Principles for Responsible Investment (PRIs) that advocated ESG since its publication in 2006, and incorporates the concept of ESG into its management.

In 2015, SMTB identified a theme called "materiality," which affects the corporate value creation process, sorted out the themes that the board of directors should address, and established an internal engagement system in which the department in charge of Sustainability communicates with the department in charge of high-materiality operations, thereby reflecting the evaluation of ESG investors in management. ESG is actively working on this and other issues as it believe it is necessary for the company to improve its corporate value over the long environmental.

In 2017, in addition to the ESG/CSR report, the Company began preparing an integrated report that thoroughly examines the relationship between materiality and financial information by upgrading its existing disclosure. The Group is also placing emphasis on ESG and is steadily implementing initiatives, including reforms on the three materiality themes of "Corporate Governance Reform," "Further Thoroughness of Customer-Oriented Approach," and "Work Style Reform."

Sumitomo Mitsui Trust Group has also established the environmental policies shown in this page and conducts its operations in accordance with them.

(Sumitomo Mitsui Trust Group Environmental Policy)

1. Goods and services

We will strive to reduce the environmental risk and improve the environmental value of society as a whole by providing products and services that contribute to the preservation of the global environment and the realizing a sustainable society.

2. Reduction of environmental burden

We recognize the environmental impact of our business activities, such as the consumption of resources and the discharge of waste, and strive to realize an environmental conservation and sustainable society through energy-saving and resource conservation and resource recycling.

3. Pollution prevention

We work to continuously verify and improvement our response to environmental issues and prevent pollution.

4. Legal Compliance

We comply with all laws, regulations, and agreements related to environmental conservation.

5. Monitoring

We set short-and medium-term environmental targets and periodically review them in order to continually improvement our environmental activities.

6. Education and training

We strive for thorough implementation of this policy and environmental education at each group company.

7. Information disclosure

We will disclose this policy to the public and promote environmental conservation activities through communication with the outside world.

In accordance with the environmental policies described above, the ESG/CSR Report presents the status of achievement of environmental targets, energy consumption and CO₂ emissions, and performance related to paper, water usage, waste generation, and reduce, reuse, recycle in large-scale office buildings within the Group.

b. SMTB's Environmental Efforts

As a core company of the Sumitomo Mitsui Trust Group, the management of SMTB recognizes the importance of ESG and environmental issues. As noted above, the issuance of green bonds is part of an earlier management initiative's proactive approach to ESG.

SMTB has established the Sustainability Management Office within the Corporate Planning Department as an office with expertise in environmental problems. The office is responsible for overseeing SMTB's ESG and supporting ESG activities in each business. JCR also confirmed in hearings with external specialist organizations such as NGOs of various environmental organizations, consulting firms, and accounting firms.

In addition, in real estate business, which is the main business, since 2005, SMTB has been undertaking public initiatives for the dissemination of environmental real estate in national and local governments and committees related to CASBEE, starting with the publication of papers on the added value of environmental real estate. In addition, as pioneers in the field of environmental real estate, it has been developing businesses for the dissemination of environmental real estate, such as CASBEE certification application support consulting.

JCR appreciates that the arrangement of jointly-managed money trusts as part of the financial arrangement for J-REIT is also part of the above-mentioned efforts, and that investors can put their money in businesses that have environmental improvement effects through the products created by SMTB.

SMTB promotes initiatives for ESG such as establishment of their Green Bond Framework and obtaining third party certification from external reviewer in August 2018.

The eight properties for which the Trust Beneficiary Rights are to be used are in line with the environmental initiatives of the Sumitomo Mitsui Trust Group and SMTB as described above, and JCR evaluates that they will contribute to the achievement of SDG.

4. Conclusion

As a result of verifying the matters described in the previous section, JCR confirmed that 100% of the proceeds of the Trust Beneficiary Rights have been allocated for the green projects, which was originally assumed to be used for funding, and that the assets subject to funding have sufficiently performed the effects of environmental improvement that were originally assumed.

[JCR Green Bonds Evaluation Matrix]

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

■ Subject

Issuer: Sumitomo Mitsui Trust Bank, Limited

Review

Subject	Issue Amount	Trust Setup Date	Expiration Date of the Trust	Interest Rate	Evaluation
Trust beneficiary right	JPY 10 billion	September 28, 2018	September 29, 2023	0.25%	JCR Green Bond Evaluation :Green1 Greenness Evaluation:g1 Management, Operation and Transparency Evaluation:m1

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Important explanation of the Green Bond Evaluation

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

JCR Green Bond Evaluation, which is assigned and provided by Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the proceeds of green bonds, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green bonds are ensured. This does not perfectly disclose all the efforts taken by the issuer/borrower to ensure the use of proceeds, administration, management of the proceeds and the transparency.

JCR Green Bond Evaluation is to evaluate the plan or status of the proceeds to green projects at the time of issuing green bonds or planning to issue, and does not guarantee the future actual allocation of the proceeds. JCR does not guarantee the positive environmental effects of green bonds nor is liable for their expected impacts. JCR confirms that the environmental impacts, which will be realized by the allocated proceeds, are calculated quantitatively and qualitatively by the issuer or by a third party requested by the issuer, but in principle JCR does not calculate them by itself.

2. Methodologies used in the conduct of this evaluation

The methodology used in this evaluation are listed on JCR website (Sustainable Finance & ESG in <https://www.jcr.co.jp/en>) as JCR Green Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

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

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■Glossary

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

■Status of registration as an external assessor of green finance

- Environment Ministry's Green Bond Issuance Registration
- Members of the Working Group on Social Bonds (ICMA)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- CBI Approved Verifier

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
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