

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

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

JCR Reviewed Green loan Evaluation on Long-Term Loans Borrowed by United Urban Investment Corporation

Subject	:	Long-term loan borrowed by United Urban Investment Corporation
Type	:	Long-term loan
Lender	:	Sumitomo Mitsui Trust Bank, Limited (SuMi TRUST)
Borrowing Amount	:	JPY 10 billion
Interest Rate	:	0.25% (per annum)
Date of Borrowing	:	September 28, 2018
Repayment Date	:	September 29, 2023
Repayment Method	:	Lump-sum repayment at maturity
Use of Proceeds	:	Payment of funds to acquire assets and refinancing of assets to be held

<Green Loan 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 announced its "Green 1" overall evaluation of long-term loan borrowed by United Urban Investment Corporation (UUR) to be used for refinancing funds for acquiring existing office buildings, commercial facilities and a new hotel. The main summary is as follows.

UUR was established in November 2003 under the Investment Trust Law and listed on the Tokyo Stock Exchange Real Estate Investment Trust Market (J-REIT Market) in December 2003. The asset management business is conducted by Japan REIT Advisors Co., Ltd. (JRA).

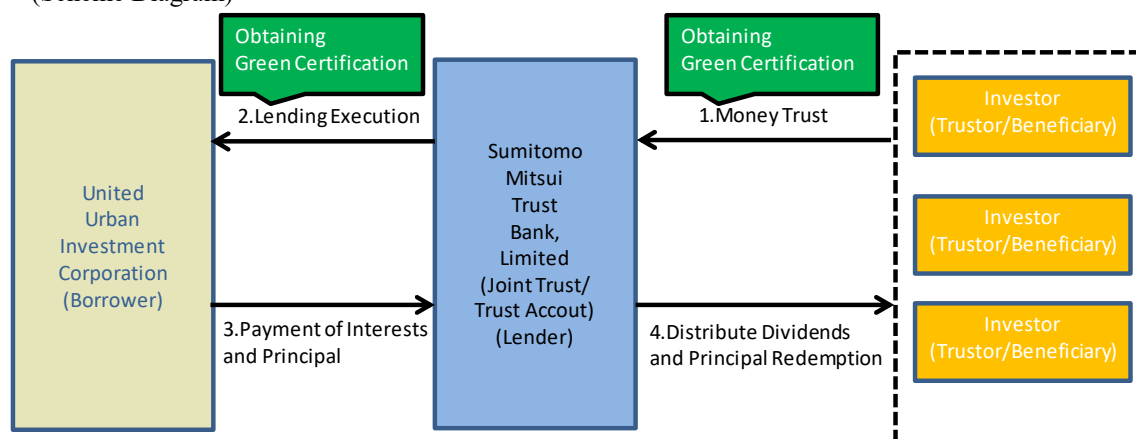
UUR defines real estate that can secure stable profitability over the medium to long term as real estate that has "intrinsic value," and aims to become a comprehensive portfolio with diversified uses and investment areas

(comprehensive J-REIT), and is working to secure stable earnings over the medium to long term by investing in carefully selected properties from a wide range of investment targets, identifying the "intrinsic value" of individual properties.

UUR also merged with Nippon Commercial Investment Corporation in 2010. Even after the merger, UUR continued to acquire assets by raising funds through loans and public offerings. As a result, it was one of the largest assets in the J-REIT market.

The subject to be evaluated is long-term loans (the "Loans") borrowed by the UUR from the trust account (joint money trust) of Sumitomo Mitsui Trust Bank, Limited (SMTB.) The overview of finance is shown below.

(Scheme Diagram)



MSTB receives money in trust from investors (1), or borrowing from ABLs and lend the fund to UUR (2). Principal and interest paid by UUR to SMTB (3) Dividend income (4). This is a mechanism for returning profits to investors.

JCR reviewed the borrower and confirmed that the eight properties which is the use of proceeds of the Loans continue to be operated successfully by the UUR. JCR also confirmed that the reporting concerning the use of proceeds for properties acquired by UUR through the Loans 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 to the Loans. Detailed evaluation is discussed in the next chapter.

