

Third Party Opinions on Sustainability Linked Loan by The Norinchukin Bank to Mitsubishi Estate Co., Ltd.

Japan Credit Rating Agency, Ltd. provided a third party opinion on Sustainability Linked Loan provided by The Norinchukin Bank to Mitsubishi Estate Co., Ltd.

<Executive Summary>

This Third-Party Opinion examines the alignment of the Sustainability Linked Loans (the “Loans”) provided by The Norinchukin Bank to Mitsubishi Estate Co., Ltd. (“Mitsubishi Estate”) with the Sustainability Link Loan Principles (“SLLP”) developed by Loan Market Association (“LMA”) and with the Ministry of the Environment’s Green Loan and Sustainability Linked Loan Guidelines (the “MOE Guidelines”). In order to ensure the transparency and objectivity of the evaluation recommended in SLLP, Japan Credit Rating Agency, Ltd. (“JCR”) conducted a third-party evaluation of the appropriateness of the Sustainability Performance Targets (“SPTs”) from the viewpoint of the borrower’s sustainability strategy and corporate value enhancement as an independent third-party organization.

(1) Establishment of Sustainability Strategies and SPTs of Mitsubishi Estate

Mitsubishi Estate agreed with The Norinchukin Bank to set the following SPTs for the Loans.

- SPTs (i) Reductions in greenhouse gas emission levels based on the SBT (Science Based Target) Commitments to cope with climate change (FY2030 target: 35% reduction from FY2017 emission level)
- SPTs (ii) Increase in renewable energy ratio of electricity used in its business activities (FY2030 Target 25%)

In January 2020, the Mitsubishi Estate Group (the “Group”) formulated “Mitsubishi Estate Group 2030 Goals for SDGs”. They are positioned as milestones that define various themes and actions in working to achieve the 2050 vision with a shared long-term perspective of solving global issues and urban development, in order to grow together with diverse stakeholders through "urban development" 100 years ahead. In FY2018, in order to further integrate sustainability and management and to promote them on a group-wide basis, cross-company working sessions were held, and seven themes that the Group should focus on from a SDGs perspective were newly identified as material issues.

The Group considers that initiatives regarding the environment are important and has been promoting concrete initiatives based on the belief that environmental initiatives are important in order to achieve the basic mission of the Group, i.e., " We contribute to society through urban development," in light of the fact that the many human and physical damages caused by concentrated torrential rain and unusual high temperatures caused by climate change are becoming more serious year by year and have had a significant impact on everyday life. In April 2019, the Group was certified by the SBT Initiative for its mid- to long-term greenhouse gas emissions reduction targets, which are consistent with the scientific knowledge required to achieve the Paris Agreement's 2°C target, by focusing on reducing energy consumption and greenhouse gas emissions. Among these targets, the Group set a target of reducing Scope 1+2 as one of the SPTs. This SPT is highly transparent and motivated by the fact that it is determined on a gross volume basis rather than on a basic unit basis for the buildings GHG emissions the Group owns and manages, and the target level is set at a higher level than the international reduction target level for buildings for leasing business, which is the Group’s main business.

The second SPT is renewable energy ratio of electricity at 25 % of all buildings owned and managed by the Group. When this target is achieved, it is expected to have significant CO₂ reduction impacts of approximately 120,000 tons-CO₂, assuming that the annual energy consumption is equal to that in FY2018. JCR highly appreciates that these SPTs are sufficiently ambitious and meaningful targets for Mitsubishi Estate as a leader in the real estate industry to lead the peers to move forward de-carbonization.

(2) Loan Terms and Monitoring System during the Loan Period

JCR confirmed incentives under the terms of the Loans are set in such a way that both the Norinchukin Bank and Mitsubishi Estates are satisfied. JCR also confirmed that the monitoring of the impact indicators is scheduled to be reported annually to the Norinchukin Bank, and that the final sustainability achievement status shall be assessed among three parties of Mitsubishi Estate, the Norinchukin Bank and JCR at the time of maturity.

Based on the above considerations, JCR has confirmed that the Loans subject to this third-party opinion align with SLLP and the MOE Guidelines.

Important explanation of this third-party opinion

1. Assumptions, Significance, and Limitations of JCR Third-party opinions

Third-party opinions provided by Japan Credit Rating Agency, Ltd. (JCR) represent JCR's current comprehensive opinion on the alignment of the Loan with Sustainability Linked Loan Principles (SLLP) formulated by the Loan Market Association (LMA), Ministry of Environment's Green Loans and Sustainability Liked Loans Guidelines, established in March 2020, and do not fully represent the extent of the positive impacts that such assessments have.

This third-party opinion is based on information provided by the client and information independently collected by JCR and is not intended to evaluate the current plans or conditions. This third-party opinion does not quantitatively demonstrate the positive effect of the Sustainability Linked Loan and does not represent a responsibility for its effectiveness. JCR confirms that the funds procured from this project are quantitatively and qualitatively measured by the Borrower or a third party requested by the Borrower in terms of the degree of achievement of the impact indicators set by the Company, but in principle does not directly measure these indicators.

2. International initiatives, principles, etc. referenced in the implementation of this assessment

In performing this assessment, JCR referred to the following principles and guides developed by LMA and UNEP FI.

- Sustainability Linked Loan Principles
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- Positive Impact Financial Principles
- Positive Impact Finance Model Framework with Unlimited Capital Uses

3. Relationship with Acts Related to Credit Rating Business

Providing this third-party opinion is undertaken by JCR as a related activity and does not constitute an activity relating to the credit rating business.

4. Relationship with Credit Ratings

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

5. Independence of JCR as a Third-party

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

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■ Glossary

Third-Party Opinion: This Report expresses an independent opinion on the alignment of Loan Market Association's Sustainability Linked Loan Principles for sustainability-linked loans and Ministry of Environment Green Loans and Sustainability Linked Loan Guidelines extended by lenders to Borrowers from an independent, neutral, and impartial standpoint at the request of the lender.

■ Registration as an External Evaluator of Sustainable Finance

- Members of the United Nations Environment Programme Financial Initiative Positive Impact Working Group
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- ICMA (registration as an observer with the International Association of Capital Markets as an external evaluator) Member of the Working Group on Principles of Social Bonds

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

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