The Loans are considered to meet the criteria for items in Green Loan Principle and MOE's Green Bond Guidelines.¹²

¹ 2018 LMA (Loan Market Association), APLMA(Asia Pacific Loan Market Association (Green Loan Principles)

² Ministry of the Environment Green Bond Guidelines 2017

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 Loans and the appropriation of proceeds procured for green projects has been properly carried out in a manner specified by the borrower at the time of assigning the Green Loan 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 Loans, 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 Loans are appropriately calculated according to the method stipulated by the borrower at the time of assigning the Green Loan Evaluation.

(5) Organization's Environmental Activities

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

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

(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.

JCR confirmed that UUR continued to own the eight properties which are subject to use of proceeds. No serious negative effects on the environment, such as noise and soil contamination or complaints from local residents, have been identified.

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

In the previous evaluation, JCR evaluated the selection criteria for the use of proceeds and the process as appropriate. In this review, JCR confirmed in an interview to JRA that there were no particular changes in the selection criteria for the use of proceeds and its process. Transparency is also considered to be ensured because details were referred in the evaluation report at the time of execution of the Loans.

(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. On UUR's website, the use of proceeds of the Loans is publicly announced, and it is considered that transparency is ensured.

(4) Reporting

a. Reporting on the funds allocation

The status of the funding of the eight properties acquired through the Loans is disclosed by the press release of UUR. After procurement, the entire amount was immediately appropriated to refinance funds for acquiring eight properties, and there was no unallocated fund. JCR evaluates that the reporting items and contents are appropriate.

b. Reporting on environmental improvement effects

UUR discloses on its website the level of environmental certification acquired for "green eligible assets" subject to the Loans. Data on green assets (electricity consumption, CO₂ emissions, and water consumption) are published on the website as of the end of FY2018.

JCR confirmed the appropriateness of the reporting items and content regarding environmental improvement effects.

(5) Organization's Environmental Activities

UUR formulated its Environmental Policy in May 2012, and declared that UUR will contribute to the development of a sustainable society by taking environmental considerations and reducing environmental impact.

The Environmental Policy states as following, "1. Energy saving and measures for global warming: United Urban Investment Corporation will proactively promote efficient use of resources and energy and contribute toward realization of a low-carbon society through introducing such technologies and systems as being friendly to the environment." "2. Reduction of environmental burdens: United Urban Investment Corporation will make efforts for reduction of environmental burdens and realization of a recycling society through such measures as saving water, reducing (curb of the waste), re-using and recycling together with reduction of carbon emission."

UUR also revised its Environmental Policy in November 2018, stating that UUR will continue to enhance its environmental management system, and is continuing its ongoing efforts to improve its environmental performance.

In particular, with regard to the environment, UUR has announced the "Sustainability Targets" on the its website as follows.

"As an owner of large-scale business facilities whose greenhouse effect gas emissions are assumed to be high, United Urban sets a target to reduce the "specific energy consumption rate" by 1% per annum on average for 5 years ("Specific energy consumption rate" is calculated by the factors like energy consumption, floor space, etc.). United Urban will accomplish the above mentioned target by such means as introducing highly-efficient equipment suitable to each facility on replacement of air-conditioners or lighting equipment."

Every fiscal year, the amount of electricity used, gas used, CO₂ emissions, and water consumption for properties owned by the UUR is disclosed. As for reducing waste, in addition to the amount of non-hazardous and hazardous waste, the recycling rate, incineration rate, landfill rate, etc. are also disclosed every fiscal year. In this way, information on environmental performance is actively disclosed to the public.

For ESG, UUR has independently established important sustainability issues (materiality), and each materiality is linked to each sustainable development target (SDGs), and each target is evaluated annually and publicly announced on the website.

As one of the materialities, UUR cites "certification/evaluation of environmental performances" and acquire GRESB Real Estate Assessment. In the GRESB Real Estate Assessment, in addition to acquiring 4 Stars from among the five grades, UUR has acquired Green Star for five consecutive years, which is granted to companies that excel in both the Management and Policies and the Implementation and Measurement, which are the two evaluation axes in the sustainability assessment. In addition, the GRESB Disclosure Assessment received the highest rating of "A" for the second consecutive year, as the disclosure of information on environmental considerations and sustainability initiatives was highly evaluated. JCR evaluates this as an indication that the ESG-related initiatives of UUR have been highly evaluated by third parties.

In November 2018, UUR's asset management company, JRA, also signed the "Principles for Responsible Investment" (PRI), which advocates incorporating ESG issues into investment decisions. JRA also

participates in the PRI real estate working group and regularly exchanges opinions with other companies. In February 2019, JRA has obtained ISO14001, an international certification for environmental management, and JRA is further strengthening its environmental and other ESG initiatives.

In addition to these, JRA has CASBEE for Real Estate Assessors since March, 2019. JRA is continually working to improve the expertise of its employees.

JRA's Sustainability Committee, which has expert knowledge and includes management as a member, is involved in determining the investment policy for "green eligible assets," and JCR evaluates that JRA has clearly positioned the funding policy, process, and green project selection criteria as an organization.

JCR recognizes that environmental problems are a high priority for UUR, and that departments with expertise are clearly involved in green loan procurement policies and processes and the selection of green projects.

(Reference) GRESB Real Estate Assessment

GRESB is an acronym for Global Real Estate Sustainability Benchmark. GRESB is a benchmark established in 2009 that measures and evaluates the degree of consideration given to ESG by companies that hold and manage real estate and infrastructure. From 2016, the evaluation results are shown on a five-star scale (five stars, four stars, three stars, two stars, and one star). Companies that have made excellent efforts are given "Green Star" separately from the five-star evaluation. As of Sep. 2019, 44 investment corporations have participated in the evaluation from J-REIT.

■ Conclusion

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

[JCR Green Loan 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

■ Scope of Subject

Borrower: United Urban Investment Corporation (Security Code: 8960)

Review

Subject	Borrowing Amount	Date of Borrowing	Repayment Date	Interest Rate	Evaluation
Long-term loan (Green Loan)	JPY 10 billion	September 28, 2018	September 29, 2023	0.25%	JCR Green Loan Evaluation :Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

(Responsible analysts for this evaluation) Rieko Kikuchi and Kosuke Kajiwara

Important explanation of the Green Loan Evaluation

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

JCR Green Loan Evaluation, which is granted and provided by Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the funds procured from the issuance of green loans, 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 loans are ensured. JCR Green Loan Evaluation does not fully indicate the extent to which the funds procured from such green loans are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Loan Evaluation assesses the plan or status of the appropriation of funds at the time of the green loan issuance plan or at the time of issuance, and does not guarantee the status of the appropriation of funds in the future. In addition, JCR Green Loan Evaluation does not prove the environmental effects of green loans and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green loans on the environment are measured quantitatively and qualitatively by the borrower or by a third party requested by the borrower, but in principle it does not directly measure the effects.

2. Methods used in the conduct of this evaluation

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

3. Relationship with Acts Related to Credit Rating Business

JCR Green Loan 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 Rating

The Assessment 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.

■ Disclaimers

The information contained in this document has been obtained by JCR from the Issuer and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no warranty, either expressed or implied, regarding the accuracy, consequences, accuracy, timeliness, completeness, marketability, or fitness for any particular purpose, and JCR assumes no responsibility for any errors, omissions, or results of the use of such information. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Green Loan Evaluation does not express any opinion on the various risks (credit risk, price fluctuation risk, market liquidity risk, etc.) associated with the green loan, which is the subject to the evaluation. JCR Green Loan Evaluation is a comprehensive statement of opinion at the present time of JCR and is not a statement of fact and does not make any recommendations regarding risk judgment or the decision to purchase, sell or hold individual bonds, commercial paper, etc. JCR Green Loan Evaluations may be changed, suspended, or withdrawn due to changes in information, lack of information, or other reasons. All rights to this document, including data from the JCR Green Loan Evaluation, are held by JCR. Reproduction, adaptation, modification or alteration of this document, in whole or in part, including data from the JCR Green Loan Evaluation, without the permission of JCR is prohibited.

■ Glossary

JCR Green Loan Evaluation: JCR Green Loan Evaluation evaluates the extent to which the funds procured from the Green Loan are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Loan 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

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier

■ 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
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

■ For further information, contact

Information Service Dept. TEL: 03-3544-7013 FAX: 03-3544-7026

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026